5841599

Volution Group Limited

Report and Financial Statements

31 July 2008

Registered No. 5841599

Directors

E Lindh	(Non Executive Chairman)
K Sargeant	(Chief Executive)
D E Collier	(Non Executive)
S J Diamond	
R A George	
A D Moye	(Non Executive)
L F Rutter	

Secretary
S J Diamond

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

Registered Office
Fleming Way
Crawley
West Sussex RH10 9YX

Directors' report

The directors present their report and financial statements for the year ended 31 July 2008.

Results and dividends

The consolidated profit and loss account is set out on page 8 and reports a loss for the year of £5,659,000 (period ended 31 July 2007 – loss of £9,019,000). The directors do not recommend the payment of a dividend.

Principal activity and review of the business

The company's principal activity is that of an investment holding company, with subsidiaries engaged in the design, manufacture and distribution of high quality unitary and systems ventilation products. These include a number of respected brands in the ventilation industry.

The company changed its name from Darwin Equity Limited to Volution Group Limited on 8 March 2008.

Financial performance for the year was in line with expectations. The directors consider the results to be encouraging with the group showing significantly reduced losses and all trading subsidiaries showing growth in operating profits during the financial year.

Future developments

The Group will develop its existing activities and seek expansion opportunities to increase revenues and profitability both organically and by acquisition.

Research and development

The Group carries out research and development programmes to suit its particular market, product and customer needs.

Employees

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

1. Full and fair consideration is given to all applications for employment made by disabled persons, having regard to their capabilities;

2. 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, or by training, in a suitable alternative job; and

3. Disabled persons are given equal consideration for training, career development and opportunities for promotion within the Group.

Management are regularly provided with a range of information concerning the performance of the business by means of meetings and similar briefings that allows their 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' report

Supplier payments policy

The Group's policy in relation to the payment of its suppliers is to agree terms of payment with each supplier when negotiating the terms of each business transaction. It is group practice to abide by the agreed terms of payment unless the supplier defaults under its own obligations. Trade creditors at the period end amount to 54 days.

Environmental policy

Companies in the Group adopt a responsible attitude towards the protection of the environment. The Group strives to meet requirements of all applicable environmental laws and regulations, to continuously improve environmental performance and to contribute to long-term economic, environmental and social sustainability. Group companies develop energy efficient means of manufacturing, recycling, reducing, and re-using waste. To this end the company has developed a range of ventilation equipment that uses significantly less energy, and also has an expanded range of domestic heat recovery products. The Group also arranges for responsible disposal of waste.

Directors

The directors who served during the year were as follows:

E Lindh
K Sargeant
D E Collier
S J Diamond
A D Moye
L F Rutter
R A George (appointed 3 April 2008)

Financial instruments

The financial risk management objectives and policies of the Company and its subsidiary undertakings included in the consolidation, and the group's policy for hedging major forecasted transactions, are detailed in note 1 to the financial statements.

The group engages in three main types of financial instruments:

- Short-term trade receivable and payables;
- Bank loan notes and bonds;
- Vanilla forwards, forward extra foreign exchange contracts and interest rate swaps

The directors do not consider the book value of first two to materially differ from the fair value.

At 31 July 2008, the Group had a number of commitments under vanilla forward foreign exchange contracts with varying settlement dates to 10 July 2009. The fair value of these financial instruments is a liability of £2,000. The group also had a commitment under an interest rate swap due to settle on 31 October 2009, the fair value of this financial instrument is an asset of £232,000.

The directors' understanding of risk and the group'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 short term trading financial instruments is mitigated by utilisation of surplus foreign exchange within the group.

Directors' report

Financial instruments (continued)

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 believe this to be related to the counterparty the Group transacts with. This is typically a reputable high street bank thus minimising risk. With regard to trading instruments the directors believe credit risk relates to trade debtors, to mitigate against credit risk the group has developed strong credit control procedures and internal control mechanisms.

Liquidity risk

Risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. Cash flow is regularly monitored and the group has been using derivative contracts for a number of years and is therefore aware of the working capital commitment. To the best of the directors' knowledge there are no foreseeable constraints in discharging obligations in relation to forward contracts. Cash flow is regularly monitored using weekly and monthly reporting in addition to quarterly reforecast updates against the annual budget.

The group also reviews its long term funding requirements in parallel with its long term strategy with an objective of aligning both in a timely manner.

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 resulting from exposure to foreign exchange risk. Similarly the intention of using interest rate swaps is to minimise exposure to volatile cash flow resulting from changes in the Bank of England base rate. As the rate and quantity are fixed exposure is deemed minimal.

Principal risks and uncertainties

The directors consider the principal risks and uncertainties facing the group to include both the general economic outlook for the U.K. public and private construction sectors which impacts demand for the group's products and fluctuations in exchange rates of sterling to other major currencies which impacts both the revenue stream and cost of some of the group's products. Given these risks the group benchmarks key direct and indirect expenditure and reviews it organisational structure on a regular basis.

Going concern

The directors confirm, after making appropriate enquiries, they have a reasonable expectation the Group 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 5 and should be read in conjunction with this statement.

Disclosure of information to the auditors

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/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On order of the Board

S J Diamond
Secretary
3 November 2008

Statement of directors' responsibilities

The directors are responsible for preparing the Annual 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). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group 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 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditors' report

to the members of Volution Group Limited

We have audited the Group and parent company financial statements (the "financial statements") of Volution Group Limited for the year ended 31 July 2008 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated and Company Balance Sheets, the Consolidated Statement of Cash Flows and the related notes 1 to 26.These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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 auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent auditors' report

to the members of Volution Group Limited

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and the parent Company's affairs as at 31 July 2008 and of the Group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
London

6 November 2008

Consolidated profit and loss account

for the year ended 31 July 2008

	Notes	Year ended 31 July 2008 £000	14 - months period ended 31 July 2007 £000
Turnover	2	93,224	76,309
Cost of sales		(55,356)	(45,812)
Gross profit		37,868	30,497
Distribution expenses		(13,832)	(11,337)
Administrative expenses		(14,978)	(12,963)
Operating profit	3	9,058	6,197
Interest receivable and similar income	6	738	3,831
Interest payable and similar charges	7	(14,865)	(18,795)
Loss on ordinary activities before tax		(5,069)	(8,767)
Tax on loss on ordinary activities	8	(590)	(252)
Loss for the year	20	(5,659)	(9,019)

Consolidated statement of total recognised gains and losses

for the year ended 31 July 2008

There are no recognised gains or losses other than those shown in the profit and loss account.

Consolidated balance sheet

at 31 July 2008

	Notes	2008 £000	2007 £000
Fixed assets			
Intangible assets	9	97,494	103,795
Tangible assets	10	10,857	11,240
		108,351	115,035
Current assets			
Stocks	12	9,966	9,675
Debtors	13	23,186	20,320
Cash at bank		15,965	8,207
		49,117	38,202
Creditors: amounts falling due within one year	14	(18,581)	(17,849)
Net current assets		30,536	20,353
Total assets less current liabilities		138,887	135,388
Creditors: amounts falling due in more than one year	14	(149,559)	(140,830)
Provisions for liabilities	15	(1,006)	(577)
		(150,565)	(141,407)
Net liabilities		(11,678)	(6,019)
Capital and reserves			
Called up share capital	19	787	787
Share premium account	20	2,213	2,213
Profit and loss account	20	(14,678)	(9,019)
Shareholders' funds	20	(11,678)	(6,019)

Approved by the Board on 3 November 2008 and signed on its behalf by:

K Sargeant
Director

S J Diamond
Director

Company balance sheet
at 31 July 2008

	Notes	2008 £000	2007 £000
Fixed assets			
Investment in subsidiary undertakings	11	913	913
Current assets			
Debtors: amounts falling due in more than one year	13	2,382	2,315
Creditors: amounts falling due within one year	14	(40)	(68)
Net current assets		2,342	2,247
Net assets		3,255	3,160
Capital and reserves			
Called up equity share capital	19	787	787
Share premium account	20	2,213	2,213
Profit and loss account	20	255	160
Shareholders' funds	20	3,255	3,160

Approved by the Board on 3 November 2008 and signed on its behalf by:

K Sargeant
Director

S J Diamond
Director

Consolidated statement of cash flows

for the year ended 31 July 2008

	Notes	Year ended 31 July 2008 £000	14 months period ended 31 July 2007 £000
Net cash inflow from operating activities	21	17,268	13,488
Returns on investments and servicing of finance			
Interest paid on bank loans and overdrafts		(7,470)	(9,785)
Withholding tax paid on loan note interest		–	(3,712)
Interest received		738	1,676
		(6,732)	(11,821)
Taxation			
UK corporation tax paid		(842)	(245)
Foreign tax recovered		–	3
		(842)	(242)
Capital expenditure			
Purchase of tangible fixed assets		(978)	(784)
Proceeds from sale of tangible fixed assets		117	100
		(861)	(684)
Acquisitions and disposals			
Purchase of subsidiary undertakings	9	–	(193,263)
Net sale proceeds of business held for disposal		–	51,000
Loans repaid by business sold		–	6,943
		–	(135,320)
Net cash inflow/(outflow) before financing		8,833	(134,579)
Financing			
Issue of share capital		–	3,000
Inception of debt		–	169,463
Repayment of long-term loans		(1,075)	(37,008)
		(1,075)	135,455
Increase in cash	22,23	7,758	876

Notes to the financial statements

at 31 July 2008

1. Accounting policies

Basis of preparation

The consolidated financial statements incorporate the financial statements of Volution Group Limited and all of its subsidiary undertakings made up to 31 July each year. The acquisition method of accounting is used to consolidate the results of subsidiary undertakings in the Group financial statements, whereby the results of subsidiary undertakings are included from the date of acquisition and businesses sold are included up to the date of sale. The Company is exempt from presenting its own profit and loss account under section 230 of the Companies Act 1985. The company's profit after tax for the year amounted to £95,000.

Depreciation

Depreciation is provided on all tangible fixed assets, except freehold land, at rates estimated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Freehold buildings	–	50 years
Plant and machinery	–	5 to 10 years
Fixtures, fittings, tools, equipment and vehicles	–	2 to 10 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be fully recoverable.

Investments

Investments are included in the Company balance sheet at cost less amounts written off.

The carrying values of investments are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be fully recoverable.

Goodwill

Goodwill is the difference between the cost of an acquired entity and the aggregate of the fair value of that entity's identifiable assets and liabilities.

Positive goodwill is capitalised, classified as an asset on the balance sheet and amortised on a straight line basis over its estimated useful life, normally 20 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be fully recoverable.

Research and development

Research and development expenditure, other than that re-chargeable to third parties, is written off as incurred.

Stocks and work in progress

Stocks and work in progress are valued at the lower of cost and net realisable value and, in the case of work in progress and finished goods, includes the relevant proportion of overheads.

Notes to the financial statements

at 31 July 2008

1. Accounting policies (continued)

Pension costs

The cost charged in the profit and loss account of providing retirement pensions for employees represents the amounts paid by group companies to the various defined contribution pension schemes operated by the Group in the financial year.

Revenue recognition

Revenue is recognised to the extent that the group obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. The following criteria must also be met before revenue is recognised:

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on dispatch of the goods.

Rendering of services

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

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive tax, with the following exceptions:

- Provision is made for deferred tax that would arise on remittance of the retained earnings of subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable; and
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that taxable profits will be available from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Company

Transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates ruling at the balance sheet date. Exchange differences arising in the ordinary course of business are included in the profit and loss account.

Group

The financial statements of overseas subsidiary undertakings are translated at the rate of exchange ruling at the balance sheet date. The exchange difference arising on the retranslation of opening net assets is taken directly to reserves. All other translation differences are taken to the profit and loss account with the exception of differences on foreign currency borrowings to the extent that they are used to finance or provide a hedge against group equity investments in foreign enterprises, which are taken directly to reserves together with the exchange difference on the net investment in these enterprises. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in reserves.

Notes to the financial statements

at 31 July 2008

1. Accounting policies (continued)

Derivative instruments

The group uses forward foreign currency contracts to reduce exposure to foreign exchange risk. The group also uses interest rate swaps to adjust exposure to interest rate risk.

Forward foreign currency contracts

The group's purchases in foreign currencies, net of group sales in those currencies, represent approximately 35% of total material and component purchases. Annually, typically in May, the Group enters into forward exchange contracts for the purchase of the budgeted monthly net expenditure in Euros and US dollars, for the financial year commencing on the following 1 August.

The criteria for forward foreign currency contracts are:

- The instrument must be related to anticipated foreign currency commitment;
- It must involve the same currency as the hedged item; and
- It must reduce the risk of foreign currency exchange movements on the Group's operations

The rates under such contracts are used to record the hedged item. As a result, gains and losses are offset against the foreign exchange gains and losses on the related financial assets and liabilities, or where the instrument is used to hedge a future transaction, are not recognised until the transaction occurs.

Interest rate swaps

The group's criteria for interest rate swaps are:

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

Interest differentials are recognised by accruing with net interest payable. Interest rate swaps are not revalued to fair value or shown on the group balance sheet at the year end. If they are terminated early, the gain/loss is spread over the remaining maturity of the original instrument.

Lease commitments

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

Provision is made for the cost of reinstatement work on leased properties where there is an obligation under the lease, and the costs can be reasonably estimated.

Finance costs

Finance costs associated with the issue of debt are deducted from the proceeds of the issue and charged to the profit and loss account over the term of the debt so that the amount charged is at a constant rate on the carrying amount.

Notes to the financial statements

at 31 July 2008

2. Turnover

Turnover, which comprises a single continuing class of activity, represents the net amount invoiced to customers less trade discounts allowed, excluding value added tax and excluding sales of fixed assets. The analysis of turnover by geographical area is as follows:

	Year ended 31 July 2008 £000	14 months period ended 31 July 2007 £000
UK	78,535	64,238
Overseas	14,689	12,071
	93,224	76,309

3. Operating profit

This is stated after charging / (crediting):

	Year ended 31 July 2008 £000	14 months period ended 31 July 2007 £000
Depreciation of tangible fixed assets	1,845	1,723
Amortisation of intangible fixed assets	6,404	5,705
Impairment of intangible fixed assets	–	130
Operating lease rentals – land and buildings	508	171
– plant and machinery	59	54
Research and development expenditure	1,350	1,596
Auditors' remuneration – audit services	105	78
– taxation services	11	39
Profit on sale of tangible fixed assets	(51)	(17)

4. Directors' emoluments

	Year ended 31 July 2008 £000	14 months period ended 31 July 2007 £000
Aggregate directors' emoluments	672	527
Aggregate directors' pension contributions	64	58
In respect of highest paid director:		
Aggregate emolument	236	191
Aggregate pension contributions	25	25

Notes to the financial statements

at 31 July 2008

4. Directors' emoluments (continued)

The Company paid £50,000 (2007:£50,000) for the services as directors of D Collier and A Moye.

The number of directors accruing benefits under Group money purchase pension arrangements was 4 (2007:3).

5. Staff costs

Staff costs (excluding directors' emoluments) during the year were:

	Year ended 31 July 2008 £000	14 months period ended 31 July 2007 £000
Wages and salaries	15,436	12,219
Social security costs	1,475	1,200
Other pension costs	630	646
	17,541	14,065

The average monthly number of employees during the financial year was:

	Year ended 31 July 2008 No.	14 months period ended 31 July 2007 No.
Production	456	305
Sales and administration	343	324
	799	629

6. Interest receivable and similar income

	Year ended 31 July 2008 £000	14 months period ended 31 July 2007 £000
Other interest receivable	738	1,676
Unwinding of finance discount	–	2,155
	738	3,831

Notes to the financial statements

at 31 July 2008

7. Interest payable and similar charges

	Year ended 31 July 2008 £000	14 months period ended 31 July 2007 £000
Interest payable on bank loans and overdrafts	8,412	10,689
Amortisation of finance costs	442	442
Interest on loan notes repayable after more than five years	7,299	7,663
Adjustment to prior year deep discount bonds Interest payable*	(1,288)	
Other interest payable	–	1
	14,865	18,795

*The amount of interest payable on the deep discount bonds 2016 for the year ended 31 July 2007 has been reduced to reflect a compensation agreement with the bond holder regarding non-deductibility for tax purposes of a portion of the interest cost.

8. Tax

(a) Analysis of charge in the year:

	Year ended 31 July 2008 £000	14 months period ended 31 July 2007 £000
Current tax		
UK corporation tax	1,107	–
Adjustment in respect of the prior year	(134)	(42)
Foreign tax	–	(3)
Total current tax (note 8(b))	973	(45)
Deferred tax		
Origination and reversal of timing differences	383	297
Total deferred tax (note 8(c))	383	297
Tax charge for the year	590	252

Notes to the financial statements

at 31 July 2008

8. Tax (continued)

(b) Factors affecting the current tax charge/(credit) for the year:

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 29.33% (2007:30%). The differences are explained below:

	Year ended 31 July 2008 £000	*14 months period ended 31 July 2007 £000*
Loss on ordinary activities before tax	(5,069)	(8,767)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 29.33% (2007 – 30%)	(1,487)	(2,630)
Effects of:		
Expenses not deductible for tax purposes: Interest on deep discount bonds	1,537	152
Other	1,101	621
Capital allowances in arrears of depreciation	104	640
Other timing differences	(148)	1,217
Adjustment in respect of prior year	(134)	(42)
Foreign tax	–	(3)
Current tax for the year (note 8(a))	973	(45)

(c) Deferred tax asset:

	2008 £000	*2007 £000*
Consisting of		
Depreciation in advance of capital allowances	(282)	–
Other timing differences	(101)	–
Undiscounted deferred tax asset (note 13)	(383)	–

	£000
At 31 July 2007	–
Deferred tax credit in profit and loss account (note 8(a))	(383)
At 31 July 2008	(383)

Notes to the financial statements
at 31 July 2008

8. Tax (continued)

	2008	*2007*
	£000	*£000*
Unrecognised tax asset:		
Short-term timing differences	(141)	(293)
Tax losses	–	(1,184)
Depreciation in advance of capital allowances	–	(231)
At 31 July 2008	(141)	(1,708)

The £141,000 deferred tax asset has not been recognised on the grounds there is insufficient evidence the asset will be recoverable.

9. Intangible fixed assets
Group

	Goodwill
	£000
Cost:	
At 31 July 2007	109,630
Increase during the year	103
At 31 July 2008	109,733
Amortisation:	
At 31 July 2007	5,835
Charge for the year	6,404
At 31 July 2008	12,239
Net book value:	
At 31 July 2008	97,494
At 31 July 2007	103,795

The increase during the year relates to the fair value adjustment of the subsidiary undertaking acquired in 2007 in accordance with FRS 7 'fair values in acquisition accounting'.

Notes to the financial statements

at 31 July 2008

10. Tangible fixed assets

Group

	Freehold land and buildings £000	*Plant and machinery £000*	*Fixtures, fittings, tools, equipment and vehicles £000*	*Total £000*
Cost:				
At 31 July 2007	7,049	2,348	3,566	12,963
Additions	639	369	520	1,528
Disposals	–	(108)	(505)	(613)
At 31 July 2008	7,688	2,609	3,581	13,878
Depreciation:				
At 31 July 2007	(178)	(347)	(1,198)	(1,723)
Charge for the year	(221)	(642)	(982)	(1,845)
Disposals	–	86	461	547
At 31 July 2008	(399)	(903)	(1,719)	(3,021)
Net book value:				
At 31 July 2008	7,289	1,706	1,862	10,857
At 31 July 2007	6,871	2,001	2,368	11,240

Notes to the financial statements

at 31 July 2008

11. Investment in subsidiary undertakings

Company

	2008	2007
	£000	£000
Cost:		
At 31 July 2008 and 31 July 2007	913	913

The investment represents a 100% shareholding in Darwin Bond Limited (an intermediate holding company), which has direct or indirect interests in the following companies:

Company	Country of incorporation	Proportion of shares held	Nature of business
Direct:			
Darwin Mezzanine Limited	England	100%	Intermediate holding company
Indirect:			
Volution Holdings Limited	England	100%	Holding company
Volution Limited	England	100%	Intermediate holding company
Vent-Axia Group Limited	England	100%	Air movement products
Torin Sifan Limited	England	100%	Air movement products
Manrose Manufacturing Limited	England	100%	Air movement products
Anda Products Limited	England	100%	Unremunerated agent
Axia Fans Limited	England	100%	Dormant
NCA Manufacturing Limited	England	100%	Dormant
Roof Units Limited	England	100%	Unremunerated agent
Sifan Systems Limited	England	100%	Unremunerated agent
Torin Limited	England	100%	Unremunerated agent
Torin Holdings Limited	England	100%	Non trading
Tradewinds Ventilation Limited	England	100%	Dormant
Vent-Axia Limited	England	100%	Unremunerated agent
Vent-Axia Air Conditioning Limited	England	100%	Dormant
Vent-Axia Clean Air Systems Limited	England	100%	Unremunerated agent
Vent-Axia Ventilation Limited	England	100%	Dormant
Willow Plastics Limited	England	100%	Dormant

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

12. Stocks

	Group 2008 £000	Company 2008 £000	Group 2007 £000	Company 2007 £000
Raw materials and consumables	4,730	–	4,831	–
Work in progress	914	–	757	–
Finished goods and goods for resale	4,322	–	4,087	–
	9,966	–	9,675	–

The difference between the estimated replacement cost of stocks and the purchase price or product cost is not material.

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at 31 July 2008

13. Debtors

	Group 2008 £000	Company 2008 £000	Group 2007 £000	Company 2007 £000
Amounts falling due within one year:				
Trade debtors	18,775	–	18,765	–
Other debtors	2,895	–	750	–
Prepayments and accrued income	1,133	–	805	–
Deferred tax (note 8(c))	383	–	–	–
	23,186	–	20,320	–
Amounts falling due in more than one year:				
Amounts owed by group undertakings	–	2,382	–	2,315

14. Creditors

	Group 2008 £000	Company 2008 £000	Group 2007 £000	Company 2007 £000
Amounts falling due within one year:				
Bank loans (note 16)	1,390	–	1,075	–
Unamortised finance costs	(442)	–	(442)	–
	948	–	633	–
Trade creditors	9,329	–	9,084	–
Other creditors	6,453	–	6,289	–
Corporation tax	431	40	300	68
Taxes and social security	1,420	–	1,543	–
	18,581	40	17,849	68
Amounts falling due in more than one year:				
Bank loans (note 16)	84,872	–	85,320	–
Unamortised finance costs	(2,211)	–	(2,653)	–
	82,661	–	82,667	–
Unsecured deep discount bonds 2016 (note 16)	62,477	–	54,319	–
Unsecured QCB loan notes 2016 (note 16)	4,421	–	3,844	–
	149,559	–	140,830	–

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at 31 July 2008

15. Provisions for liabilities

Group

	Service guarantees	*Property dilapidations*	*Total*
	£000	*£000*	*£000*
At 31 July 2007	477	100	577
Charged	319	–	319
Capitalised	–	550	550
Utilised	(340)	(100)	(440)
At 31 July 2008	456	550	1,006

Dilapidations

A provision has been recognised for dilapidations relating to obligations under a lease for a leasehold building which will be payable at the end of the lease term.

Service guarantees

A provision is recognised for expected service guarantees on products sold during the year.

16. Borrowings

	Group 2008	*Company 2008*	*Group 2007*	*Company 2007*
	£000	*£000*	*£000*	*£000*
Analysis of maturity of debt:				
In one year or less	1,390	–	1,075	–
In more than one year but no more than two	1,959	–	1,391	–
In more than two years but not more than five	7,491	–	6,858	–
Bank loans	10,840	–	9,324	–
In more than five years:				
Bank loans	75,422	–	77,071	–
Unsecured deep discount bonds 2016	62,477	–	54,319	–
Unsecured QCB loan notes 2016	4,421	–	3,844	–
	153,160	–	144,558	–

The bank loans made available by Royal Bank of Scotland plc are governed by a facilities agreement and mezzanine loan agreement dated 6 July 2006 between Darwin Mezzanine Limited and Royal Bank of Scotland plc. The outstanding loans comprise four elements:

Element	*Amount outstanding £000*	*Repayment dates*	*Repayment frequency*	*Interest rate %*
A	10,840	2009 – 2013	Twice yearly	LIBOR + 2.00%
B	39,077	2014	Two payments	LIBOR + 2.50%
C	17,000	2015	One payment	LIBOR + 5.00%
Mezzanine	19,345	2016	One payment	LIBOR + 9.00%

The facilities agreement and mezzanine loan agreement give Royal Bank of Scotland plc, as Security Agent, for itself and any other bank which participates in the facilities, a fixed and floating charge over the assets of the Company and its subsidiaries.

Notes to the financial statements

at 31 July 2008

16. Borrowings (continued)

On 26 October 2006, Darwin Mezzanine Limited entered into an interest rate swap agreement with Royal Bank of Scotland plc. Under this agreement, which matures on 31 October 2009, an amount equivalent to approximately 80% of the outstanding loan detailed above is subject to a fixed rate with 5.278% replacing LIBOR.

The deep discount bonds and the QCB loan notes are unsecured and are both repayable in one instalment in 2016. Both loans carry interest at 14.24% per annum compounded quarterly.

17. Capital commitments

	Group 2008 £000	*Company 2008 £000*	*Group 2007 £000*	*Company 2007 £000*
Amounts contracted	182	–	174	–

18. Obligations under operating leases

At the year end, the Group had annual commitments as follows:

	Land and buildings 2008 £000	*Other 2008 £000*	*Land and buildings 2007 £000*	*Other 2007 £000*
Leases expiring:				
Within one year	–	8	–	8
Within two to five years	–	24	–	24
After five years	508	–	508	–
	508	32	508	32

Notes to the financial statements

at 31 July 2008

19. Authorised and issued share capital

	Authorised	*Allotted Called up and fully paid*	*£000*
Ordinary shares of £1 each	765,000	765,000	765
A cumulative participating ordinary shares of 1p each	2,087,300	2,087,300	21
B cumulative participating ordinary shares of 1p each	147,700	147,700	1
			787

A and B cumulative participating ordinary shares are entitled to dividends from 2010 in preference to the ordinary shares. In all other respects, all classes of shares rank pari passu with each other, and all classes carry restricted rights in respect of transfer and sale.

20. Reconciliation of shareholders' funds and movement on reserves

	Share capital £000	*Share premium account £000*	*Profit and loss account £000*	*Total share-holders' funds £000*
Group				
On incorporation	–	–	–	–
Shares issued	787	2,213	–	3,000
Loss for the period	–	–	(9,019)	(9,019)
At 31 July 2007	787	2,213	(9,019)	(6,019)
Loss for the year	–	–	(5,659)	(5,659)
At 31 July 2008	787	2,213	(14,678)	(11,678)

	Share capital £000	*Share premium account £000*	*Profit and loss account £000*	*Total share-holders' funds £000*
Company				
On incorporation	–	–	–	–
Shares issued	787	2,213	–	3,000
Profit for the period	–	–	160	160
At 31 July 2007	787	2,213	160	3,160
Profit for the year	–	–	95	95
At 31 July 2008	787	2,213	255	3,255

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21. Reconciliation of operating profit to net cash inflow from operating activities

	2008	2007
	£000	£000
Operating profit	9,058	6,197
Depreciation	1,845	1,723
Amortisation of goodwill	6,404	5,705
Adjustment of goodwill	–	130
Profit on sale of tangible fixed assets	(51)	(17)
Increase in stocks	(291)	(289)
Decrease in debtors	138	386
Increase/(decrease) in creditors	165	(347)
Net cash inflow from operations	17,268	13,488

22. Analysis of net debt

Group	2007	Cash flow	Non-cash movements	2008
	£000	£000	£000	£000
Cash at bank	8,207	7,758	–	15,965
Debt due within one year	(1,075)	1,075	(1,390)	(1,390)
Debt due after one year	(143,483)	–	(8,287)	(151,770)
Unamortised finance costs	3,095	–	(442)	2,653
	(133,256)	8,833	(10,119)	(134,542)

Non-cash movements:

Rolled-up interest of £9,677,000 (2007 – £8,566,000) was accrued during the year in respect of the mezzanine element of the bank loans and the loan notes. £442,000 was charged to the profit and loss account as amortisation of deferred costs of obtaining finance.

23. Reconciliation of net cash flow to movement in net debt

	2008	2007
	£000	£000
Increase in cash	7,758	876
New long-term loans	–	(173,000)
Long-term loan repayments	1,075	37,008
Finance costs	–	3,537
Change in net debt resulting from cashflows	8,833	(131,579)
Rolled-up interest	(9,677)	(8,566)
Finance costs written off during year	(442)	(442)
Movement in net debt in year	(1,286)	(140,587)
Cash acquired on acquisition of new subsidiaries	–	7,331
Net debt at 31 July 2007	(133,256)	–
Net debt at 31 July 2008	(134,542)	(133,256)

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at 31 July 2008

24. Contingent liabilities

Group companies guarantee bank loans of £86,262,000 (2007 – £86,395,000) held by Darwin Mezzanine Limited with Royal Bank of Scotland plc on a joint and several basis. The Group acts as a chargor for this secured bank funding and, as such, is subject to a fixed and floating charge over its assets.

25. Parent undertaking and controlling party

The ultimate parent undertaking is the ABN AMRO Capital UK Buy Out Fund, which is a limited partnership fund registered in England and Wales.

The majority investor in this fund is AAV NEBO BV, which until November 2007 was ultimately owned by ABN AMRO Holding NV, incorporated in the Netherlands.

AAV NEBO BV is now ultimately owned by RFS Holdings BV, incorporated in the Netherlands.

The financial statements of Volution Group are not consolidated into the accounts of any other entity.

26. Related party transactions

During the year the group entered into transactions with other related parties. Transactions entered and balances outstanding at 31 July 2008 are as follows:

Name of related party	Description of transaction	Description of relationship	Balance outstanding/(due) at 31 July 08 *£000*
ABN AMRO Bank NV	Unsecured deep discount bonds repayable in 2016 (capital and interest)[1]	Subsidiary of ABN AMRO Holding NV	62,477
AAC Capital Partners Ltd	Fees for provision of non-executive directors	Manager of ABN AMRO Capital UK Buy Out Fund	–
K Sargeant	QCB loan notes repayable in 2016 (capital and interest)[1]	Director	2,130
L F Rutter		Director	1,492
S J Diamond		Director	799

[1]Refer to Note 16 for further details