## ELECTRONIC TRANSMISSION DISCLAIMER

**STRICTLY NOT TO BE FORWARDED TO ANY OTHER PERSONS**

**IMPORTANT:** You must read the following disclaimer before continuing. This electronic transmission applies to the attached prospectus (the "**Prospectus**") relating to the ordinary shares (the "**Ordinary Shares**") in Volution Group plc (the "**Company**") dated 18 June 2014 accessed from this page or otherwise received as a result of such access. You are advised to read this disclaimer carefully before reading, accessing or making any other use of the Prospectus. In reading, accessing or otherwise using the Prospectus, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from the Company or from Canaccord Genuity Limited ("**Canaccord Genuity**") and/or Liberum Capital Limited ("**Liberum**" and, together with Canaccord Genuity, the "**Joint Bookrunners**") as a result of such access. You acknowledge that the Prospectus and its delivery are confidential and is solely for your information and intended for you only and you agree that you will not forward, reproduce, copy (in whole or in part), disclose or publish the Prospectus (or any information contained in it), electronically or otherwise, to any other person. The Prospectus has been prepared solely in connection with the application: (a) to the Financial Conduct Authority ("**FCA**") for all of the issued and to be issued Ordinary Shares to be admitted to the premium listing segment of the Official List maintained by the FCA; and (b) to the London Stock Exchange plc for the Ordinary Shares to be admitted to trading on its main market for listed securities (together, "**Admission**") and the proposed offer of Ordinary Shares by the Company and the Selling Shareholders (as defined in Part XIV (*Definitions*) of the Prospectus) (the "**Selling Shareholders**") to certain institutional and professional investors (the "**Offer**"). The Prospectus has been prepared on the assumption that all regulatory, tax and other clearances, registrations, consents and approvals have been obtained. You acknowledge that the Company, the Joint Bookrunners and their respective affiliates and others will rely upon the truth and accuracy of the following representations, acknowledgements and agreements.

**IF YOU DO NOT AGREE TO THE TERMS DESCRIBED IN THIS NOTICE, YOU MAY NOT READ, ACCESS OR OTHERWISE USE THE PROSPECTUS.**

Neither the Prospectus nor any electronic transmission of it constitutes an offer of, or the solicitation of an offer to subscribe for or purchase, any Ordinary Shares to any person in any jurisdiction to whom or in which such offer or solicitation is unlawful and therefore persons into whose possession the Prospectus comes should inform themselves about and observe any restrictions imposed by applicable laws. Any failure to comply with these restrictions could result in a violation of the laws of such jurisdiction. In particular, the Prospectus is not for distribution, directly or indirectly, in, into or from Australia, Canada, Japan or the United States, or in, into or from any of their territories or possessions or to any person residing therein, save in the United States for distribution to persons reasonably believed to be QIBs (as defined below). By accepting receipt of the Prospectus, each recipient is deemed to confirm, represent and warrant to the Company, the Selling Shareholders and each Joint Bookrunner that it is a person to whom the Prospectus can be lawfully distributed.

**THE ORDINARY SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "U.S. SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, OR UNDER THE APPLICABLE SECURITIES LAWS OF AUSTRALIA, CANADA OR JAPAN. SUBJECT TO CERTAIN EXCEPTIONS, THE ORDINARY SHARES MAY NOT BE OFFERED OR SOLD WITHIN AUSTRALIA, CANADA, JAPAN OR THE UNITED STATES.**

**EACH OF THE JOINT BOOKRUNNERS, OR THEIR RESPECTIVE AFFILIATES, MAY ARRANGE FOR THE OFFER AND SALE OF THE ORDINARY SHARES IN THE UNITED STATES TO PERSONS REASONABLY BELIEVED BY IT TO BE "QUALIFIED INSTITUTIONAL BUYERS" ("QIBS") AS DEFINED IN RULE 144A UNDER THE U.S. SECURITIES ACT ("RULE 144A") IN RELIANCE ON THE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT PROVIDED BY RULE 144A, OR ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT. ORDINARY SHARES BEING OFFERED AND SOLD OUTSIDE THE UNITED STATES ARE BEING OFFERED PURSUANT TO, AND IN COMPLIANCE WITH, REGULATION S UNDER THE U.S. SECURITIES ACT ("REGULATION S") AND APPLICABLE SECURITIES REGULATIONS IN EACH JURISDICTION IN WHICH THE ORDINARY SHARES ARE OFFERED. THERE WILL BE NO PUBLIC OFFERING OF THE ORDINARY SHARES IN THE UNITED STATES. PROSPECTIVE INVESTORS IN THE ORDINARY SHARES ARE HEREBY NOTIFIED THAT THE COMPANY AND EACH SELLER OF THE ORDINARY SHARES MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE U.S. SECURITIES ACT PROVIDED BY RULE 144A, OR ANOTHER EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE U.S. SECURITIES ACT.**

**THE PROSPECTUS IS BEING FURNISHED TO YOU SOLELY FOR YOUR INFORMATION AND MAY NOT BE FORWARDED, REPRODUCED, REDISTRIBUTED OR PASSED ON IN WHOLE OR IN PART,**

**DIRECTLY OR INDIRECTLY, TO ANY OTHER PERSON. THE DISTRIBUTION OF THE PROSPECTUS IN CERTAIN JURISDICTIONS MAY BE RESTRICTED BY LAW AND PERSONS INTO WHOSE POSSESSION THE PROSPECTUS COMES SHOULD INFORM THEMSELVES ABOUT, AND OBSERVE, ANY SUCH RESTRICTIONS. BY ACCEPTING THE PROSPECTUS, YOU AGREE TO BE BOUND BY THE FOREGOING LIMITATIONS.**

In the European Economic Area (the "**EEA**"), the Prospectus is addressed only to, and directed only at, persons in member states of the EEA who are "qualified investors" within the meaning of Article 2(1)(e) of EU Directive 2003/71/EC (the "**Prospectus Directive**"), as modified by EU Directive 2010/73/EU, in each case as implemented in the relevant member state of the EEA ("**Qualified Investors**"). In addition, the Prospectus is being made available or supplied only to, or directed only at: (a) in the United Kingdom: (i) Qualified Investors who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (the "Order") (*Investment professionals*); (ii) Qualified Investors who fall within Article 49(2)(a) to (d) of the Order (*High net worth companies, unincorporated associations etc*); and (iii) Qualified Investors to or at whom it may otherwise be lawfully made available, supplied or directed; and (b) outside the United Kingdom, persons who can lawfully access such information or to or at whom it can lawfully be made available or supplied or directed (all such persons together being referred to as "**relevant persons**"). Any investment or investment activity to which the Prospectus relates is available only to relevant persons and will be engaged in only with relevant persons. Each recipient is deemed to confirm, represent and warrant to each of the Joint Bookrunners and the Company that they are a relevant person and any person who is not a relevant person should not act or rely on the information contained in the Prospectus. If you are not such a person, you should not have received the Prospectus and, accordingly, should return it as soon as possible and take no other action.

**Confirmation of Your Representation:** By accepting this electronic transmission and accessing the Prospectus, you shall be deemed to have confirmed, represented and warranted that (i) either (a) you and any customers you represent are not US persons and are engaged in "offshore transactions" within the meaning of Regulation S; or (b) you and any customers you represent are QIBs; or (ii) if you are in any member state of the EEA other than the United Kingdom, you are a Qualified Investor and/or a Qualified Investor acting on behalf of Qualified Investors, to the extent you are acting on behalf of persons or entities in the EEA; or (iii) if you are in the United Kingdom, you are a relevant person and/or a relevant person who is acting on behalf of relevant persons in the United Kingdom and/or Qualified Investors to the extent that you are acting on behalf of persons or entities in member states of the EEA other than the United Kingdom; or (iv) if you are not in the United States, the UK or the EEA, you are an institutional investor that is eligible to receive this document; and in each case of (i), (ii), (iii) and (iv) you consent to delivery of such document by electronic transmission. If you are not such a person, you should not have received the Prospectus and, accordingly, should return it as soon as possible and take no other action.

By reading, accessing or otherwise using the Prospectus, you shall be deemed to have represented that you consent to delivery of such document by electronic transmission. You are reminded that documents transmitted electronically may be altered or changed during the process of electronic transmission and consequently none of the Company, the Joint Bookrunners or their respective affiliates, nor any of their directors, officers, employees or agents accept any liability or responsibility whatsoever in respect of any difference between the Prospectus distributed to you in electronic format and the hard copy version (which is available to you on request). None of the Joint Bookrunners or their respective affiliates accepts any responsibility whatsoever for the contents of the Prospectus or for any statement made or purported to be made by it, or on its behalf, in connection with the Company or the Ordinary Shares. The Joint Bookrunners and each of their respective affiliates, each accordingly disclaims all and any liability whether arising in tort, contract or otherwise which they might otherwise have in respect of such document or any such statement. No representation or warranty express or implied, is made by any of the Joint Bookrunners or their respective affiliates as to the accuracy, completeness or sufficiency of the information set out in the Prospectus.

The Joint Bookrunners are acting exclusively for the Company and the TowerBrook Shareholder (as defined in the Prospectus) and no one else in connection with the Offer. They will not regard any other person (whether or not a recipient of this document) as their client in relation to the Offer and will not be responsible to anyone other than the Company and the TowerBrook Shareholder for providing the protections afforded to their respective clients nor for giving advice in relation to the Offer or any transaction or arrangement referred to in the Prospectus.

Restriction: Nothing in this electronic transmission constitutes, and may not be used in connection with, an offer of securities for sale to persons other than the specified categories of institutional buyers described above and to whom it is directed and access has been limited so that it shall not constitute a general solicitation. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

volution
group

prospectus

Vent-Axia MANROSE Fresh Ventilation PAX inVENTer® simply fresh air torin-sifan The Partner of Choice

This document comprises a prospectus (the "**Prospectus**") prepared in accordance with the Prospectus Rules of the Financial Conduct Authority (the "**FCA**") made under section 73A of the Financial Services and Markets Act 2000 (as amended) ("**FSMA**"). This Prospectus has been approved by the FCA in accordance with section 87A of FSMA and made available to the public as required by PR 3.2 of the Prospectus Rules.

The Directors, whose names appear on page 28 of this Prospectus, and the Company accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), such information is in accordance with the facts and this Prospectus does not omit anything likely to affect the import of such information.

Application has been made to the FCA for all of the issued and to be issued Ordinary Shares to be admitted to the premium listing segment of the Official List maintained by the FCA and to the London Stock Exchange for such Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. Conditional dealings in the Ordinary Shares are expected to commence at 8.00 a.m. on 18 June 2014. It is expected that Admission will become effective, and that unconditional dealings will commence, at 8.00 a.m. on 23 June 2014. **All dealings in Ordinary Shares prior to the commencement of unconditional dealings will be on a "when issued" basis and of no effect if Admission does not take place and will be at the sole risk of the parties concerned. No application has been, or is currently intended to be, made for the Ordinary Shares to be admitted to listing or trading on any other stock exchange.**

**Prospective investors should read the entirety of this Prospectus and, in particular, Part II (*Risk factors*) for a discussion of certain factors that should be considered in connection with an investment in the Offer Shares. Prospective investors should be aware that an investment in the Company involves a degree of risk and that, if certain of the risks described in this Prospectus occur, investors may find their investment materially adversely affected. Accordingly, an investment in the Offer Shares is only suitable for investors who are particularly knowledgeable in investment matters and who are able to bear the loss of the whole or part of their investment.**

# VOLUTION GROUP PLC

(*Incorporated under the Companies Act 2006 and registered in England and Wales with registered number 9041571*)

**Offer of 66,666,667 Ordinary Shares at an Offer Price of 150 pence per Ordinary Share and admission to the premium listing segment of the Official List and to trading on the main market for listed securities of the London Stock Exchange**

| *Sponsor, Joint Bookrunner and Underwriter* | *Joint Bookrunner and Underwriter* |
| --- | --- |
| **Canaccord Genuity Limited** | **Liberum Capital Limited** |

**ISSUED ORDINARY SHARE CAPITAL IMMEDIATELY FOLLOWING ADMISSION**
**Issued and fully paid Ordinary Shares of £0.01 each**

| Number of issued Ordinary Shares | Nominal value of issued Ordinary Shares |
| --- | --- |
| 200,000,000 | £2,000,000 |

The Company is offering 48,000,000 New Ordinary Shares under the Offer and the Selling Shareholders are offering in aggregate 18,666,667 Existing Ordinary Shares under the Offer. The Company will not receive any of the proceeds from the sale of the Existing Ordinary Shares, all of which will be received by the Selling Shareholders.

The Offer Shares will, upon Admission, rank equally in all respects with all other Ordinary Shares, including for all dividends and other distributions declared, made or paid on the Ordinary Shares after Admission.

Investors should rely only on the information contained in this Prospectus (and any supplementary prospectus produced to supplement the information contained in this Prospectus) when making a decision as to whether to invest in Offer Shares. No person has been authorised to give any information or to make any representations other than those contained in this Prospectus in connection with the Offer and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Company, the Directors, the Selling Shareholders or the Underwriters.

It is the responsibility of any persons in possession of this Prospectus and any person wishing to apply for Offer Shares to inform themselves of, and to observe, all applicable laws and regulations of any applicable jurisdiction. The content of this Prospectus is not to be construed as legal, business or tax advice. Each prospective investor should consult its own lawyer, financial adviser or tax adviser for legal, financial or tax advice in relation to investing in Offer Shares.

Recipients of this Prospectus are authorised to use it solely for the purpose of considering an investment in Offer Shares and may not reproduce or distribute this Prospectus, in whole or in part, and may not disclose any of the contents of this Prospectus or use any information herein for any purpose other than considering an investment in Offer Shares. Such recipients of this Prospectus agree to the foregoing by accepting delivery of this Prospectus.

Canaccord Genuity has been appointed as Sponsor, Joint Bookrunner and Underwriter in connection with Admission and the Offer. Liberum has been appointed as Joint Bookrunner and Underwriter in connection with the Offer. Canaccord Genuity and Liberum, each of which is authorised and regulated by the FCA in the United Kingdom, are acting exclusively for the Company and the TowerBrook Shareholder and no one else in connection with the Offer and will not regard any other person (whether or not a recipient of this Prospectus) as a client in relation to the Offer and will not be responsible to anyone other than the Company and the TowerBrook Shareholder for providing the protections afforded to their respective clients nor for giving advice in relation to the Offer or any transaction or arrangement referred to in this Prospectus. Apart from the responsibilities and liabilities, if any, which may be imposed on the Underwriters by FSMA or the regulatory regime established thereunder, or under the regulatory regime of any other jurisdiction where exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, none of the Underwriters accepts any responsibility whatsoever, and makes no representation or warranty, express or implied, for the contents of this Prospectus, including its accuracy, completeness or for any related statement.

In connection with the Offer, each of the Underwriters and any of their respective affiliates, acting as an investor for its or their own account(s), may acquire Ordinary Shares, and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for its or their own account(s) in Ordinary Shares and other securities of the Company or related investments in connection with the Offer or otherwise. Accordingly, references in this Prospectus to the Ordinary Shares being offered, acquired, placed or otherwise dealt in should be read as including any issue or offer to, or subscription, acquisition, dealing or placing by, each of the Underwriters and any of their respective affiliates acting as an investor for its or their own account(s). None of the Underwriters intends to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligations to do so.

The Underwriters and their respective affiliates may have engaged in transactions with, and provided various investment banking, financial advisory and other services to, the Company and the Selling Shareholders, for which they would have received customary fees. The Underwriters and any of their respective affiliates may provide such services to the Company, the Selling Shareholders and any of their respective affiliates in the future.

## NOTICES TO OVERSEAS INVESTORS

**This Prospectus does not constitute an offer to sell, or the solicitation of an offer to buy or to subscribe for, Ordinary Shares to any person in any jurisdiction to whom or in which jurisdiction such offer or solicitation is unlawful and, in particular, is not for distribution in Australia, Canada or Japan. Neither the Company nor any of the Underwriters accepts any legal responsibility for any violation by any person, whether or not a prospective investor, of any such restrictions. No action has been, or will be, taken in any jurisdiction other than the UK that would permit a public offering of the Ordinary Shares, or the possession, circulation or distribution of this Prospectus or any other material relating to the Company or the Ordinary Shares in any jurisdiction where action for that purpose is required. The offer, sale and/or issue of the Ordinary Shares has not been, and will not be, qualified for sale under any applicable securities laws of Australia, Canada or Japan. Subject to certain exceptions, the Ordinary Shares may not be offered, sold or delivered within Australia, Canada or Japan, or to, or for the benefit of, any national, resident or citizen of Australia, Canada or Japan.**

**The Ordinary Shares have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements of the Securities Act and in accordance with applicable securities laws of any state or other jurisdiction of the United States. Accordingly, the Offer Shares are only being offered and sold: (i) in the United States to qualified institutional buyers ("QIBs") as defined in Rule 144A pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act; and (ii) in "offshore transactions" as defined in, and in reliance on, Regulation S. Prospective investors in the United States are hereby notified that the Company may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A thereunder.**

The Ordinary Shares have not been approved or disapproved by the U.S. Securities and Exchange Commission, any state securities commission in the United States or any U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Ordinary Shares or the accuracy or completeness of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

This Prospectus is being furnished by the Company in connection with an offering exempt from the registration requirements of the Securities Act, solely for the purpose of enabling prospective investors to consider an investment in the Offer Shares described herein. The information contained in this Prospectus has been provided by the Company and other sources identified herein. This Prospectus is being furnished on a confidential basis only to persons in the United States who are QIBs and to other eligible persons outside of the United States. Any reproduction or distribution of this Prospectus, in whole or in part, in or into the United States and any disclosure of its contents or use of any information herein in the United States for any purpose, other than in considering an investment by the recipient in the Offer Shares offered hereby in accordance with the offer and sale restrictions described herein, is prohibited. Each prospective investor in the Offer Shares, by accepting delivery of this Prospectus, agrees to the foregoing. The Offer Shares are being offered in the United States to QIBs through the respective U.S. registered broker-dealer affiliates of the Underwriters.

## NOTICE TO NEW HAMPSHIRE RESIDENTS

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES, ANNOTATED ("**RSA**") WITH THE STATE OF NEW HAMPSHIRE, NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE, CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF THE STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

The date of this Prospectus is 18 June 2014.

## TABLE OF CONTENTS

## PART I

## SUMMARY

*Summaries are made up of disclosure requirements known as "**Elements**". These Elements are numbered in Sections A-E (A.1-E.7).*

*This summary contains all the Elements required to be included in a summary for this type of security and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.*

*Even though an Element might be required to be inserted in the summary because of the type of security and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in this summary with the mention of the words "not applicable".*

| **Section A—Introduction and warnings** | | |
|---|---|---|
| A.1 | **Introduction and warnings** | This summary should be read as an introduction to the Prospectus.<br>Any decision to invest in the Ordinary Shares should be based on consideration of the Prospectus as a whole by the investor.<br>Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated.<br>Civil liability attaches only to those persons who have tabled the summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or if it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in the Ordinary Shares. |
| A.2 | **Subsequent resale of Ordinary Shares or final placement of Ordinary Shares through financial intermediaries** | Not applicable: the Company is not engaging any financial intermediaries for any resale of Ordinary Shares or final placement of Ordinary Shares after publication of the Prospectus. |

| **Section B—Issuer** | | |
|---|---|---|
| B.1 | **Legal and commercial name** | Volution Group plc |
| B.2 | **Domicile/legal form/ legislation/country of incorporation** | The Company is a public limited company, incorporated (and having its registered office) in England and Wales. The Company operates under the Companies Act. |
| B.3 | **Current operations/ principal activities and markets** | The Directors believe that we are a leading supplier of ventilation products to the residential construction market in our core geographical markets, being the UK, Sweden and Germany. In particular, the Directors believe that we are the market leader in the UK residential ventilation products market, a top five supplier in the UK commercial ventilation products market, a market leader in the Swedish residential ventilation products market, and the market leader in the German decentralised heat recovery residential ventilation systems market (in each case, on the basis of revenue). In addition, we have consistently reported strong Adjusted EBITDA Margins and delivered a strong financial performance despite challenging conditions in the UK and Swedish construction markets in recent years. The Directors believe that our range of heat recovery |

| | | |
|---|---|---|
| | | and ventilation products, which includes unitary ventilation fans and central ventilation systems (with and without heat recovery), ducting and accessories, blowers and motors for heating and motorised impellers for ventilation, is the most comprehensive in our core product markets. Our products' appeal lies in their energy efficiency, quiet operation and aesthetics, as well as in their compliance with stringent regulatory requirements.<br><br>We operate through two divisions: the Ventilation Group, which principally supplies ventilation products for residential construction applications in the UK, Sweden, Norway and Germany and ventilation products for commercial construction applications in the UK; and Torin-Sifan, which supplies motors, fans and blowers to original equipment manufacturers of heating and ventilation products for both residential and commercial construction applications in Europe. The Ventilation Group also supplies other products, such as hand-driers and electric heaters. |
| B.4a | **Significant recent trends affecting us and the industry in which we operate** | The demand for our products is driven by ventilation spend per building and residential and commercial construction volumes and activity in the markets in which we operate.<br><br>The UK building and construction sector has stabilised and started to recover since the significant slowing in housing market activity and housing transactions following 2007 and the subsequent recession. The CPA Spring 2014 Report takes into consideration the UK government's residential construction stimulus initiatives and the wider economic recovery and forecasts growth in total UK construction output (excluding total UK infrastructure) of 3.6%, 4.6% and 3.8% during 2014, 2015 and 2016, respectively, which growth is 0.9, 2.1 and 1.2 percentage points above forecast GDP growth for those years, respectively.<br><br>In addition, a long term growth trend in the average ventilation spend per building in recent years has been driven by recent changes to the regulatory framework that have been aimed at the need to reduce carbon emissions from buildings and residential dwellings, stimulating the adoption of more carbon efficient heating and ventilation systems by setting thresholds for air-tightness and net carbon use by buildings.<br><br>In the repair and maintenance market (across both the residential and commercial segments), there has been a consumer shift towards more energy efficient, quieter and more aesthetically pleasing ventilation products. This has been driven by greater consumer awareness of air quality, environment issues and education on the technical and functional capabilities of ventilation products, both through persons who may specify certain characteristics of products such as architects, consultants, developers and local authorities, or directly from the ventilation product suppliers themselves. This has resulted in an increase in demand for higher value and higher specification products such as quiet and "silent" fans, energy efficient fans and heat recovery units. |
| B.5 | **Group structure** | The Company is the holding company for the Group. The Directors believe that we are a leading supplier of ventilation products to the residential construction market in our core geographical markets, being the UK, Sweden and Germany. |

| | | |
|---|---|---|
| B.6 | **Major Shareholders** | At the date of this Prospectus, insofar as is known to the Company, the following will be interested in 3% or more of the Company's share capital and voting rights at Admission:<br>(a) TowerBrook Shareholder (61.4%);<br>(b) Danske Capital Management (4.3%);<br>(c) Henderson Global Investors Limited (4.2%);<br>(d) UBS Asset Management (4.0%); and<br>(e) T Rowe & Price International Limited (3.3%).<br>All Ordinary Shares have the same voting rights.<br>The Company has entered into the Relationship Agreement with the TowerBrook Shareholder to ensure that the Group can operate independently of the TowerBrook Shareholder following Admission.<br>The Company is not aware of any other person who, directly or indirectly, jointly or severally, will be able to exercise control over the Company following Admission. |
| B.7 | **Selected historical key financial information** | The selected financial information set out below has been extracted without material adjustment from the historical financial information relating to the Group. The selected financial information for the seven months ended 28 February 2013 is unaudited: |

**Consolidated Statement of Comprehensive Income**

| | Year ended 31 July | | | Seven months ended 28 February | |
|---|---|---|---|---|---|
| | **2011** | **2012** | **2013** | **2013** | **2014** |
| | **£000** | **£000** | **£000** | **£000** | **£000** |
| ***Revenue*** | 87,760 | 89,330 | 102,262 | 58,596 | 70,276 |
| Cost of sales | (49,535) | (51,003) | (56,245) | (32,722) | (37,111) |
| ***Gross profit*** | 38,225 | 38,327 | 46,017 | 25,874 | 33,165 |
| Distribution costs | (10,866) | (10,586) | (12,380) | (7,052) | (9,080) |
| Administrative expenses | (8,635) | (12,356) | (21,593) | (11,818) | (15,727) |
| Exceptional costs | — | (10,765) | (2,778) | (1,554) | (1,924) |
| ***Operating profit*** | 18,724 | 4,620 | 9,266 | 5,450 | 6,434 |
| Finance revenue | 679 | 23 | 630 | 14 | 7 |
| Finance costs | (14,115) | (16,394) | (14,099) | (7,988) | (16,236) |
| ***Profit/(loss) before tax*** | 5,288 | (11,751) | (4,203) | (2,524) | (9,795) |
| Income tax (expense)/credit | (3,711) | (2,145) | 2,139 | (166) | 934 |
| ***Profit/(loss) for the period*** | 1,577 | (13,896) | (2,064) | (2,690) | (8,861) |
| ***Other comprehensive income/ (expense):*** | | | | | |
| Exchange differences arising on translation of foreign operations | — | — | 138 | — | (283) |
| Gain/(loss) on hedge of net investment in foreign operation | — | — | 444 | — | (45) |
| ***Other comprehensive income/ (expense) for the period*** | — | — | 582 | — | (328) |
| ***Total comprehensive income/ (expense) for the period*** | 1,577 | (13,896) | (1,482) | (2,690) | (9,189) |
| ***Earnings/(loss) per share (pence per share):*** | | | | | |
| Basic and diluted, pence per share | 52.6p | (552.8)p | (103.2)p | (134.5)p | (442.8)p |

## Consolidated Statement of Financial Position

| | As at 31 July | | | As at 28 February |
|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2014 |
| | £000 | £000 | £000 | £000 |
| ***Non-current assets*** | | | | |
| Property, plant and equipment | 10,232 | 10,192 | 10,793 | 11,218 |
| Intangible assets—goodwill | 84,872 | 45,668 | 46,374 | 48,275 |
| Intangible assets—others | 161 | 111,340 | 108,392 | 109,194 |
| Deferred tax assets | 549 | 464 | 99 | 1,403 |
| | 95,814 | 167,664 | 165,658 | 170,090 |
| ***Current assets*** | | | | |
| Inventories | 12,538 | 12,597 | 12,751 | 14,792 |
| Trade and other receivables | 20,102 | 19,192 | 21,326 | 23,660 |
| Other current financial assets | 19 | — | 68 | — |
| Cash and short term deposits | 10,537 | 14,957 | 15,943 | 6,536 |
| | 43,196 | 46,746 | 50,088 | 44,988 |
| ***Total assets*** | 139,010 | 214,410 | 215,746 | 215,078 |
| ***Current liabilities*** | | | | |
| Trade and other payables | (17,796) | (18,097) | (19,888) | (21,247) |
| Other current financial liabilities | (21) | (104) | — | (318) |
| Current tax liabilities | (1,621) | (1,173) | (934) | (649) |
| Interest bearing loans and borrowings | (3,173) | (2,746) | (3,540) | (4,650) |
| Provisions | (562) | (793) | (719) | (892) |
| | (23,173) | (22,913) | (25,081) | (27,756) |
| ***Non-current liabilities*** | | | | |
| Interest bearing loans and borrowings | (142,523) | (176,512) | (181,482) | (186,725) |
| Other non-current financial liabilities | — | (913) | (494) | (782) |
| Provisions | (550) | (550) | (550) | (550) |
| Deferred tax liabilities | (18) | (25,588) | (21,687) | (22,002) |
| | (143,091) | (203,563) | (204,213) | (210,059) |
| ***Total liabilities*** | (166,264) | (226,476) | (229,294) | (237,815) |
| ***Net liabilities*** | (27,254) | (12,066) | (13,548) | (22,737) |
| ***Capital and reserves*** | | | | |
| Share capital | 787 | 3 | 3 | 3 |
| Share premium | 2,223 | 2,098 | 2,098 | 2,098 |
| Foreign currency translation reserve | — | — | 582 | 254 |
| Retained earnings | (30,264) | (14,167) | (16,231) | (25,092) |
| ***Total equity*** | (27,254) | (12,066) | (13,548) | (22,737) |

## Consolidated Statement of Changes of Equity

| | Share capital | Share premium | Foreign currency translation reserve | Retained earnings | Total |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| ***At 1 August 2010*** | 787 | 2,223 | — | (31,841) | (28,831) |
| Profit for the year | — | — | — | 1,577 | 1,577 |
| ***At 31 July 2011*** | 787 | 2,223 | — | (30,264) | (27,254) |
| Loss for the year | — | — | — | (13,896) | (13,896) |
| Net adjustment to reserves arising from change in ownership | (787) | (2,223) | — | 29,993 | 26,983 |
| Issue of share capital | 3 | 2,098 | — | — | 2,101 |
| ***At 31 July 2012*** | 3 | 2,098 | — | (14,167) | (12,066) |
| Loss for the period from 1 August 2012 to 28 February 2013 | — | — | — | (2,690) | (2,690) |
| ***At 28 February 2013*** | 3 | 2,098 | — | (16,857) | (14,756) |
| Profit for the period from 1 March 2013 to 31 July 2013 | — | — | — | 626 | 626 |
| Other comprehensive income | — | — | 582 | — | 582 |
| Total comprehensive income | — | — | 582 | 626 | 1,208 |
| ***At 31 July 2013*** | 3 | 2,098 | 582 | (16,231) | (13,548) |
| Loss for the year | — | — | — | (8,861) | (8,861) |
| Other comprehensive expense | — | — | (328) | — | (328) |
| Total comprehensive expense | — | — | (328) | (8,861) | (9,189) |
| ***At 28 February 2014*** | 3 | 2,098 | 254 | (25,092) | (22,737) |

## Consolidated Statement of Cash Flows

| | Year ended 31 July | | | Seven months ended 28 February | |
|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2013 | 2014 |
| | £000 | £000 | £000 | £000 | £000 |
| ***Operating activities*** | | | | | |
| Profit/(loss) for the period | 1,577 | (13,896) | (2,064) | (2,690) | (8,861) |
| ***Adjustments to reconcile profit/(loss) for the period to net cashflow from operating activities*** | | | | | |
| Tax charge/(credit) for the period | 3,711 | 2,145 | (2,139) | 166 | (934) |
| (Gain) on disposal of plant and equipment | (33) | (62) | (48) | (32) | (37) |
| Exceptional cost | — | 10,765 | 2,778 | 1,554 | 1,924 |
| Cash flows relating to exceptional costs | — | (5,357) | (1,354) | (629) | (1,357) |
| Finance revenue | (679) | (23) | (630) | (14) | (7) |
| Finance costs | 14,115 | 16,394 | 14,099 | 7,988 | 16,236 |
| Depreciation of property, plant and equipment | 1,425 | 1,403 | 1,588 | 879 | 998 |
| Amortisation of intangible assets | 81 | 4,845 | 10,186 | 5,850 | 7,651 |
| ***Working capital adjustments:*** | | | | | |
| Decrease/(increase) in trade receivables and other assets | (249) | 910 | (1,415) | (2,409) | (2,047) |
| Decrease/(increase) in inventories | (1,473) | (59) | 1,097 | 870 | (955) |
| Exceptional costs: fair value of inventories | — | (5,408) | (845) | — | (102) |
| Increase/(decrease) in trade payables and other payables | 1,312 | (87) | 18 | (731) | (340) |
| Increase/(decrease) in provisions | (170) | 231 | (74) | 26 | 173 |
| Withholding tax paid on loan note interest | — | (275) | — | — | — |
| UK income tax paid | (3,807) | (3,695) | (2,883) | 2,028 | (1,925) |
| Overseas income tax paid | — | — | (276) | (147) | (320) |
| ***Net cash flow from operating activities*** | 15,810 | 7,831 | 18,038 | 7,808 | 10,097 |
| ***Investing activities*** | | | | | |
| Payments to acquire intangible assets | (145) | (124) | (850) | (313) | (1,228) |
| Purchase of property, plant and equipment | (1,396) | (1,403) | (1,758) | (1,079) | (729) |
| Proceeds from disposal of property, plant and equipment | 49 | 102 | 109 | 118 | 65 |
| Acquisition of subsidiary, net of cash acquired | — | — | (7,955) | (7,955) | (10,632) |
| Interest received | 48 | 23 | 40 | 14 | 7 |
| ***Net cash flow used in investing activities*** | (1,444) | (1,402) | (10,414) | (9,215) | (12,517) |
| ***Financing activities*** | | | | | |
| Repayment of interest bearing loans and borrowings | (14,121) | (178,528) | (3,375) | (1,500) | (41,881) |
| Proceeds from new borrowings raised | — | 179,263 | — | — | 41,050 |
| Receipt of compensation from bondholders | 2,733 | 2,929 | 1,653 | 1,653 | — |
| Issue costs of new borrowings | — | (4,405) | (182) | (182) | (3,756) |
| Interest paid | (2,538) | (3,369) | (4,736) | (2,461) | (2,363) |
| Proceeds from issue of new shares | 10 | 2,101 | — | — | — |
| ***Net cash flow(used in)/from financing activities*** | (13,916) | (2,009) | (6,640) | (2,490) | (6,950) |
| Net increase/(decrease) in cash and cash equivalents | 450 | 4,420 | 984 | (3,897) | (9,370) |
| Cash and cash equivalents at the start of the period | 10,087 | 10,537 | 14,957 | 14,957 | 15,943 |
| Effect of exchange rates on cash and cash equivalents | — | — | 2 | 21 | (37) |
| ***Cash and cash equivalents at the end of the period*** | 10,537 | 14,957 | 15,943 | 11,081 | 6,536 |

**Non-IFRS Measures—Adjusted EBITDA, Adjusted EBITA, Adjusted EBITDA Margin and Adjusted EBITA Margin**

The following table shows how Adjusted EBITDA and Adjusted EBITA derived from our historical financial information. It also shows the Adjusted EBITDA Margin and Adjusted EBITA Margin.

| | Year Ended 31 July | | | Seven Months Ended 28 February | |
|---|---|---|---|---|---|
| **(£ in thousands)** | **2011** | **2012** | **2013** | **2013** | **2014** |
| Profit/(loss) before tax | 5,288 | (11,751) | (4,203) | (2,524) | (9,795) |
| Depreciation of property, plant and equipment | 1,425 | 1,403 | 1,588 | 879 | 998 |
| Amortisation of intangible assets | 81 | 4,845 | 10,186 | 5,850 | 7,651 |
| Finance revenue | (679) | (23) | (630) | (14) | (7) |
| Finance costs | 14,115 | 16,394 | 14,099 | 7,988 | 16,236 |
| Exceptional costs | — | 10,765 | 2,778 | 1,554 | 1,924 |
| **Adjusted EBITDA** | 20,230 | 21,633 | 23,818 | 13,733 | 17,007 |
| Revenue | 87,760 | 89,330 | 102,262 | 58,596 | 70,276 |
| **Adjusted EBITDA Margin** | 23.1% | 24.2% | 23.3% | 23.4% | 24.2% |
| Adjusted EBITDA | 20,230 | 21,633 | 23,818 | 13,733 | 17,007 |
| Depreciation of property, plant and equipment | (1,425) | (1,403) | (1,588) | (879) | (998) |
| **Adjusted EBITA** | **18,805** | **20,230** | **22,230** | **12,854** | **16,009** |
| Revenue | 87,760 | 89,330 | 102,262 | 58,596 | 70,276 |
| **Adjusted EBITA Margin** | **21.4%** | **22.6%** | **21.7%** | **21.9%** | **22.8%** |

**Non-IFRS Measures—Operating Cash Conversion**

The following table shows how Operating Cash Conversion is derived from our historical financial information.

| | Year Ended 31 July | | | Seven Months Ended 28 February | |
|---|---|---|---|---|---|
| **(£ in thousands)** | **2011** | **2012** | **2013** | **2013** | **2014** |
| Adjusted EBITA | 18,805 | 20,230 | 22,230 | 12,854 | 16,009 |
| Depreciation of property, plant and equipment | 1,425 | 1,403 | 1,588 | 879 | 998 |
| Decrease/(increase) in trade receivables | (249) | 910 | (1,415) | (2,409) | (2,047) |
| Decrease/(increase) in inventories | (1,473) | (59) | 1,097 | 870 | (955) |
| Increase/(decrease) in trade and other payables | 1,312 | (87) | 18 | (731) | (340) |
| Increase/(decrease) in provisions | (170) | 231 | (74) | 26 | 173 |
| Payments to acquire intangible assets | (145) | (124) | (850) | (313) | (1,228) |
| Purchase of property, plant and equipment | (1,396) | (1,403) | (1,758) | (1,079) | (729) |
| Proceeds from sale of property, plant and equipment | 49 | 102 | 109 | 118 | 65 |
| **Sum of the above** | 18,158 | 21,203 | 20,945 | 10,215 | 11,946 |
| **Operating Cash Conversion** | 96.6% | 104.8% | 94.2% | 79.5% | 74.6% |

Certain significant changes to the financial condition and results of operations of the Group occurred during the years ended 31 July 2011, 2012 and 2013, and the seven months ended 28 February 2014. These changes are set out below.

In February 2012, the Group was acquired by the TowerBrook Shareholder through Windmill Bidco's purchase of the entire issued share capital of Volution Group Limited. The transaction was funded by the Existing Debt Facilities and shareholder loan notes (which replaced the Group's previous bank and shareholder indebtedness).

In October 2012, the Group acquired Fresh for an initial purchase price of SEK 77,967,000 (£7,252,000), with a further SEK 2,111,607 (£207,000) earn-out payment being made in December 2013.

| | | |
|---|---|---|
| | | In August 2013, the Group acquired PAX for a purchase price of SEK 115,536,000 (£11,384,000), with an additional amount of SEK 828,000 (£78,000) paid in January 2014.<br><br>In December 2013, we repaid £40.0 million of loan notes held by our shareholders and directors by utilising funds drawn down following an extension of the Existing Debt Facilities and cash on balance sheet.<br><br>For the years ended 31 July 2011, 2012 and 2013, our revenue was £87.8 million, £89.3 million and £102.3 million, respectively, and for the seven months ended 28 February 2013 and 2014, our revenue was £58.6 million and £70.3 million respectively. While revenue growth has principally been driven by our acquisitions of Fresh and PAX, increased penetration of higher price per unit products (such as central ventilation systems with and without heat recovery in the new-build market sector and unitary extract fans (such as quiet, "silent", lo-carbon and unitary heat recovery fans) in the refurbishment market sector) has also contributed to revenue in our UK business. We have also been successful in implementing general price increases, such as the recent average 4.2% price increase by Fresh and PAX which was achieved in February 2014.<br><br>With the exception of a slight increase from 56.4% for the year ended 31 July 2011 to 57.1% for the year ended 31 July 2012 (caused by lower sales of high margin boiler spares due to a mild winter during this period), our cost of sales as a percentage of revenue has generally decreased (being 55.0% and 52.8% for the year ended 31 July 2013 and the seven months ended 28 February 2014, respectively). This decrease has generally been caused by successful implementation of our value engineering initiatives, in particular the post-acquisition product cost reduction opportunities achieved in the Ventilation Group following the acquisitions of Fresh and PAX, a number of price increase initiatives across both segments and a general mix shift towards more profitable products.<br><br>Our generally increasing administrative expenses (both in absolute terms and as a percentage of revenue), from £8.6 million (or 9.8% of revenue) for the year ended 31 July 2011 to £21.6 million (or 21.1% of revenue) for the year ended 31 July 2013 are primarily caused by the requirement under IFRS that we recognise, and amortise, additional intangible assets following each acquisition (such as that of the Group by the TowerBrook Shareholder and our acquisitions of Fresh and PAX). There will also be an increase in intangible assets (and their amortisation) in future periods, following the acquisition of inVENTer. Our acquisitions have also had other impacts, for example by requiring us to recognise fair value adjustments on inventory acquired (which are recognised as exceptional costs).<br><br>Our Adjusted EBITDA has increased steadily (from £20.2 million for the year ended 31 July 2011 to £23.8 million for the year ended 31 July 2013), principally reflecting the general increase in revenue and reduction of cost of sales as a percentage of revenue. Adjusted EBITDA Margin has remained strong at 23.1%, 24.2% and 23.3% for the years ended 31 July 2011, 2012 and 2013, respectively, and 23.4% and 24.2% for the seven months ended 28 February 2013 and 2014, respectively.<br><br>For the years ended 31 July 2011, 2012 and 2013, we generated net cash flows from operating activities of £15.8 million, £7.8 million and £18.0 million, respectively. The fall in the year ended 31 July 2012 was primarily caused by increases in exceptional costs relating to professional services, and the increase in fair value adjustments to finished goods inventories, in each case in connection with the acquisition of the Group by the TowerBrook Shareholder (which completed in February 2012). |

| | | |
|---|---|---|
| | | Net cash outflows from investing activities have generally tracked our acquisitions, and have moved from £1.4 million for the years ended 31 July 2011 and 2012 (during which no acquisitions were consummated), to £10.4 million for the year ended 31 July 2013 (during which the acquisition of Fresh was consummated) and £12.5 million for the seven months ended 28 February 2014 (during which the acquisition of PAX was consummated).<br><br>Net cash outflow from financing activities for the years ended 31 July 2011, 2012 and 2013 was £13.9 million, £2.0 million and £6.6 million, respectively. The large amount of cash outflow in the year ended 31 July 2011 compared to the year ended 31 July 2012 was caused by an additional £14.1 million of repayments of indebtedness in the year ended 31 July 2011, partially offset by £4.4 million of issuing costs of new borrowings incurred during the latter period. The increase in the year ended 31 July 2013 was primarily due to ordinary course repayments being made compared to full repayment (from the proceeds of new borrowings under the Existing Debt Facilities) of existing indebtedness in the year ended 31 July 2012, receipt of £1.3 million less compensation from bondholders in the year ended 31 July 2013 and receipt of £2.1 million proceeds from issue of new shares in the year ended 31 July 2012, partially offset by the £4.2 million higher issuing costs of new borrowings incurred in the year ended 31 July 2012. The events described in this paragraph which took place during the year ended 31 July 2012 were all connected with the Volution Acquisition.<br><br>Since 28 February 2014, sales are above those achieved for the same period in the prior year, especially in the UK residential RMI market sector, the UK residential new-build market sector and the UK export market sector. Sales in the current period also benefit from the August 2013 acquisition of PAX when compared to the prior year. In addition, in April 2014 we acquired inVENTer, which the Directors believe to be the market leader in decentralised heat recovery ventilation systems for residential dwellings in Germany, for aggregate consideration of €22.9 million (£18.9 million), €2.0 million (£1.6 million) of which will be paid on 17 July 2014. The integration of inVENTer into the wider Group is proceeding as planned. The Directors anticipate that some additional head office costs and other costs associated with the status of the Company as a listed company will be incurred following Admission. |

| | | |
|---|---|---|
| B.8 | **Selected key pro forma financial information** | The unaudited pro forma statement of financial position set out below has been presented to illustrate the effect of the use of the net proceeds of the Offer (to repay £61.9 million of the Existing Debt Facilities and the related amendment and restatement into the New Debt Facilities, with the balance of such net proceeds being retained for general corporate purposes), the pre-Admission reorganisation of the Group (the "**Reorganisation**"), the reduction of capital of the Company and the acquisition of inVENTer on the Group's statement of financial position as if they had taken place on 28 February 2014, and the unaudited pro forma statements of income for the year ended 31 July 2013 and for the seven month ended 28 February 2014 have been set out below to illustrate the effects of the net proceeds of the Offer (to repay £61.9 million of the Existing Debt Facilities and the related amendment and restatement into New Debt Facilities, with the balance of such net proceeds being retained for general corporate purposes), the Reorganisation and the acquisitions of Fresh, PAX and inVENTer as if they had taken place on 1 August 2012. This unaudited pro forma financial information is prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and therefore does not represent the actual financial position or results of the Group, nor is it indicative of results that may or may not be achieved in the future. The unaudited pro forma financial information is compiled on the basis set out below in accordance with the accounting policies of the Group as set out in Part XI (*Historical financial information*) and in accordance with Annex II to the PD Regulation. Other than the adjustments detailed above no other adjustments have been made for the events occurring after 28 February 2014. |

## Unaudited pro forma statement of financial position as of 28 February 2014

| | | Adjustments | | | | | |
|---|---|---|---|---|---|---|---|
| | Windmill Group | Acquisition of inVENTer | Reorganisation—loan notes | Reorganisation—share exchange | IPO net proceeds and refinancing | Reduction of capital | Pro forma |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| ***Non-current assets*** | | | | | | | |
| Property, plant and equipment | 11,218 | 3,735 | — | — | — | — | 14,953 |
| Intangible assets—goodwill | 48,275 | 3,856 | — | — | — | — | 52,131 |
| Intangible assets—others | 109,194 | 10,615 | — | — | — | — | 119,809 |
| Deferred tax asset | 1,403 | 29 | — | — | — | — | 1,432 |
| | 170,090 | 18,235 | — | — | — | — | 188,325 |
| ***Current assets*** | | | | | | | |
| Inventories | 14,792 | 2,259 | — | — | — | — | 17,051 |
| Trade and other receivables | 23,660 | 455 | — | — | — | — | 24,115 |
| Cash and short term deposits | 6,536 | (439) | (26) | — | 875 | — | 6,946 |
| | 44,988 | 2,275 | (26) | — | 875 | — | 48,112 |
| ***Total assets*** | 215,078 | 20,510 | (26) | — | 875 | — | 236,437 |
| ***Current liabilities*** | | | | | | | |
| Trade and other payables | (21,247) | — | — | — | 964 | — | (20,283) |
| Other current financial liabilities | (318) | — | — | — | — | — | (318) |
| Current tax liabilities | (649) | — | — | — | — | — | (649) |
| Interest bearing loans and borrowings: | | | | | | | |
| Loans from related parties | — | — | — | — | — | — | — |
| Bank loans | (4,650) | — | — | — | 4,650 | — | — |
| | (4,650) | — | — | — | 4,650 | — | — |
| Provisions | (892) | — | — | — | — | — | (892) |
| | (27,756) | — | — | — | 5,614 | — | (22,142) |
| ***Non-current liabilities*** | | | | | | | |
| Interest bearing loans and borrowings: | | | | | | | |
| Loans from related parties | (81,722) | (8,000) | 89,722 | — | — | — | — |
| Bank loans | (105,003) | (10,434) | — | — | 58,285 | — | (57,152) |
| | (186,725) | (18,434) | 89,722 | — | 58,285 | — | (57,152) |
| Other non-current financial liabilities | (782) | — | — | — | — | — | (782) |
| Provisions | (550) | — | — | — | — | — | (550) |
| Deferred tax liabilities | (22,002) | (2,076) | — | — | — | — | (24,078) |
| | (210,059) | (20,510) | 89,722 | — | 58,285 | — | (82,562) |
| ***Total liabilities*** | (237,815) | (20,510) | 89,722 | — | 63,899 | — | (104,704) |
| ***Net (liabilities)/assets*** | (22,737) | — | 89,696 | — | 64,774 | — | 131,733 |
| Share capital | 3 | — | 612 | 905 | 480 | — | 2,000 |
| Share premium | 2,098 | — | 89,084 | (91,182) | 67,630 | (57,630) | 10,000 |
| Consolidation reserve | — | — | — | 90,277 | — | — | 90,277 |
| Foreign currency translation reserve | 254 | — | — | — | — | — | 254 |
| Retained earnings | (25,092) | — | — | — | (3,336) | 57,630 | 29,202 |
| Total equity | (22,737) | — | 89,696 | — | 64,774 | — | 131,733 |

## Unaudited pro forma consolidated income statements

### *For the year ended 31 July 2013*

| | | Adjustments | | | | | |
|---|---|---|---|---|---|---|---|
| | Windmill Group | Acquisition of inVENTer | Acquisition of PAX | Acquisition of Fresh | Reorganisation | IPO net proceeds and refinancing | Pro forma |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| ***Revenue*** | 102,262 | 13,860 | 9,723 | 2,044 | — | — | 127,889 |
| Cost of sales | (56,245) | (5,783) | (4,493) | (1,107) | — | — | (67,628) |
| ***Gross profit*** | 46,017 | 8,077 | 5,230 | 937 | — | — | 60,261 |
| Distribution costs | (12,380) | (3,245) | (2,629) | (306) | — | — | (18,560) |
| Administrative expenses | (21,593) | (2,553) | (2,309) | (360) | — | — | (26,815) |
| Other operating income | — | 46 | — | — | — | — | 46 |
| Exceptional costs | (2,778) | (680) | (141) | — | — | (4,300) | (7,899) |
| ***Operating profit*** | 9,266 | 1,645 | 151 | 271 | — | (4,300) | 7,033 |
| Finance revenue | 630 | — | — | — | — | — | 630 |
| Finance costs: | | | | | | | |
| Interest payable on bank loans and overdrafts | (4,764) | (630) | (762) | (87) | — | 2,556 | (3,687) |
| Interest on loan notes | (8,267) | (640) | — | — | 7,178 | 1,729 | — |
| Amortisation of finance costs | (641) | — | — | — | — | (7,723) | (8,364) |
| Net loss on financial instruments at fair value | (427) | — | — | — | — | — | (427) |
| | (14,099) | (1,270) | (762) | (87) | 7,178 | (3,438) | (12,478) |
| ***Profit/(loss) before tax*** | (4,203) | 375 | (611) | 184 | 7,178 | (7,738) | (4,815) |
| Income tax (expense)/credit | 2,139 | (171) | 118 | (43) | (552) | 1,041 | 2,532 |
| ***Profit/(loss) for the period*** | (2,064) | 204 | (493) | 141 | 6,626 | (6,697) | (2,283) |

| | | Adjustments | | | | | |
|---|---|---|---|---|---|---|---|
| | Windmill Group | Acquisition of inVENTer | Acquisition of PAX | Acquisition of Fresh | Reorganisation | IPO net proceeds and refinancing | Pro forma |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Profit/(loss) before tax | (4,203) | 375 | (611) | 184 | 7,178 | (7,738) | (4,815) |
| Amortisation of intangibles | 10,186 | 782 | 818 | 110 | — | — | 11,896 |
| Finance revenue | (630) | — | — | — | — | — | (630) |
| Finance costs | 14,099 | 1,270 | 762 | 87 | (7,178) | 3,438 | 12,478 |
| Exceptional costs | 2,778 | 680 | 141 | — | — | 4,300 | 7,899 |
| Depreciation of property, plant and equipment | 1,588 | 225 | 203 | 19 | — | — | 2,035 |
| **Adjusted EBITDA** | 23,818 | 3,332 | 1,313 | 400 | — | — | 28,863 |
| Depreciation of property, plant and equipment | (1,588) | (225) | (203) | (19) | — | — | (2,035) |
| **Adjusted EBITA** | 22,230 | 3,107 | 1,110 | 381 | — | — | 26,828 |

| | | |
|---|---|---|
| | | ***For the seven months ended 28 February 2014*** |

| | Windmill Group | Adjustments: Acquisition of inVENTer | Adjustments: Acquisition of PAX | Adjustments: Reorganisation | Adjustments: IPO net proceeds and refinancing | Pro forma |
|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| ***Revenue*** | 70,276 | 7,295 | 695 | — | | 78,266 |
| Cost of sales | (37,111) | (3,265) | (457) | — | | (40,833) |
| ***Gross profit*** | 33,165 | 4,030 | 238 | — | | 37,433 |
| Distribution costs | (9,080) | (1,773) | (276) | — | | (11,129) |
| Administrative expenses | (15,727) | (1,669) | (425) | — | | (17,821) |
| Other operating income | — | 59 | — | — | | 59 |
| Exceptional costs | (1,924) | 48 | 141 | — | 964 | (771) |
| ***Operating profit*** | 6,434 | 695 | (322) | — | 964 | 7,771 |
| Finance revenue | 7 | — | — | — | | 7 |
| Finance costs: | | | | | | |
| Interest payable on bank loans and overdrafts | (3,244) | (364) | (64) | — | 2,006 | (1,666) |
| Interest on loan notes | (4,376) | (371) | — | 4,169 | 578 | — |
| Amortisation of finance costs | (7,516) | — | — | — | 7,396 | (120) |
| Net loss on financial instruments at fair value | (1,100) | — | — | — | — | (1,100) |
| | (16,236) | (735) | (64) | 4,169 | 9,980 | (2,886) |
| ***Profit/(loss) before tax*** | (9,795) | (40) | (386) | 4,169 | 10,944 | 4,892 |
| Income tax (expense)/credit | 934 | (41) | 84 | (312) | (2,298) | (1,633) |
| ***Profit/(loss) for the period*** | (8,861) | (81) | (302) | 3,857 | 8,646 | 3,259 |

| | Windmill Group | Adjustments: Acquisition of inVENTer | Adjustments: Acquisition of PAX | Adjustments: Reorganisation | Adjustments: IPO net proceeds and refinancing | Pro forma |
|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Profit/(loss) before tax | (9,795) | (40) | (386) | 4,169 | 10,944 | 4,892 |
| Amortisation of intangibles | 7,651 | 488 | 68 | — | — | 8,207 |
| Finance revenue | (7) | — | — | — | — | (7) |
| Finance costs | 16,236 | 735 | 64 | (4,169) | (9,980) | 2,886 |
| Exceptional costs | 1,924 | (48) | (141) | — | (964) | 771 |
| Depreciation of property, plant and equipment | 998 | 158 | 132 | — | — | 1,288 |
| **Adjusted EBITDA** | 17,007 | 1,293 | (263) | — | — | 18,037 |
| Depreciation of property, plant and equipment | (998) | (158) | (132) | — | — | (1,288) |
| **Adjusted EBITA** | 16,009 | 1,135 | (395) | — | — | 16,749 |

| | | |
|---|---|---|
| B.9 | **Profit forecast/estimate** | Not applicable: no profit forecasts or estimates have been made. |
| B.10 | **Audit report qualifications** | Not applicable: there are no qualifications in the accountant's report on the consolidated historical financial information. |
| B.11 | **Insufficient working capital** | Not applicable: the Company is of the opinion that, taking into account the net proceeds of the Offer receivable by the Company and the facilities available to the Group, the Group has sufficient working capital for its present requirements, that is, for at least the next twelve months from the date of this Prospectus. |

| Section C—Securities | | |
|---|---|---|
| C.1 | **Description of type and class of securities being offered** | The Offer comprises 66,666,667 ordinary shares of £0.01 each in the capital of Volution Group plc.<br><br>The nominal value of the total issued ordinary share capital of the Company immediately following Admission will be £2,000,000, divided into 200,000,000 fully paid ordinary shares of £0.01 each.<br><br>When admitted to trading, the Ordinary Shares will be registered with ISIN GB00BN3ZZ526 and SEDOL number BN3ZZ52, and it is expected that the Ordinary Shares will be traded under ticker symbol FAN. |
| C.2 | **Currency of issue** | The Ordinary Shares are denominated in pounds sterling. |
| C.3 | **Number of shares issued and par value** | On Admission, there will be 200,000,000 fully paid Ordinary Shares in issue.<br><br>The Ordinary Shares have a par value of £0.01 each. |
| C.4 | **Rights attaching to the Ordinary Shares** | The Ordinary Shares rank equally for voting purposes. On a show of hands each Shareholder has one vote, and on a poll each Shareholder has one vote per Ordinary Share held.<br><br>Each Ordinary Share ranks equally for any dividend declared and for any distribution made on a winding-up.<br><br>Each Ordinary Share ranks equally in the right to receive a relative proportion of shares in the event of a capitalisation of reserves. |
| C.5 | **Restrictions on transfer** | Not applicable: the Ordinary Shares will be freely transferable on Admission. |
| C.6 | **Admission to trading** | Application has been made for the Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities, which is a regulated market. |
| C.7 | **Dividend policy** | Assuming that sufficient distributable reserves are available at the time, the Board initially intends to target a dividend of approximately 30% of our adjusted net income for each financial year. "Adjusted net income" is: (a) profit/(loss) before tax; after adding back (b)(i) exceptional costs; (ii) amortisation of intangible assets (customer base and trade marks); and (iii) net gain/(loss) on financial instruments at fair value; less (c) the relevant current tax charge.<br><br>The Board intends that the Company will pay an interim dividend and a final dividend to be announced at the time of its interim and preliminary results.<br><br>It is expected that the first dividend to be paid by the Company will be payable following publication of our results for the six months ending 31 January 2015.<br><br>We may revise our dividend policy from time to time. |

| Section D—Risks | | |
|---|---|---|
| D.1 | **Key information on the key risks that are specific to us or our industry** | Key information on the key risks that are specific to us or our industry are:<br>(a) our business is dependent on the level of activity and market demand in the residential and commercial building and construction industries which we supply and certain of these industries have experienced contraction in recent years;<br>(b) we may be adversely affected by the fluctuation in availability and cost of the components and raw materials required for our products;<br>(c) the development of new products and new variants of existing products requires significant investment, and the success of such new products and new variants of existing products is inherently uncertain;<br>(d) changes in law or regulation may reduce the size of the market for our products or, if we are unable to adapt to such changes, our share of those markets;<br>(e) we may be unsuccessful in identifying suitable acquisition candidates, consummating acquisitions or integrating acquired businesses;<br>(f) a significant portion of our revenue is derived from a small number of customers and our relationships with heating and ventilation engineers and consultants and we may fail to maintain these relationships; and<br>(g) any failure of our products to perform as anticipated could result in significant liability and reputational damage that may adversely affect our business and results of operations. |
| D.3 | **Key information on the key risks that are specific to the Ordinary Shares** | Immediately following Admission, the TowerBrook Shareholder will be interested in approximately 61.4% of the Company's issued share capital. The interests of the TowerBrook Shareholder and the other Shareholders may not be aligned. For example, the TowerBrook Shareholder and its affiliates may make acquisitions of, or investments in, other businesses in the same sectors as us. These businesses may be, or may become, our competitors. In addition, funds or other entities managed or advised by TCP (or the same entities or individuals which manage or advise the TCP Funds) may be in competition with us on potential acquisitions of, or investments in, certain businesses. Although applicable law, the terms of the Directors' appointments and the Relationship Agreement contain provisions seeking to restrict Directors appointed by the TowerBrook Shareholder from voting on matters where there are conflicts of interest and from using information obtained in the course of their appointments, these and other measures may not be sufficient to safeguard the interests of other Shareholders. |

| Section E—Offer | | |
|---|---|---|
| E.1 | **Net proceeds/expenses** | The Company will receive approximately £63,810,000 net proceeds from the Offer (after deducting underwriting commissions and other estimated offering-related fees and expenses (including VAT) of approximately £8,190,000 (assuming full payment of all discretionary fees and commissions)).<br><br>The net proceeds from the Offer receivable by the Selling Shareholders will be approximately £26,737,405.26 (after deducting underwriting commissions and other estimated expenses (including VAT) of approximately £840,010.01 (assuming full payment of all discretionary fees and commissions)).<br><br>No expenses will be charged to the purchasers of Offer Shares by the Company or the Selling Shareholders. |
| E.2a | **Reasons for the Offer/ use of proceeds** | The Directors believe that the Offer and Admission are the natural next step in our development, and will:<br><br>(a) enhance our public profile and brand recognition;<br><br>(b) provide a strong platform from which we can pursue our growth strategy, including via acquisitions where appropriate;<br><br>(c) provide access to the capital markets;<br><br>(d) assist in the recruitment, retention and incentivisation of management and employees; and<br><br>(e) provide the Selling Shareholders with the opportunity to effect a partial realisation of their investment in the Company.<br><br>The Company intends to use the approximately £63,810,000 net proceeds receivable by it from the Offer (assuming full payment of all discretionary fees and commissions) to repay £61.9 million of the Existing Debt Facilities, with the balance of such net proceeds retained for general corporate purposes. |
| E.3 | **Terms and conditions of the Offer** | The Offer Shares are Ordinary Shares which are the subject of the Offer, comprising:<br><br>(a) 48,000,000 New Ordinary Shares to be issued by the Company; and<br><br>(b) 18,666,667 Existing Ordinary Shares to be sold by the Selling Shareholders.<br><br>The Offer is being made by way of an institutional private placing. Accordingly, Offer Shares will only be offered to:<br><br>(a) certain institutional and professional investors in "offshore transactions" in reliance on Regulation S; and<br><br>(b) QIBs in the United States pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. |

| | | |
|---|---|---|
| | | The Offer is subject to the satisfaction of conditions, which are customary for transactions of this type, contained in the Underwriting Agreement, including completion of the Reorganisation, Admission becoming effective no later than 8.00 a.m. on 23 June 2014 and the Underwriting Agreement not having been terminated prior to Admission.<br><br>The issue/sale of the Offer Shares under the Offer has been underwritten, subject to certain conditions which are customary for transactions of this type, by the Underwriters. The allocation of Offer Shares between investors who have applied for Offer Shares will be determined by the Company in consultation with the Joint Bookrunners. All Offer Shares issued/sold pursuant to the Offer will be issued/sold at the Offer Price.<br><br>Admission is expected to become effective and unconditional dealings in the Ordinary Shares are expected to commence on the London Stock Exchange at 8.00 a.m. on 23 June 2014. All dealings in Ordinary Shares prior to the commencement of unconditional dealings will be on a "when issued" basis, will be of no effect if Admission does not take place, and will be at the sole risk of the parties concerned. |
| E.4 | **Material interests** | The Company considers that the TowerBrook Shareholder has an interest that is material to the Offer by virtue of the size of its shareholding in the Company.<br><br>The Company does not consider this to be a conflicting interest, and does not consider that there are any other interests, including conflicts of interest, that are material to the Offer. |
| E.5 | **Selling Shareholders and Lock-Up Agreements** | 18,666,667 Existing Ordinary Shares (representing approximately 9.3% of the issued share capital of the Company immediately following Admission) will be sold in the Offer by the Selling Shareholders.<br><br>For 180 days from and including the date of Admission, the TowerBrook Shareholder will not dispose of any interest in the Ordinary Shares held by it immediately following Admission.<br><br>For 365 days from and including the date of Admission, the Executive Directors and the Senior Managers who are Shareholders will not dispose of any interest in the Ordinary Shares held by them immediately following Admission.<br><br>For 180 days from and including the date of Admission, Iain Jamieson, a Selling Shareholder and former employee of the Group, will not dispose of any interest in the Ordinary Shares held by him immediately following Admission.<br><br>For 180 days from and including the date of Admission, the Company will not issue any new Ordinary Shares.<br><br>All lock-up arrangements are subject to certain customary exceptions. |
| E.6 | **Dilution** | The Existing Ordinary Shares will represent approximately 76.0% of the total issued Ordinary Shares immediately following Admission. |
| E.7 | **Estimated expenses charged to investor(s)** | Not applicable: there are no commissions, fees, expenses or taxes to be charged to investors by the Company under the Offer. |

## PART II

## RISK FACTORS

*Any investment in the Offer Shares is subject to a number of risks. Prior to investing in the Offer Shares, you should consider carefully the factors and risks associated with any such investment, our business and the industry in which we operate, together with all other information contained in this Prospectus including, in particular, the risk factors described below. You should note that the risks relating to us, our industry and the Ordinary Shares summarised in Part I (Summary) are the risks that the Directors believe to be the most essential to an assessment by you of whether to consider an investment in the Offer Shares. However, as the risks which we face relate to events and depend on circumstances that may or may not occur in the future, you should consider not only the information on the key risks summarised in Part I (Summary) but also, among other things, the risks and uncertainties described below.*

*The following is not an exhaustive list or explanation of all risks that you may face when making an investment in the Offer Shares and should be used as guidance only. The order in which risks are presented is not necessarily an indication of the likelihood of the risks actually materialising, of the potential significance of the risks or of the scope of any potential harm to our business, prospects, results of operation and financial position. Additional risks and uncertainties relating to us that are not currently known to us, or that we currently deem immaterial, may individually or cumulatively also have a material adverse effect on our business, prospects, results of operations and financial condition and, if any such risk should occur, the price of the Ordinary Shares may decline and you could lose all or part of your investment. You should consider carefully whether an investment in the Offer Shares is suitable for you in light of the information in this Prospectus and your personal circumstances.*

### Risks relating to our business and the industry in which we operate

***Our business is dependent on the level of activity and market demand in the residential and commercial building and construction industries which we supply, and certain of these industries have experienced contraction in recent years***

Our products are used in the residential and commercial building and construction markets, including within the refurbishment, maintenance and improvement ("**RMI**") sector, and for new construction projects and new residential housing developments. The sales of our products in these markets partly correlate to the number of new homes and buildings that are built, or existing structures that are refurbished, upgraded or repaired. General economic and credit market conditions, house prices, volumes of homes and buildings being bought and sold, government policies, prevailing interest rates, inflation, deflation, levels of private and government expenditure, the availability and affordability of financing for construction projects, unemployment and demographic trends are some of the drivers of the demand for new structures or upgrades to existing structures.

Our new-build business is particularly influenced by the level of activity in the construction industry, whereas our private RMI business is most strongly correlated to the volumes of homes and buildings being bought and sold (as new owners commonly undertake more extensive RMI work) and the availability and cost of mortgage financing and refinancing, especially for extensive RMI projects such as basement and loft conversions, because when mortgages are less expensive, homeowners have more disposable income with which to undertake RMI work. Government policies and spending most strongly impact our public commercial business, where the number of schools and hospitals being built and refurbished generally fluctuate in line with government policy. However, government policy and spending also have an impact on our public RMI business (such as where the management of social housing has not been contracted out to private management organisations) and could have a more general negative impact on our business if, for example, certain government policies or schemes (such as the recently introduced UK "Help to Buy" scheme) were to be revoked or narrowed.

In addition, certain countries to which we supply products have in the past experienced significant declines in employment, household wealth, property values, consumer spending and lending. Many distributors and consumers of our products have faced, and may continue to face, weakened demand for their products (including those we produce), difficulty obtaining access to financing, increased funding costs and barriers to expanding operations, with the residential and commercial building and construction markets, including the RMI sector, in certain of the countries to which we supply products, experiencing contraction in recent years.

Furthermore, the recent financial and political crises in the Eurozone, attempts by the UK and other governments to reduce financial deficits and uncertain global economic conditions all created an adverse macroeconomic climate in the UK and other countries which negatively affected the residential and commercial building and construction industries in those countries and, in turn, us. Further adverse changes in the macroeconomic climate, such as the breakup of the Eurozone, the prospect of a referendum on the UK's participation in the EU or a decline in economic results in the UK, could have an additional adverse impact on the macroeconomic environment.

As a result of the above, we are unable to predict accurately the level of demand for our products, and, therefore, the level of future orders from our customers. The current growth of the building and construction markets in the countries where we operate may not continue or these markets may again contract. Orders for our products may decline, and/or we may experience an over or undersupply of components, raw materials and/or production capacity, each of which could have a material adverse effect on our business, results of operations, financial condition and prospects.

***We may be adversely affected by the fluctuation in availability and cost of the components and raw materials required for our products***

The Ventilation Group is principally a designer and assembler of its products from components supplied by third parties (although it does undertake injection moulding of the majority of its own plastic components), and Torin-Sifan is a manufacturer of motors, fans and blowers and supplies its products to original equipment manufacturers. Accordingly, our ability to fulfil our orders depends in large part on obtaining timely and adequate supplies of components and raw materials, especially electronic components (including printed circuit boards) and shaded-pole motors from China and South East Asia (which together constituted 16.7% of the Ventilation Group's supplier spend for consumption in the UK for the year ended 31 July 2013), and plastics (including PVC) (which constituted 9.0% of the Ventilation Group's supplier spend for consumption in the UK for the year ended 31 July 2013).

We do not typically enter into long-term supply contracts or have guaranteed levels of supply in place for components and raw materials and do not generally hedge against our supply requirements. Market prices for such components and raw materials can be volatile due to changes in supply and demand, manufacturing and other costs, natural disasters, regulations and tariffs, economic conditions and other circumstances. Accordingly, we may not be able to obtain components and raw materials from our current or alternative suppliers at reasonable prices in the future, or may not be able to obtain these items on the scale and within the time frames that we require.

Failure by suppliers to meet their obligations to us for any reason could significantly limit our sales and increase our costs. Suppliers may also extend lead times, limit supplies or increase prices from time to time, which could adversely affect our ability to deliver our products on a timely and cost-effective basis, and we may be unable to pass on any increased costs to our customers. Despite our efforts to select our suppliers and manage supplier relationships, a supplier may fail to meet our standards in matters such as product quality, efficiency and safety. Any of these events could delay the successful delivery of our products on competitive terms and in compliance with our standards, or we may need to alter the design of our products to incorporate replacement components which do not have the same specification as those components for which our products were designed. These risks are particularly acute in the case of certain electronic components (especially air-flow sensors), which are only available from a limited number of suppliers. In addition, the vast majority of the PVC (the main plastic we use) we purchase is recycled "non-virgin" PVC pellets. Such recycled "non-virgin" PVC pellets are currently available for 70% the cost of "virgin" PVC pellets. Demand for recycled "non-virgin" PVC pellets has increased in recent years, and a further increase in demand, without a corresponding increase in high quality supply, could limit our ability to acquire PVC pellets cost-effectively.

Further, we source certain electronic components from Asia (including China and South East Asia). In recent years, the cost of such components and their transportation has increased as a result of various factors, including rising fuel prices, labour costs, natural disasters and foreign exchange rate fluctuations. Such costs may continue to increase for similar or other reasons.

Any of the foregoing may have a material adverse effect our business, results of operations, financial condition and prospects.

***The development of new products and new variants of existing products requires significant investment, and the success of such new products and new variants of existing products is inherently uncertain***

Product innovation is a significant part of our plans for future growth. The lead time involved in developing new products can be long and may involve significant expenditure, which we may be unable to recover through increased revenue or price increases. In particular, we have invested considerable time and resources in developing a number of new products of both the Ventilation Group and Torin-Sifan, which we expect to launch in the next six to twelve months.

The launch of new products and new variants of existing products is an inherently uncertain process and we cannot guarantee that we will continuously develop successful new products or new variants of existing products, nor predict how customers and end-users will react to such products or how successful our competitors will be in developing products which are more attractive than those we develop. The profitable lifespans of any new products and new variants of existing products are also uncertain and largely depend on the reaction of our customers and end-users to such products. An unsuccessful launch of a new product or a new variant of an existing product may, for example, give rise to inventory write-offs and have an adverse impact on our public perception. Failure to innovate could hinder our growth potential, render our products obsolete and cause a reduction in our market share. The success of a new product could, and the success of a new variant of an existing product would be likely to, reduce revenue from existing products if such products are in direct competition with each other.

Any of the foregoing could have a material adverse effect on our prospects, results of operations, business and financial condition.

***Changes in law or regulation may reduce the size of the market for our products or, if we are unable to adapt to such changes, our share of those markets***

The market for our products (especially our heat recovery and Lo-Carbon Products) has expanded, partly as a result of a favourable regulatory environment which requires new buildings to be increasingly environmentally-friendly over time. In particular, there is a regulatory drive across the European Union for all new buildings to be "nearly zero-energy" by 2020, and the UK has implemented super-equivalent aims for all new domestic and other buildings to be "zero carbon" from 2016 and 2019 (respectively). However, there can be no assurance that these regulations will not be amended (for example, by pushing the dates by which buildings are required to conform to the applicable standards further into the future) or repealed in a manner that could adversely affect the market for our products. Alternatively, these regulations may be amended or replaced to strengthen the applicable requirements, and we may be unable to develop new products which are, or to adapt existing products to be, suitable for any such new requirements, or our competitors may be more successful in doing so. Further, we may fail to effectively monitor changes to laws or regulations such that our products become obsolete, and could be required to incur significant expenditure as a result of any new laws or regulations (including any new environmental, electrical safety or other laws or regulations). Any such change could have a material adverse effect on our business, prospects, results of operations and financial condition.

***We may be unsuccessful in identifying suitable acquisition candidates, consummating acquisitions or integrating acquired businesses***

In the last two years, we have acquired Fresh, PAX and inVENTer, all three of which have expanded our international business and contributed to our growth and results of operations. A part of our strategy is to continue to expand by acquiring additional companies and businesses, subject to the availability of suitable opportunities, particularly in Europe. We may not be able to identify or acquire suitable targets on acceptable terms. In particular, competitors may also follow similar acquisition strategies and the resulting consolidation and competition for acquisitions may limit the acquisition opportunities available to us or make the terms of such opportunities less favourable to us. Existing competitors and/or new entrants, including financial investors, may have greater financial resources available for investments or may have the capacity to accept less favourable terms than us, which may prevent us from acquiring targets and reduce the number of potential targets. Our ability to consummate acquisitions may also be restricted under applicable competition or antitrust laws, the terms of our financing arrangements, or the financial resources then available to us. We may expend significant resources (including financial resources and management time) evaluating and negotiating acquisitions which are not consummated.

Acquisitions involve numerous risks and uncertainties, especially if such acquisitions are significant. If one or more acquisitions are completed, our prospects, results of operations, business and financial condition may be affected by a number of factors, including the failure of the acquired company or business to achieve its financial projections, the assumption of unknown liabilities, the difficulties of imposing adequate financial and operating controls on the acquired companies and businesses and their management, preparing and consolidating financial statements in a timely manner, integrating the acquired companies and businesses into the Group, the diversion of management and other employees' time and attention from other business concerns, legal and cultural differences and the failure to achieve the strategic objections of such acquisitions, such as cost savings and synergies.

Acquisitions may be funded through additional debt or equity (as consideration or otherwise) financing or a combination of debt and equity. Acquisitions funded by way of issues of further equity could have a dilutive effect on shareholders. Acquisitions could also give rise to amortisation expenses related to intangible assets. Incurrence of additional debt, amortisation expenses or acquisition-related expenses could reduce our profitability.

To be successful in implementing our acquisition strategy, we will need to continue to maintain, develop and integrate our management, financial, operational and other resources. As our operations expand through acquisitions, we may also be required to incur further expenditure and effort to invest in our systems and infrastructure. Although our resources, systems, infrastructure and internal controls and procedures have been designed to be scalable and to support our anticipated expansion through acquisitions, there can be no assurance that they will be suitable or perform as designed.

***A significant portion of our revenue is derived from a small number of customers and our relationships with heating and ventilation engineering consultants and we may fail to maintain these relationships or such relationships could become less profitable***

In the year ended 31 July 2013, the top 5 customers of the Ventilation Group accounted for 36.6% of its revenue, with the largest customer representing 15.7% of revenue, and the top 12 customers of Torin-Sifan accounted for 66.0% of its revenue, with the top 5 customers of Torin-Sifan representing 39.4% of its revenue with the largest customer representing 12.3% of its revenue. We expect this customer concentration will continue for the foreseeable future.

The Ventilation Group's top customers are primarily electrical wholesalers and specialist distributors (but also include large DIY retail chains), while Torin-Sifan's are generally OEMs in the heating and ventilation industry. The Ventilation Group also relies on a number of key relationships with heating and ventilation engineers and consultants with whom we collaborate to set the specification for their large new-build and RMI construction projects.

Our agreements with a number of our top customers have (in line with industry practice) been entered into with short fixed terms, are terminable on short notice by the customer without cause and/or do not contain any minimum order commitments, all of which provide certain of our top customers with the right to terminate, or to seek to negotiate amendments to the terms of (including as to pricing), their agreements with us on a regular basis. Further, the Directors believe that a significant proportion of our sales through wholesalers and distributors are driven by our relationships with heating and ventilation engineers and consultants which enable us to influence the specification of products to be installed in a new-build or RMI construction project and therefore, the subsequent purchase of our products that meet such specifications. The specification work for each project is typically awarded on a project-by-project basis, and therefore there can be no assurance of repeat business.

We may not be able to maintain our relationships with key customers, engineers and/or consultants, or to renegotiate our customer agreements on reasonable terms, if at all, and any such failure may be due to third party factors which we are unable to predict or control (for example, the failure of components supplied by a third party which are incorporated into our products or of a third party contractor installing our products, any of which may be perceived as our own failure). If any of our key customers terminate their trading relationship with us, or a key engineer or consultant ceases to engage with us on setting the specification for the ventilation of new projects, or if we are unable to maintain agreements with our customers on favourable terms, this could have a material adverse effect on our prospects, results of operations, business and financial condition.

Moreover, consolidation among our customers may increase our reliance on a smaller number of customers and result in demands for "best available terms", which may result in us failing to successfully maintain our pricing structure and negotiating position. Further consolidation may limit our ability to gain new customers or to gain market share or put pressure on our margins, adversely affecting our growth prospects, business, results of operations and financial condition.

Further, the large DIY retail chains to which the Ventilation Group supplies products may increase their demands for so-called "white-labelled" products, which carry the brand of the retailer and are less profitable for us. Increased sales of "white-labelled" products may also reduce the public prevalence of our brands and therefore damage the value of our brands.

In addition, as our customers grow or otherwise improve their negotiating position, they may seek improved pricing terms from us, which could, in the absence of commensurate reductions in our costs, lead to a decrease in our margins.

***Our business is subject to competition***

We face competition in every country to which our products are supplied. Competition is based on many factors, including brand recognition and customer loyalty, product quality and reliability, breadth of product range, product design and innovation, manufacturing capabilities and price. Our primary competitors are varied and include international, domestic and local competitors, and generalists and specialists in sub-markets. Our competitors may have or may obtain greater financial, technical or other resources than we have, which could enhance their ability to finance acquisitions and new product development, and they may be able to respond more quickly to changes in the market. Some of our competitors may also be, or may become, able to produce similar, equivalent or superior products at lower costs than we can produce them. Any of the foregoing could be exacerbated by consolidation within the industry or by a financial investor providing additional capital to a competitor (to grow organically or by acquisition). Further, many of our customers are subject to competition in their respective businesses. Such competition could result in downward price pressure on our products, which we may be unable to offset with equivalent cost savings. Any of the foregoing could have a material adverse effect on our prospects, results of operations, business and financial condition.

***The operation of our facilities, or the facilities of our material suppliers or customers, may be disrupted unexpectedly or for a prolonged period and insurance coverage may not be available or sufficient to cover any associated loss***

The production and assembly of our products takes place at facilities which we own or lease. These facilities could be subject to disruption for a variety of reasons, including labour disputes. The potential impact of any disruption would depend on the nature and extent of the damage caused to such facility. If one of our facilities were to be shut down unexpectedly, or certain of our operations or equipment and machinery within an otherwise operational facility were to cease production, alternative capacity may not be available at all or quickly enough and on favourable terms. In particular, we have only two injection moulding facilities, one in each of the UK and Sweden. Disruption to either or both of these facilities (especially the UK facility, which produces a substantial majority of the injection-moulded plastic parts for our products) could have a material adverse effect on our production capacity. Further, we occupy a production facility in Sweden on a long-term lease (expiring on 31 December 2022); we may be unable to renew such lease on commercially attractive terms, if at all, which could result in relocation costs and losses caused by disruption to production of our products in Sweden.

In addition, any such disruption at the facilities of any of our material suppliers or customers could adversely affect our business and therefore the volume of business which the affected supplier/contractor transacts with us.

Any such disruption, particularly if not adequately compensated by insurance, could have a material adverse effect on our prospects, results of operations, business and financial condition.

***Any failure of our products to perform as anticipated could result in significant liability and reputational damage that may adversely affect our business and results of operations***

Our products incorporate electronic components, which carry an inherent risk of causing damage, for example if they overheat and catch fire. Any failure of our products (or the components incorporated into them) to perform as anticipated could result in significant product liability, product recall or rework, other costs or reputational damage. Further, events or allegations of malfunctioning products could lead to legal claims against us, and we could incur substantial legal fees and other costs in defending against such legal claims. The costs of product recalls and reworks are not generally covered by insurance. If we were to experience a product recall or rework, our financial condition or results of operations could be materially adversely affected.

In addition, we typically provide warranty terms ranging from one to five years. Warranties of such extended lengths pose a risk as actual future costs may exceed our current estimates of (and reserves for) those costs. Warranty expense is accrued and recorded in the same period in which the revenue is recognised and requires assumptions about what costs will be incurred in the future. We may be required to record adjustments to provisions and expenses in the future if actual costs for these warranties are different from our assumptions.

***We may be adversely affected by a breakdown of our information technology systems***

We use information technology systems for, among other things, processing, transmitting and storing electronic data relating to our operations and financial reporting. A significant portion of communications among our personnel, customers, suppliers and other trading partners relies on the efficient performance of information technology systems. We also store sensitive data, including intellectual property, proprietary business information and personally identifiable information of our employees. The secure maintenance and transmission of this information is critical to our operations.

In particular, we are in the process of upgrading our enterprise resource planning system to streamline our operations. If that upgrade is delayed or disrupted, or the new system does not operate as designed or planned, our operations could be materially adversely affected and it may take substantial investment of management's time and our resources to rectify any issues.

Further, despite our security measures and back-up systems, our information technology systems may be vulnerable to attacks by hackers, computer viruses or malicious code or may be breached due to employee error, malfeasance or affected by other disruptions, including as a result of telecommunications breakdown or other unpredictable reasons beyond our control. If any such event were to occur, it could cause disruptions or delays to our operations and result in the loss of confidential information, which could expose us to liability and cause our business and reputation to suffer. We may also be unable to source alternative capacity during any period of disruption, or such capacity may only be available on unfavourable terms.

Any of the foregoing could have a material adverse effect on our prospects, results of operations, business and financial condition.

***Our business may suffer if our reputation is damaged***

Our business and market positions are predicated on maintaining our reputation, the reputation of our brands (including the "Vent-Axia", "Manrose", "Fresh", "PAX", "inVENTer" and "Torin-Sifan" brands), and trust with key stakeholders, including consumers, customers, trading partners and heating and ventilation engineers and consultants. Actual or alleged instances of inferior product quality or of damage caused or allegedly caused by our products (even if these instances occur due to the actions or failure of a supplier or contractor of ours who installed our products) could damage our reputation and credibility, and materially adversely affect our business and results of operations. Any perceived or actual concerns related to our products may be widely disseminated online or otherwise, and, consequently, could result in new or existing customers and trading partners becoming less willing to conduct business with us. Current methods of dissemination of information (including the ability of reports to "go viral" online) mean that potential threats to reputation can occur in a very short period of time and reach a far broader audience than historically was the case, making it far more difficult to address.

***We may not be able to defend our intellectual property rights***

We own trade marks (for, among other things, our brand and product names), patents (for, among other things, certain components of our unitary heat recovery, mechanical extract ventilation, mechanical ventilation with heat recovery and Lo-Carbon Products), designs (for, among other things, Tempra heat recovery units, "silent" fans and insulated ducting) and other intellectual property rights that the Directors believe are important to our business and competitive position. We cannot ensure that third parties will not infringe or misappropriate these rights by, for example, imitating our products, or by asserting rights in, or ownership of, our intellectual property rights or in intellectual property rights that are similar to the intellectual property rights we own. In addition, we may fail to discover infringement of our intellectual property rights and any steps taken by us may not be sufficient to protect our intellectual property rights, to prevent others from seeking to invalidate our intellectual property rights or to block sales of a third party's products by alleging a breach of our intellectual property rights. Moreover, some of our intellectual property is not registered, and therefore may be more limited in scope and difficult to enforce. If we are unable to protect our intellectual property against infringement or misappropriation, or if others assert rights in, or seek to invalidate, our intellectual rights, this could materially adversely affect our brand equity, prospects, results of operations, business and financial condition.

***We may be affected by litigation, including product liability and collateral warranty claims and claims relating to our installation activities, and other disputes***

We may be subject to litigation from time to time in the ordinary course of our business, including disputes with customers and suppliers, intellectual property claims, product liability or collateral warranty claims. Further, although we generally require our suppliers to satisfy certain standards regarding the quality and specification of their products, we may incur certain liabilities and reputational damage (for example, in respect of product liability or collateral warranty claims) as a result of incorporating defective components supplied to us by third parties into our products, we may be unsuccessful in passing any financial liability on to the relevant supplier (especially if they are situated overseas or supplying on their own standard terms of business) or to an insurer, and our reputation may in any event remain adversely affected. We could incur substantial legal fees and other costs in defending any litigation, which may not be covered by our insurance.

In particular, a small part of our business involves the use of subcontractors to install our products (which are available either uninstalled, or with installation for an additional charge). Installation of electronic components such as our products carries a higher degree of risk than production, and the majority of claims and complaints that we receive about our products are often found to be caused by the incorrect installation and/or maintenance (whether carried out by subcontractors on behalf of us or by third party contractors) of our products. Therefore, we could suffer substantial reputational and/or financial damage as a result of the actions of subcontractors or third party contractors, and we may be unable to pass any financial liability on to such person or to an insurer.

If as a result of litigation we are required to make payments, or to alter or lose ownership of our intellectual property rights or reputational damage is caused to us or our brands, our prospects, results of operations, business and financial condition may be materially adversely affected.

***Our operations are subject to health and safety and environmental laws and regulations which could result in material liabilities to us***

As we are involved in the manufacture and assembly of our products, we are subject to applicable laws and regulations with respect to employee health and safety and the protection of the environment in each of the countries in which we operate. The cost of compliance with these and similar future laws and regulations could be substantial. A risk of environmental liability is inherent in our current and former production activities. We have used and continue to use various substances in our products and manufacturing operations, and have generated and continue to generate wastes, which have been or may be deemed to be hazardous or dangerous. Under certain environmental laws and regulations, we could be held solely or jointly and severally responsible, regardless of fault or knowledge, for the remediation of any hazardous substance contamination or other environmental issues at our past and present facilities or at locations to which current or former operations have shipped waste for disposal, and could also be held liable for damages to natural resources and any consequences arising out of human exposure to such substances or other environmental issues. While we are not currently aware of any material outstanding environmental claims or obligations in relation to any of our current or former sites, we cannot be certain that identification of presently unidentified environmental conditions, more vigorous enforcement by regulatory agencies, enactment of more stringent laws and regulations or other unanticipated events will not arise in the future and give rise to material environmental liabilities or an increase in compliance costs. If our operations, or the operations of our former owners or occupiers of our facilities, have not or do not (now or in the future) comply with all such environmental laws and regulations, we could be subject to penalties, fines, restrictions on operations or other sanctions, which could have a material adverse effect on us (including by interrupting or suspending our operations).

***Our success depends on retaining key personnel and attracting highly skilled individuals***

Our success depends substantially on the efforts and abilities of key personnel and our ability to attract and retain such personnel. The Senior Managers have significant experience in the UK, Swedish and German heating and ventilation industry and have made an important contribution to our growth and success. The loss of the services of any of the Senior Managers, or of a senior manager of any company or business we acquire, could have a material adverse effect on our prospects, results of operations, business and financial condition. We may also not be successful in attracting and retaining such individuals in the future. Further, the loss of or failure to attract and retain certain individuals in non-managerial positions may also have a material adverse effect on us where such individuals possess specialist knowledge or skills that are not easily replaceable (for example, our employees who are responsible for the design of our products and our specialist sales team).

***Shortages or increased costs of skilled labour could increase costs and delay deliveries and may have an adverse impact on customer relationships***

We are subject to supply risks related to the availability and cost of labour. We may experience labour cost increases or disruptions in our facilities in circumstances where we must compete for employees with necessary skills and experience or in tight labour markets. Increased wages (which might include, without limitation, an increase in the UK minimum wage) or shortages of skilled labour could cause increases in costs and delivery delays. If we are unable to pass on any increase in costs to our customers, our margins may reduce, which could accordingly have an adverse impact on our operating results, business prospects and financial condition.

***We could be adversely affected by changes to employment laws***

We rely on a flexible and low-cost workforce to manage our employment costs, including a significant number of temporary employees and employees paid the minimum wage in the countries where we operate (or remuneration linked to such minimum wage). Changes to certain employment laws, for example granting temporary employees additional protections or rights on termination in the countries in which we operate, or an increase in minimum wage, could increase our overall employment costs and reduce our ability to be flexible during periods of declining demand for our products.

***Labour disruptions could adversely affect our business***

A work stoppage or a strike at our facilities could cause lost sales and increased costs, and adversely affect our ability to meet customers' needs. Our employees in Sweden and Germany (who account for approximately 21.74% of our employees) are represented by workers' councils which, if requested, are required under local law. The current arrangements with such workers' councils require us to seek the advice of the workers' councils in connection with certain matters, such as termination of employees and disciplinary actions against staff and high level benefit schemes such as salary increases for our associated workers. Until negotiations are completed, it is not known whether we will be able to negotiate workers' council arrangements on the same or more favourable terms as the current arrangements, or at all, without production interruptions, including labour stoppages.

***The terms of our financing arrangements may limit the flexibility of our operations***

Our operations are restricted by certain restrictive covenants and other provisions under the New Debt Facilities. These include restrictions relating to mergers and acquisitions, joint ventures, the incurrence of financial indebtedness, guarantees and indemnities and derivative transactions. Specifically, such provisions could have important consequences for us, including: (i) limiting our ability to invest in or expand our business; and (ii) limiting our ability to borrow additional funds in the future. Any breaches of the provisions of the New Debt Facilities or any of our outstanding borrowings in the future may result in acceleration of the repayment of such indebtedness prior to maturity, which may have a material adverse effect on us. Further, we may incur substantial additional debt in future, including in connection with any acquisition. If new debt is added to the current debt levels, the risks described above could be materially increased.

***The terms of our financing arrangements contain some limits on future acquisitions***

The New Debt Facilities include an acquisition facility in an amount of £20.0 million which, subject to the fulfilment of various conditions included in the New Debt Facilities, is capable of being drawn to fund acquisitions of companies, businesses or undertakings which are incorporated and carry on their business in the European Economic Area, the European Union or the United States. In each case, the relevant company, business or undertaking must carry on a business substantially the same as or complementary to us. To the extent that we may wish to undertake larger acquisitions or acquisitions outside these criteria (which is not currently part of our strategy), these terms may limit its ability to do so.

***The currency of our income may not match or be sufficient for us to meet our repayment obligations under the New Debt Facilities in that currency***

Interest payments under the New Debt Facilities are denominated in various currencies including sterling, euros and Swedish krona. The income we receive from our operations may not be sufficient in a particular currency or currencies to enable us to source interest payments or repayments exclusively from operational income. Consequently, we may need to enter into cross currency hedging arrangements or swap contracts to enable such payments to be made in the required currency and such contracts would typically require the payment of fees and various other associated costs.

***We may be adversely impacted by fluctuations in interest rates, mainly through increased interest expense***

Through the New Debt Facilities, we have floating-rate term indebtedness. To the extent that the principal amount of such indebtedness is not the subject of an interest rate hedging agreement limiting our exposure to interest rate movements, increases in the base rate(s) upon which such floating-rate interest is based would increase our financing charges and reduce profitability.

***We are exposed to foreign currency exchange rate risk***

Our operations are subject to risks associated with fluctuations in currency exchange rates. We generate revenue primarily in pounds sterling, and secondarily in Swedish krona, Norwegian krone and euros. In addition, the financial covenants in the New Debt Facilities are tested in pounds sterling. Translation risk arises from the fact that, for each accounting period, we need to translate into pounds sterling the foreign currency financial statements of our subsidiaries whose financial statements are not measured in pounds sterling, in order to prepare our consolidated financial statements. As a result, movements in the exchange rate of the pound sterling against the Swedish krona, Norwegian krone and the euro could create translation adjustments in financial statements and affect our results of operations and financial condition.

We are also subject to transaction foreign currency exchange risk because our business involves transactions in a variety of currencies (especially the U.S. Dollar) due to our sourcing of raw materials and components in various countries. To the extent that we incur expenses which are not denominated in the same currency as related revenue, exchange rate fluctuations could cause our expenses to increase as a percentage of our revenue. We hedge against fluctuations in the value of the U.S. Dollar one year in advance (up to 80% to 90% of our U.S. Dollar requirements), and do not hedge our exposure to other currencies.

**Risks relating to the Offer and the Ordinary Shares**

***The price of the Ordinary Shares may fluctuate significantly and investors could lose all or part of their investment***

The share price of quoted companies can be highly volatile, which may prevent Shareholders from being able to sell their Ordinary Shares at or above the price they paid for them. The Offer Price may not be indicative of prices that will prevail in the trading market and investors may not be able to resell the Ordinary Shares at or above the price they paid for them. The market price for the Ordinary Shares could fluctuate significantly for various reasons, many of which are outside our control. These factors could include our performance, large purchases or sales of the Ordinary Shares, legislative changes and general economic, political or regulatory conditions.

***A liquid market for the Ordinary Shares may fail to develop***

Admission should not be taken as implying that there will be a liquid market for the Ordinary Shares. Prior to Admission, there has been no public market for the Ordinary Shares, and there is no guarantee that an active trading market will develop or be sustained after Admission. If an active trading market is not developed or maintained, the liquidity and trading price of the Ordinary Shares may be adversely affected.

***There is no guarantee that dividends will be paid by the Company***

Any dividend on the Ordinary Shares will be limited by our performance. The Company's dividend policy is described in Part VII (*Information on the Group and the industry in which it operates*) but should not be construed as a dividend forecast. As a holding company, the Company's ability to pay dividends in the future is affected by a number of factors, principally our generation of distributable profits and the receipt of sufficient dividends from its subsidiaries. Our members may be precluded from paying dividends by various factors, such as their own financial condition, restrictions in existing or future financing documents to which they are party or applicable law. Under English law, a company can only pay cash dividends to the extent that it has distributable reserves and cash available for this purpose. In addition, the Company may not pay dividends if the Directors believe this would cause the Company to be inadequately capitalised or if, for any other reason, the Directors conclude it would not be in the best interests of the Company. Any of the foregoing could limit the payment of dividends to Shareholders or, if the Company does pay dividends, the amount of such dividends.

***The TowerBrook Shareholder will retain a significant interest in the Company following Admission and its interests may differ from those of the other Shareholders***

Immediately following Admission, the TowerBrook Shareholder will be interested in approximately 61.4% of the Company's issued share capital. The TowerBrook Shareholder has entered into the Relationship Agreement, which governs its conduct in relation to the Company. The interests of the TowerBrook Shareholder and the other Shareholders may not be aligned. Furthermore, as the TowerBrook Shareholder will control approximately 61.4% of the voting rights in the Company, it will be able to exercise negative control over certain matters by blocking ordinary and special resolutions of the Company, including resolutions amending the Articles, disapplying statutory pre-emption rights, and requesting court approved capital reductions.

The TowerBrook Shareholder and its affiliates may make acquisitions of, or investments in, other businesses in the same sectors as us. These businesses may be, or may become, competitors of us. In addition, funds or other entities managed or advised by TCP (or the same entities or individuals which manage or advise the TCP Funds) may be in competition with us on potential acquisitions of, or investments in, certain businesses. Although applicable law, the terms of the Directors' appointments and the Relationship Agreement contain provisions seeking to restrict Directors appointed by the TowerBrook Shareholder from voting on matters where there are conflicts of interest and from using information obtained in the course of their appointments, these and other measures may not be sufficient to safeguard the interests of other Shareholders.

In addition, subject to or following the expiry of the lock-up undertakings, the TowerBrook Shareholder could sell a substantial number of Ordinary Shares in the public market following the Offer. Such sales, or the perception that such sales could occur, may materially adversely affect the market price of the Ordinary Shares. This may make it more difficult for Shareholders to sell the Ordinary Shares at a time and price that they deem appropriate, and could also impede the Company's ability to issue equity securities in the future.

***Future issuances of Ordinary Shares may dilute the holdings of Shareholders and may depress the price of the Ordinary Shares***

Other than in connection with Admission or pursuant to employee share plans or other similar incentive arrangements, the Company has no current plans for an offering of Ordinary Shares. However, it is possible that the Company may decide to offer additional Ordinary Shares in the future. Future sales or the availability for sale of substantial amounts of the Ordinary Shares in the public market could dilute the holdings of Shareholders, adversely affect the prevailing market price of the Ordinary Shares and impair our ability to raise capital through future offerings of equity securities.

***Shareholders outside the UK may not be able to participate in future equity offerings***

The Companies Act and the Articles provide for pre-emptive rights to be granted to Shareholders on the offer of equity securities for cash, unless such rights are disapplied by a Shareholder resolution. However, securities laws of certain jurisdictions may restrict our ability to allow participation by Shareholders in future offerings. In particular, Shareholders in the U.S. may not be entitled to exercise their pre-emption rights unless such an offering is registered under the Securities Act or made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Any Shareholder who is unable to participate in future equity offerings may suffer dilution.

***Shareholders may have difficulty in effecting service of process on the Company or the Directors in the U.S., in enforcing U.S. judgments in the UK or in enforcing U.S. securities laws in UK courts***

The Directors are residents of countries other than the United States. The Company is incorporated outside the United States and its assets are located outside the United States. As a result, it may not be possible for Shareholders to effect service of process within the United States upon the Directors or on the Company, or to obtain discovery of relevant documents and/or the testimony of witnesses. U.S. Shareholders may have difficulties enforcing in courts outside the United States judgments obtained in U.S. courts against the Directors or the Company (including actions under the civil liability provisions of the U.S. securities laws). Shareholders may also have difficulty enforcing liabilities under the U.S. securities laws in legal actions originally brought in jurisdictions located outside the United States.

## PART III

## DIRECTORS, SECRETARY, REGISTERED OFFICE AND ADVISERS

| | |
|---|---|
| **Directors** | Peter Hill, CBE (*Non-Executive Chairman with effect from Admission*)<br>Ronnie George (*Executive Director (CEO)*)<br>Ian Dew (*Executive Director (CFO)*)<br>Anthony Reading, MBE (*Senior Independent Non-Executive Director with effect from Admission*)<br>Adrian Barden (*Independent Non-Executive Director with effect from Admission*)<br>Paul Hollingworth (*Independent Non-Executive Director with effect from Admission*)<br>Gavin Chittick (*Non-Executive Director*) |
| **Company secretary** | Ian Dew |
| **Registered office and Directors' address** | Vent-Axia<br>Fleming Way<br>Crawley<br>West Sussex RH10 9YX |
| **Sponsor, Joint Bookrunner and Underwriter** | Canaccord Genuity Limited<br>88 Wood Street<br>London EC2V 7QR |
| **Joint Bookrunner and Underwriter** | Liberum Capital Limited<br>Ropemaker Place Level 12<br>25 Ropemaker Street<br>London EC2Y 9LY |
| **Legal advisers to the Company** | *As to English and U.S. law*<br>Weil, Gotshal & Manges<br>110 Fetter Lane<br>London EC4A 1AY |
| **Legal advisers to the Sponsor, Joint Bookrunners and Underwriters** | *As to English law*<br>Macfarlanes LLP<br>20 Cursitor Street<br>London EC4A 1LT<br><br>*As to U.S. law*<br>Paul, Weiss, Rifkind, Wharton & Garrison LLP<br>Alder Castle<br>10 Noble Street<br>London EC2V 7JU |
| **Auditors and Reporting Accountant** | Ernst & Young LLP<br>1 More London Place<br>London SE1 2AF |
| **Registrar** | Equiniti Limited<br>Aspect House<br>Spencer Road<br>Lancing<br>West Sussex<br>BN99 6DA |

## PART IV

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS AND OFFER STATISTICS

### Expected timetable of principal events

| | |
|---|---|
| Prospectus published, Offer Price announced and Offer Shares allocated | 18 June 2014 |
| Commencement of conditional dealings in Ordinary Shares on the London Stock Exchange | 8.00 a.m. on 18 June 2014 |
| Admission and commencement of unconditional dealings in Ordinary Shares on the London Stock Exchange | 8.00 a.m. on 23 June 2014 |
| CREST accounts credited with uncertificated Ordinary Shares | 8.00 a.m. on 23 June 2014 |
| Despatch of definitive share certificates (where applicable) | By 7 July 2014 |

*The times and dates shown in the table above are indicative only and are subject to change. All times are London times.*

*If Admission does not occur, all conditional dealings will be of no effect and any such dealings will be at the sole risk of the parties concerned.*

### Offer statistics

| | |
|---|---|
| Offer Price per Offer Share | 150 pence |
| Total number of Ordinary Shares to be issued/sold pursuant to the Offer | 66,666,667 |
| Number of Ordinary Shares in issue immediately following Admission | 200,000,000 |
| Percentage of the Ordinary Shares to be issued/sold pursuant to the Offer | 33.3% |
| Estimated gross proceeds of the Offer receivable by the Company | £72,000,000 |
| Estimated net proceeds of the Offer receivable by the Company (assuming full payment of all discretionary fees and commissions) | £63,810,000 |
| Estimated gross proceeds of the Offer receivable by the Selling Shareholders | £28,000,000.50 |
| Estimated net proceeds of the Offer receivable by the Selling Shareholders (assuming full payment of all discretionary fees and commissions) | £26,737,405.26 |
| Estimated market capitalisation of the Company at the Offer Price | £300,000,000 |

## PART V

## PRESENTATION OF INFORMATION

### 1 Notice to prospective investors

**Prospective investors should rely only on the information in this Prospectus. No person has been authorised to give any information or to make any representations in connection with the Offer other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Company, the Directors, the Selling Shareholders, the Underwriters or any of their respective representatives. No representation or warranty, express or implied, is made by any of the Underwriters or any selling agent as to the accuracy or completeness of such information, and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation by any of the Underwriters or any selling agent as to the past, present or future. Without prejudice to any obligation of the Company to publish a supplementary prospectus pursuant to section 87G of FSMA and PR 3.4.1 of the Prospectus Rules, neither the delivery of this Prospectus nor any subscription or sale made pursuant to the Offer shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Company or of the Group taken as a whole since the date hereof or that the information contained herein is correct as at any time subsequent to the earlier of the date hereof and any earlier specified date with respect to such information.**

The Company will update the information provided in this Prospectus by means of a supplement hereto if a significant new factor that may affect the evaluation by prospective investors of the Offer occurs prior to Admission or if this Prospectus contains any material mistake or substantial inaccuracy. This Prospectus has been approved by the FCA and made public in accordance with the Prospectus Rules, and any supplement hereto will be subject to approval by the FCA and will be made public in accordance with the Prospectus Rules. If a supplement to this Prospectus is published prior to Admission, investors shall have the right to withdraw their subscriptions and/or purchases made prior to the publication of such supplement. Such withdrawal must be done within the time limits set out in the supplement (if any) (which shall not be shorter than two clear business days after publication of such supplement).

The contents of this Prospectus are not to be construed as legal, business or tax advice. Each prospective investor should consult his or her own lawyer, financial adviser or tax adviser for legal, financial or tax advice in relation to any subscription, purchase or proposed subscription or purchase of any Offer Shares. Each prospective investor should consult with such advisers as needed to make its investment decision and to determine whether it is legally permitted to hold Offer Shares under applicable legal investment or similar laws or regulations. Investors should be aware that they may be required to bear the financial risks of any investment in Offer Shares for an indefinite period of time.

This Prospectus is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Company, the Directors, the Selling Shareholders, the Underwriters or any of their respective representatives that any recipient of this document should subscribe for or purchase Offer Shares. Prior to making any decision whether to subscribe for or purchase Offer Shares, prospective investors should read this Prospectus in its entirety and, in particular, Part II (*Risk factors*). In making an investment decision, prospective investors must rely upon their own examination of the Company and the terms of this Prospectus, including the risks involved. Any decision to subscribe for or purchase Offer Shares should be based solely on this Prospectus and any supplement hereto.

Investors who subscribe for and/or purchase Offer Shares in the Offer will be deemed to have acknowledged that: (i) they have not relied on any of the Underwriters or any person affiliated with any of them in connection with any investigation of the accuracy of any information contained in this Prospectus or their investment decision; (ii) they have relied solely on the information contained in this Prospectus; and (iii) no person has been authorised to give any information or to make any representation concerning us or the Offer Shares (other than as contained in this Prospectus) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company, the Directors, the Selling Shareholders, the Underwriters or any of their respective representatives.

None of the Company, the Directors, the Selling Shareholders, the Underwriters or any of their respective representatives or any of their representatives is making any representation to any offeree, subscriber or purchaser of Offer Shares regarding the legality of an investment by such offeree, subscriber or purchaser.

Canaccord Genuity has been appointed as Sponsor, Joint Bookrunner and Underwriter in connection with Admission and the Offer. Liberum has been appointed as Joint Bookrunner and Underwriter in connection with the Offer. Canaccord Genuity and Liberum, each of which is authorised and regulated by the FCA in the United Kingdom, are acting exclusively for the Company and the TowerBrook Shareholder and no one else in connection with the Offer and will not regard any other person (whether or not a recipient of this Prospectus) as a client in relation to the Offer and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients nor for giving advice in relation to the Offer or any transaction or arrangement referred to in this Prospectus. Apart from the responsibilities and liabilities, if any, which may be imposed on the Underwriters by FSMA or the regulatory regime established thereunder, none of the Underwriters accepts any responsibility whatsoever, and makes no representation or warranty, express or implied, for the contents of this Prospectus, including its accuracy, completeness or for any related statement.

In connection with the Offer, each of the Underwriters and any of their respective affiliates, acting as an investor for its or their own account(s), may acquire Ordinary Shares, and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for its or their own account(s) in Ordinary Shares and other securities of the Company or related investments in connection with the Offer or otherwise. Accordingly, references in this Prospectus to the Ordinary Shares being offered, acquired, placed or otherwise dealt in should be read as including any issue or offer to, or subscription, acquisition, dealing or placing by, each of the Underwriters and any of their respective affiliates acting as an investor for its or their own account(s). None of the Underwriters intends to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligations to do so.

The Underwriters and their respective affiliates may have engaged in transactions with, and provided various investment banking, financial advisory and other services to, the Company and the Selling Shareholders, for which they would have received customary fees. The Underwriters and any of their respective affiliates may provide such services to the Company, the Selling Shareholders and any of their respective affiliates in the future.

**2 Financial information**

The Group's consolidated historical financial information in Part XI (*Historical financial information*) has been prepared in accordance with the requirements of the PD Regulation and the Listing Rules, and in accordance with IFRS, save as described in Note 2 of our historical financial information contained in Part XI (*Historical financial information*). Note 2 to our historical financial information contained in Part XI (*Historical financial information*) also sets out our significant accounting policies.

Windmill Topco was incorporated in December 2011 in connection with the acquisition of Volution Group Limited by Windmill Bidco (a subsidiary of Windmill Topco), which acquisition (the "**Volution Acquisition**") was effected in February 2012. For the year ended 31 July 2011, the historical financial information presented is that of Volution Group Limited and its consolidated subsidiaries ("**Volution Group**"). For the year ended 31 July 2012, the historical financial information presented is that of the Volution Group combined with Windmill Topco and relevant intermediate holding companies from their date of incorporation until the date of the Volution Acquisition, and thereafter is that of Windmill Topco and its consolidated subsidiaries.

The Company has been incorporated for purposes of the Offer, has had no trading or operations to date and is not included in the historical financial information presented in this Prospectus. Following Admission, the Company will be the ultimate holding company for the Group, which will report its results on the basis of the Company and its consolidated subsidiaries.

The conversion of the historical financial statements of Volution Group and Windmill Topco (the "**IFRS Conversion**") for the purposes of the Offer from UK GAAP to IFRS (effective for periods beginning on and after 1 August 2010) had various accounting effects, which are described in Part X (*Operating and financial review*). In addition, during the periods under review, our business profile changed significantly due to acquisitions, which, as well as the Volution Acquisition, had various accounting implications over and above the addition of associated revenue and expense items. These in turn have a significant impact on the comparability, period-to-period, of our results.

## 3 Non-IFRS financial measures

In this Prospectus, we present various non-IFRS measures, including Adjusted EBITDA, Adjusted EBITA, Adjusted EBITDA Margin, Adjusted EBITA Margin and Operating Cash Conversion. We define these terms as follows:

- Adjusted EBITDA is profit/(loss) before tax, after adding back amortisation of intangible assets, depreciation of property, plant and equipment, finance revenue, finance costs and exceptional costs (see paragraph 5.5 of Part X (*Operating and financial review*) for a description of exceptional costs);
- Adjusted EBITA is Adjusted EBITDA less depreciation of property, plant and equipment;
- Adjusted EBITDA Margin is: (a) Adjusted EBITDA; divided by (b) revenue, with the quotient expressed as a percentage;
- Adjusted EBITA Margin is: (a) Adjusted EBITA; divided by (b) revenue, with the quotient expressed as a percentage;
- Operating Cash Conversion is: (a) Adjusted EBITA; plus (b) depreciation of property, plant and equipment; plus or minus (c) change in working capital; minus (d) capital expenditure; all divided by (e) Adjusted EBITA, where:
  - change in working capital is: (a) decrease/(increase) in trade receivables and other assets; plus or minus (b) decrease/(increase) in inventories; plus or minus (c) increase/(decrease) in trade payables and other payables; plus or minus (d) increase/(decrease) in provisions; and
  - capital expenditure is: (a) payments to acquire intangible assets; plus (b) purchase of property, plant and equipment; minus (c) proceeds from sale of property, plant and equipment;

Each of Adjusted EBITDA, Adjusted EBITA, Adjusted EBITDA Margin, Adjusted EBITA Margin and Operating Cash Conversion is a supplemental measure of financial performance that is not required by, or presented in accordance with, IFRS. In addition, certain components of these supplemental measures are not IFRS measures. These supplemental measures are not measurements of performance under IFRS and should not be considered in isolation from, or as alternatives to:

- profit/(loss) for the period as a measure of operating performance;
- cash flow from operating and financing activities as a measure of ability to meet cash needs; or
- any other measures of performance under IFRS.

Adjusted EBITDA, Adjusted EBITA, Adjusted EBITDA Margin, Adjusted EBITA Margin and Operating Cash Conversion are not calculated in the same manner by other companies in the Group's industry or otherwise and, accordingly, are not necessarily comparable to similarly titled measures presented by other companies and may not be appropriate measures of performance relative to other companies.

Adjusted EBITDA, Adjusted EBITA, Adjusted EBITDA Margin, Adjusted EBITA Margin and Operating Cash Conversion have been included in this Prospectus because they are measures that our management uses to assess our performance.

Please see paragraph 6 of Part X (*Operating and financial review*) for a reconciliation of each of these non-IFRS measures to our consolidated historical financial information in Part XI (*Historical financial information*).

## 4 Market, economic and industry data

This Prospectus includes market, economic and industry data that the Company has obtained from industry publications, surveys and internal company sources. As noted in this Prospectus, certain of such information has been included from certain third party publications and surveys, including:

- the European Ventilation Product Markets (United Kingdom) Report by BRG Building Solutions ("**BRG**") dated October 2013;
- the European Ventilation Product Markets (Norway) Report by BRG dated October 2013;
- the European Ventilation Product Markets (Sweden) Report by BRG dated October 2013;
- the European Opportunity Identification Presentation on behalf of Torin-Sifan by BRG dated February 2013;

- the European Opportunity Identification Report on behalf of Torin-Sifan by BRG dated 14 January 2013;
- the Construction Industry Forecast for Spring 2014 (the "CPA Spring 2014 Report") by the Construction Products Association ("**CPA**");
- the Association of Retained Council Housing website—www.arch-housing.org.uk;
- the Department for Communities and Local Government;
- the Office of National Statistics—www.statistics.gov.uk/hub/index.html; and
- the State of trade survey Q4 2013 by the Federation of Masters Builders ("**FMB**").

Third party publications and surveys generally state that the information contained therein has been obtained from sources believed to be reliable, but there can be no assurance as to the accuracy or completeness of included information. The Company has not independently verified any of the data from third party sources nor has it ascertained the underlying economic assumptions relied upon therein. The Company confirms that information sourced from third parties has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published by third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. Information which is not attributed to independent sources is based on internal information currently available to the Company. All information contained in this Prospectus is subject to change based on various factors, including those discussed in Part II (*Risk factors*).

The market, economic and industry data presented in this Prospectus may not be comparable, either to other data in the Prospectus or to similarly titled data presented by other companies and, while the method of calculation may differ across our industries, the Directors believe that such data is important to understanding our business, industries and markets, and our positions in those markets. The Company also believes that such data facilitates comparison with our peers.

The sources of figures and statements in this Prospectus have been indicated alongside the relevant figures or statements and the information provided in this paragraph 4 regarding the methodologies used by different third parties to compile data should be taken into consideration when reading this Prospectus.

Information relating to our market share in our various industries and markets has been calculated by the Company based on the published financial statements of its competitors and, in some instances, are supported by data produced by BRG. The market share in this Prospectus refers to the relevant entity's share in the relevant market or industry by revenue rather than for instance by volume of sales or profitability.

Certain terms that have specific meanings when used in our industries and which are used throughout this Prospectus are explained in Part XVI (*Glossary of technical terms*).

**5 Operational data**

We present certain operational data in this Prospectus. Such data may not be comparable to similarly titled data presented by other companies and, while the method of calculation may differ across our industries, the Directors believe that such data is important to understanding our performance from period to period and that such data facilitates comparison with our peers. This operational data is not intended to be, and should be taken as, a substitute for any IFRS measures of performance. The operational data is based exclusively on the Company's estimates, is not part of our financial statements and has not been audited or otherwise reviewed by outside auditors, consultants or experts.

Unaudited operational information in relation to the Group is derived from the following sources: (i) unaudited accounting records for the relevant accounting period and specified accounting framework presented; (ii) internal financial reporting systems supporting the preparation of financial statements; and (iii) our other business operating systems and records.

**6 Reorganisation**

Save as specified in this Prospectus, all of the information in this Prospectus is presented as if the Reorganisation had already taken place as at the date of publication of this Prospectus. The Reorganisation will be completed immediately prior to Admission.

## 7 Rounding

Percentages and certain amounts included in this Prospectus have been rounded for ease of presentation. Accordingly, figures shown as totals in certain tables may not be the precise sum of the figures that precede them.

## 8 Currencies and exchange rate information

In this Prospectus:

- "**£**", "**GBP**" and "**pounds sterling**" refer to the lawful currency of the United Kingdom;
- "**$**", "**USD**" and "**U.S. Dollar**" refer to the lawful currency of the United States;
- "**€**", "**EUR**" and "**euro**" refer to the single currency of the participating Member States in the Eurozone;
- "**SEK**", "**Swedish krona**" and "**krona**" refer to the lawful currency of Sweden; and
- "**NOK**", "**Norwegian krone**" and "**krone**" refer to the lawful currency of Norway.

The Group's reporting currency and the functional currency of the Company and each of its UK-incorporated subsidiaries is pounds sterling. However, certain of our operating subsidiaries have different functional currencies, including the euro in Germany and the krona in Sweden.

***Euro to pounds sterling***

The functional currency of our operations in Germany is the euro. The following table sets forth, for the periods indicated, certain information regarding the Bank of England exchange rate for pounds sterling, expressed in euro per pound sterling. The rates below may differ from the actual rates used in the preparation of our consolidated historical financial information and other financial information appearing in this Prospectus, and are rounded to three decimal places. Inclusion of the exchange rates is not meant to suggest that the euro amounts actually represent such pounds sterling amounts or that such amounts could have been converted into pounds sterling at the rates indicated or at any other rate.

| | Euro per pound sterling | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Year ended 31 December(1) | | | | | 2014(2) | | | | | |
| | 2009 | 2010 | 2011 | 2012 | 2013 | Jan | Feb | Mar | Apr | May | Jun(3) |
| Average exchange rate during the period | 1.124 | 1.168 | 1.150 | 1.233 | 1.177 | 1.209 | 1.212 | 1.202 | 1.213 | 1.227 | 1.238 |

(1) The average of the Bank of England exchange rate, euro per pound sterling, on the last business day of each month during the applicable period.

(2) The average of the Bank of England exchange rate, euro per pound sterling, for the business days of each month.

(3) Through 16 June 2014.

On 16 June 2014, the average Bank of England exchange rate, euro per pound sterling, was €1.252 per £1.

***Krona to pounds sterling***

The functional currency of our operations in Sweden is the krona. The following table sets forth, for the periods indicated, certain information regarding the Bank of England exchange rate for pounds sterling, expressed in krona per pound sterling. The rates below may differ from the actual rates used in the preparation of our consolidated historical financial information and other financial information appearing in this Prospectus, and are rounded to three decimal places. Inclusion of the exchange rates is not meant to suggest that the krona amounts actually represent such pounds sterling amounts or that such amounts could have been converted into pounds sterling at the rates indicated or at any other rate.

| | Krona per pound sterling | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Year ended 31 December[(1)] | | | | | 2014[(2)] | | | | | |
| | 2009 | 2010 | 2011 | 2012 | 2013 | Jan | Feb | Mar | Apr | May | Jun[(3)] |
| Average exchange rate during the period | 11.911 | 11.086 | 10.340 | 10.702 | 10.201 | 10.684 | 10.755 | 10.659 | 10.957 | 11.075 | 11.215 |

(1) The average of the Bank of England exchange rate, krona per pound sterling, on the last business day of each month during the applicable period.

(2) The average of the Bank of England exchange rate, krona per pound sterling, for the business days of each month.

(3) Through 16 June 2014.

On 16 June 2014, the average Bank of England exchange rate, krona per pound sterling, was SEK 11.252 per £1.

### *Krone to pounds sterling*

The functional currency of our operations in Norway is the krone. The following table sets forth, for the periods indicated, certain information regarding the Bank of England exchange rate for pounds sterling, expressed in krone per pound sterling. The rates below may differ from the actual rates used in the preparation of our consolidated historical financial information and other financial information appearing in this Prospectus, and are rounded to three decimal places. Inclusion of the exchange rates is not meant to suggest that the krone amounts actually represent such pounds sterling amounts or that such amounts could have been converted into pounds sterling at the rates indicated or at any other rate.

| | Krone per pound sterling | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Year ended 31 December[(1)] | | | | | 2014[(2)] | | | | | |
| | 2009 | 2010 | 2011 | 2012 | 2013 | Jan | Feb | Mar | Apr | May | Jun[(3)] |
| Average exchange rate during the period | 9.790 | 9.346 | 8.955 | 9.204 | 9.265 | 10.153 | 10.128 | 9.967 | 10.008 | 10.004 | 10.071 |

(1) The average of the Bank of England exchange rate, krone per pound sterling, on the last business day of each month during the applicable period.

(2) The average of the Bank of England exchange rate, krone per pound sterling, for the business days of each month.

(3) Through 16 June 2014.

On 16 June 2014, the average Bank of England exchange rate, krone per pound sterling, was NOK 10.168 per £1.

### *U.S. Dollars to pounds sterling*

The Group makes significant component purchases from China denominated in U.S. Dollars. The following table sets forth, for the periods indicated, certain information regarding the Bank of England exchange rate for pounds sterling, expressed in U.S. Dollars per pound sterling. The rates below may differ from the actual rates used in the preparation of the Group's consolidated historical financial information and other financial information appearing in this Prospectus, and are rounded to three decimal places. Inclusion of the exchange rates is not meant to suggest that the U.S. Dollar amounts actually represent such pounds sterling amounts or that such amounts could have been converted into pounds sterling at the rates indicated or at any other rate.

| | U.S. Dollar per pound sterling | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Year ended 31 December[(1)] | | | | | 2014[(2)] | | | | | |
| | 2009 | 2010 | 2011 | 2012 | 2013 | Jan | Feb | Mar | Apr | May | Jun[(3)] |
| Average exchange rate during the period . . . . . . . . . . . . . . | 1.569 | 1.543 | 1.609 | 1.592 | 1.566 | 1.647 | 1.657 | 1.662 | 1.674 | 1.685 | 1.681 |

(1) The average of the Bank of England exchange rate, U.S. Dollar per pound sterling, on the last business day of each month during the applicable period.

(2) The average of the Bank of England exchange rate, U.S. Dollar per pound sterling, for the business days of each month.

(3) Through 16 June 2014.

On 16 June 2014, the average Bank of England exchange rate, U.S. Dollar per pound sterling, was USD 1.699 per £1.

***Foreign currency presentation in the financial statements of our subsidiaries***

The individual financial statements of each of our subsidiaries are presented in the currency of the primary economic environment in which such entity operates (its functional currency). For the purpose of our financial statements, the results and financial position of each entity are expressed in pounds sterling, which is the functional currency of the Company and the presentation currency for our consolidated financial information. In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. For the purpose of presenting our consolidated financial information, the assets and liabilities of our foreign operations are expressed in pounds sterling using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as other comprehensive income and transferred to our foreign currency translation reserve. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Please see Note 2 of our consolidated historical financial information in Part XI (*Historical financial information*) for an additional description of its foreign currency presentation.

## 9 Forward-looking statements

This Prospectus includes statements that are, or may be deemed to be, "forward-looking statements". These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes", "estimates", "anticipates", "expects", "intends", "plans", "may", "will" or "should" or, in each case, their negative or other variations or comparable terminology. All statements other than statements of historical facts included in this Prospectus are forward-looking statements. They appear in a number of places throughout this Prospectus and include statements regarding the Directors' or our intentions, beliefs or current expectations concerning, among other things, our operating results, financial condition, prospects, growth, expansion plans, strategies, the industry in which we operate and the general economic outlook.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future and/or are beyond our control, and therefore are based on current beliefs and expectations about future events. The Directors believe that these risks and uncertainties include, but are not limited to:

- changes in regulatory environment in which we operate or specific government action that adversely impacts the markets in which we operate;
- changes in consumer preferences;
- competitive pressures and our ability to retain or increase market share;

- the success of our key products and performance of our new products and new variants of existing products;
- tax increases;
- changes in our distribution channels;
- general local and global economic conditions;
- litigation in which we may be involved in from time to time;
- our ability to predict production requirements and capacity and forecast changes;
- our ability to forecast changes and trends in the markets in which we operate and the market opportunities for our products,

and the other factors described in Part II (*Risk factors*). These factors should not be construed as exhaustive and should be read with the other cautionary statements in this Prospectus. Moreover, new risk factors may emerge from time to time and it is not possible to predict all such risks or assess their impact for disclosure in this Prospectus. The other information in this Prospectus (including that contained in Part VII (*Information on the Group and the industry in which it operates*), Part X (*Operating and financial review*) and Part XI (*Historical financial information*)) also provides a more complete discussion of the factors that could affect our future performance and the industries in which we operate.

Forward-looking statements are not guarantees of future performance, and our actual operating results, financial condition and the development of the industry in which we operate may differ materially from those made in or suggested by the forward-looking statements contained in this Prospectus. In addition, even if our operating results, financial condition and the development of the industry in which we operate are consistent with the forward-looking statements contained in this Prospectus, those results or developments may not be indicative of results or developments in subsequent periods. Accordingly, potential investors should not rely on these forward-looking statements.

Any forward-looking statements that we make in this Prospectus speak only as of the date of such statement, and none of the Company, the Directors, the Selling Shareholders or the Underwriters undertakes any obligation to update or revise publicly such statements unless required to do so by applicable law, the Prospectus Rules, the Listing Rules or the Disclosure and Transparency Rules.

**10 No incorporation of website information**

The contents of our websites (including the Website) do not form any part of this Prospectus.

## PART VI

## DETAILS OF THE OFFER

### 1 The Offer

The Offer Shares are the Ordinary Shares which are the subject of the Offer, and comprise:

(a) 48,000,000 New Ordinary Shares to be issued by the Company; and

(b) 18,666,667 Existing Ordinary Shares to be sold by the Selling Shareholders.

All Offer Shares to be issued or sold under the Offer will be issued or sold at the Offer Price.

The New Ordinary Shares will represent 24.0%, and the Existing Ordinary Shares will represent 76.0%, of the issued share capital of the Company immediately following Admission. The Existing Ordinary Shares sold by the Selling Shareholders under the Offer will represent 9.3% of the issued share capital of the Company immediately following Admission.

The Company will receive approximately £63,810,000 net proceeds from the Offer (after deducting underwriting commissions and other estimated offering-related fees and expenses (including VAT) of approximately £8,190,000 (assuming full payment of all discretionary fees and commissions)). The Non-Executive Directors will be paid £125,000 as consideration for certain advice and assistance to the Company in connection with the Admission, which is included in the estimated fees and expenses of the Offer payable by the Company. The Company will allot 51,423 New Ordinary Shares at the Offer Price to the Non-Executive Directors to satisfy its obligation to pay £125,000 to the Non-Executive Directors (net of employee taxes of £47,865 paid in cash), which will be part of the 48,000,000 New Ordinary Shares to be issued by the Company.

The net proceeds from the Offer receivable by the Selling Shareholders will be approximately £26,737,405.26 (after deducting underwriting commissions and other estimated expenses (including VAT) of approximately £840,010.01 (assuming full payment of all discretionary fees and commissions)).

The Offer is being made by way of an institutional private placing. The Offer Shares will only be offered to:

(a) certain institutional and professional investors in "offshore transactions" in reliance on Regulation S; and

(b) QIBs in the United States pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

Certain restrictions that apply to the distribution of this Prospectus and the offer, issue and sale of Ordinary Shares in jurisdictions outside the UK are described in paragraph 10 (*Selling and transfer restrictions*) below.

The Offer is subject to the satisfaction of conditions, which are customary for transactions of this type, contained in the Underwriting Agreement, including completion of the Reorganisation, Admission becoming effective no later than 8.00 a.m. on 23 June 2014 and the Underwriting Agreement not having been terminated prior to Admission.

The issue/sale of the Offer Shares under the Offer has been underwritten, subject to certain conditions which are customary for transactions of this type, by the Underwriters.

Admission is expected to become effective and unconditional dealings in the Ordinary Shares are expected to commence on the London Stock Exchange at 8.00 a.m. on 23 June 2014. All dealings in Ordinary Shares prior to the commencement of unconditional dealings will be on a "when issued" basis, will be of no effect if Admission does not take place, and will be at the sole risk of the parties concerned.

When admitted to trading, the Ordinary Shares will be registered with ISIN GB00BN3ZZ526 and SEDOL number BN3ZZ52, and it is expected that the Ordinary Shares will be traded under ticker symbol FAN.

Immediately following Admission, it is expected that approximately 33.3% of the Company's issued ordinary share capital will be held in public hands.

The Offer Shares will, upon Admission, rank equally in all respects with all other Ordinary Shares, including for all dividends and other distributions declared, made or paid on the Ordinary Shares after Admission. The Ordinary Shares will, immediately on and from Admission, be freely transferable, subject to the applicable law, the Articles and any contractual obligations of a Shareholder.

The Company expressly reserves the right to determine, at any time prior to Admission, not to proceed with the Offer. If such right is exercised, the Offer (and the arrangements associated with it) will lapse and any monies received in respect of the Offer will be returned to investors without interest.

## 2 Reasons for the Offer and Admission and use of proceeds

The Directors believe that the Offer and Admission are the natural next step in our development, and will:

(a) enhance our public profile and brand recognition;

(b) provide a strong platform from which we can pursue our growth strategy, including via acquisitions where appropriate;

(c) provide access to the capital markets;

(d) assist in the recruitment, retention and incentivisation of management and employees; and

(e) provide the Selling Shareholders with the opportunity to effect a partial realisation of their investment in the Company.

The Company intends to use the approximately £63,810,000 net proceeds receivable by it from the Offer (assuming full payment of all discretionary fees and commissions) to repay £61.9 million of the Existing Debt Facilities, with the balance of such net proceeds being retained for general corporate purposes.

The Company will not receive any of the proceeds from the sale of the Existing Ordinary Shares by the Selling Shareholders. How each Selling Shareholder uses the amount they receive under the Offer is a matter of personal choice for the relevant person.

## 3 Financial impact of the Offer

A statement illustrating (assuming full payment of all discretionary fees and commissions) the hypothetical effect, on our statement of financial position, of the Offer and the use of the net proceeds of £63,810,000 (to repay £61.9 million of the Existing Debt Facilities such that they are amended and restated into the New Debt Facilities, with the balance of such net proceeds being retained for general corporate purposes), the Reorganisation, the reduction of capital of the Company and the acquisition of inVENTer as if they had taken place on 28 February 2014, is set out in Part XII (*Unaudited pro forma financial information*). This information is unaudited and has been prepared for illustrative purposes only. It shows that the actions described above would lead to a change in the net liabilities of the Company from £22.7 million to net assets of £131.7 million as at 28 February 2014.

Statements illustrating the hypothetical effect, on our income statements for the year ended 31 July 2013 and the seven months ended 28 February 2014, of the actions described above and the acquisitions of Fresh and PAX (all as if they had taken place on 1 August 2012), is set out in Part XII (*Unaudited pro forma financial information*). This information is unaudited and has been prepared for illustrative purposes only. It shows that the effect of the actions described above would have been to increase Adjusted EBITDA from £17.0 million to £18.0 million for the seven months ended 28 February 2014.

## 4 Withdrawal rights

If the Company is required to publish any supplementary prospectus, investors who have applied for Offer Shares under the Offer will have at least two clear business days following publication of the relevant supplementary prospectus to withdraw their application to acquire Offer Share in its entirety. The right to withdraw an application to acquire Offer Shares under the Offer in these circumstances will be available to all investors. If an application to acquire Offer Shares under the Offer is not withdrawn within the stipulated period, such application will remain valid and binding.

Details of how to withdraw an application will be made available if a supplementary prospectus is published.

## 5 Allocations under the Offer

The allocation of Offer Shares between investors who have applied for Offer Shares will be determined by the Company and the TowerBrook Shareholder in consultation with the Joint Bookrunners.

Upon notification of any allocation, prospective investors will be contractually committed to acquire the number of Ordinary Shares allocated to them at the Offer Price and, to the fullest extent permitted by applicable law, will be deemed to have agreed not to exercise any rights to rescind or terminate, or otherwise withdraw from, such commitment. Dealing may not begin before notification is made.

## 6 Underwriting arrangements

The Company, the Directors, the Senior Managers who will on Admission be Shareholders, the TowerBrook Shareholder, the other Selling Shareholders and the Underwriters have entered into the Underwriting Agreement pursuant to which, on the terms and subject to the conditions contained therein (which are customary in agreements of this nature), each of the Underwriters has severally agreed to underwrite a proportion of, and together to underwrite in aggregate all of, the issue and sale of the Offer Shares.

The Offer is conditional upon, among other things, Admission occurring not later than 8.00 a.m. on 23 June 2014 (or such later date and time as the Underwriters may agree with the Company) and the Underwriting Agreement becoming unconditional in all respects and not having been terminated in accordance with its terms. The underwriting commitment of the Underwriters will cease to be conditional at the point of Admission. If the conditions to the Underwriting Agreement have not been satisfied and the Underwriters determined that the Underwriting Agreement should be terminated, or if the Underwriters otherwise cease to underwrite the Offer in accordance with the terms of the Underwriting Agreement, Admission will not occur.

The Underwriting Agreement provides for the Underwriters to be paid certain commissions by the Company and the TowerBrook Shareholder in respect of the Offer Shares issued and sold in the Offer. Any commissions received by the Underwriters may be retained, and any Ordinary Shares acquired by them may be retained or dealt in by them, for their own benefit.

Under the terms and conditions of the Underwriting Agreement, the Sponsor has agreed to provide certain assistance to the Company in connection with Admission.

Further details of the Underwriting Agreement are set out in Part XIV (*Additional information*).

## 7 Lock-up arrangements

Each of the TowerBrook Shareholder, the Executive Directors, the Senior Managers who will on Admission be Shareholders and Iain Jamieson (a Selling Shareholder and former employee of the Group) have agreed to certain lock-up arrangements in respect of the Ordinary Shares they hold immediately following Admission.

The TowerBrook Shareholder has agreed that, subject to certain exceptions, during the period of 180 days from the date of Admission, they will not, without the prior written consent of the Underwriters, sell or contract to sell, grant any option over or otherwise dispose of any such Ordinary Shares (or any interest therein), or enter into any transaction with the same economic effect as any of the foregoing.

The Executive Directors and the Senior Managers who will on Admission be Shareholders have agreed that, subject to certain exceptions, during the period of 365 days from the date of Admission, they will not, without the prior written consent of the Underwriters, sell or contract to sell, grant any option over or otherwise dispose of any such Ordinary Shares (or any interest therein) or enter into any transaction with the same economic effect as any of the foregoing.

Iain Jamieson, a Selling Shareholder and former employee of the Group, has agreed that, subject to certain exceptions, during the period of 180 days from the date of Admission, he will not, without the prior written consent of the Underwriters, sell or contract to sell, grant any option over or otherwise dispose of any such Ordinary Shares (or any interest therein), or enter into any transaction with the same economic effect as any of the foregoing.

The other Selling Shareholders will not hold any Ordinary Shares immediately following Admission.

The Company has agreed that, subject to certain exceptions, during the period of 180 days from the date of Admission, it will not, without the prior written consent of the Underwriters, issue or contract to issue, or grant any option or other subscription right over, any new Ordinary Shares.

Further details of the lock-up arrangements are set out in Part XIV (*Additional information*).

## 8 Dealing arrangements

Application has been made to the FCA for all of the Ordinary Shares to be admitted to the premium listing segment of the Official List and to the London Stock Exchange for those Ordinary Shares to be admitted to trading on the main market for listed securities of the London Stock Exchange. It is expected that dealings in the Ordinary Shares will commence on a conditional basis on the London Stock Exchange at 8.00 a.m. on 18 June 2014. The earliest date for settlement of such dealings will be 23 June 2014. It is expected that Admission will become effective and that unconditional dealings in the Ordinary Shares will commence on the London Stock Exchange at 8.00 a.m. on 23 June 2014. All dealings in Ordinary Shares prior to the commencement of unconditional dealings will be on a "when issued basis", will be of no effect if Admission does not take place, and will be at the sole risk of the parties concerned. The above-mentioned dates and times may be changed without further notice.

Each investor will be required to undertake to pay the Offer Price for the Offer Shares issued or sold to such investor in such manner as shall be directed by the Joint Bookrunners.

It is intended that, where applicable, definitive share certificates in respect of the Offer Shares will be despatched by 7 July 2014 or as soon thereafter as is practicable. Temporary documents of title will not be issued. Dealings in advance of crediting of the relevant CREST stock account(s) shall be at the sole risk of the persons concerned.

Following Admission, the Ordinary Shares held immediately following Admission by the TowerBrook Shareholder, the Executive Directors, the Senior Managers who will on Admission be Shareholders and Iain Jamieson (a Selling Shareholder and former employee of the Group) will be subject to the lock-up arrangements described in paragraph 7 (*Lock-up arrangements*) above.

## 9 CREST

CREST is a paperless settlement system enabling securities to be transferred from one CREST account to another without the need to use share certificates or written instruments of transfer. The Company has applied for the Ordinary Shares to be admitted to CREST with effect from Admission and, also with effect from Admission, the Articles will permit the holding of Ordinary Shares under the CREST system. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system if any Shareholder so wishes. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

## 10 Selling and transfer restrictions

The distribution of this Prospectus and the offering, issue and on-sale of Ordinary Shares in certain jurisdictions may be restricted by law and therefore persons into whose possession this Prospectus comes should inform themselves about and observe any such restrictions, including those described below. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

None of the Ordinary Shares may be offered for subscription, sale, purchase or delivery, and neither this Prospectus nor any other offering material in relation to the Ordinary Shares may be circulated in any jurisdiction where to do so would breach any securities laws or regulations of any such jurisdiction or give rise to an obligation to obtain any consent, approval or permission, or to make any application, filing or registration.

### 10.1 *European Economic Area*

In relation to each Relevant Member State, an offer to the public of any Ordinary Shares may not be made in that Relevant Member State, except that an offer to the public in that Relevant Member State of any Ordinary Shares may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

(a) to any legal entity which is a qualified investor as defined under the Prospectus Directive;

(b) to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) per Relevant Member State; or

(c) in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of Ordinary Shares shall result in a requirement for the Company or any Joint Bookrunner to publish a prospectus pursuant to Article 3 of the Prospectus Directive or a supplemental prospectus pursuant to Article 16 of the Prospectus Directive and each person who initially acquires any Ordinary Shares or to whom any offer is made will be deemed to have represented, warranted and agreed to and with the relevant Joint Bookrunner and the Company that it is a qualified investor within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to any Ordinary Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offer and any Ordinary Shares to be offered so as to enable an investor to decide to purchase any Ordinary Shares, as the same may be varied for that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

**10.2** *Switzerland*

The Ordinary Shares may not be offered or sold, directly or indirectly, in Switzerland except in circumstances that will not result in the offer of the Ordinary Shares being a public offering in Switzerland within the meaning of the Swiss Code of Obligations (the "**CO**"). Neither this document nor any other offering or marketing material relating to the Ordinary Shares constitutes a prospectus as that term is understood pursuant to article 652a or 1156 of the CO, and neither this Prospectus nor any other offering or marketing material relating to the Offer Shares:

(a) has been or will be filed with or approved by any Swiss regulatory authority; and

(b) may be publicly distributed or otherwise made publicly available in Switzerland.

No application has been made for a listing of the Shares on the SIX Swiss Exchange and, consequently, the information presented in this document does not necessarily comply with the information standards set out in the listing rules of the SIX Swiss Exchange. In particular, this Prospectus has not been filed with, and the Offer of the Offer Shares will not be supervised by, the Swiss Financial Market Supervisory Authority, and the Offer of the Offer Shares has not been and will not be authorised under the Swiss Federal Act on Collective Investment Schemes (the "**CISA**"). Accordingly, the investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to subscribers for or purchasers of the Offer Shares.

**10.3** *United States*

The Offer is not a public offering (within the meaning of the Securities Act) of securities in the United States. The Ordinary Shares have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. Accordingly, the Joint Bookrunners may offer Ordinary Shares in:

(a) the United States only through their U.S. registered broker affiliates to QIBs pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act; and

(b) "offshore transactions" as defined in, and in reliance on, Regulation S.

In addition, until 40 days after the commencement of the Offer, any offer or sale of Ordinary Shares within the United States by any dealer (whether or not participating in the Offer) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or another available exemption from registration under the Securities Act.

Each subscriber for or purchaser of Ordinary Shares within the United States, by accepting delivery of this Prospectus, will be deemed to have represented, agreed and acknowledged that it has received a copy of this Prospectus and such other information as it deems necessary to make an investment decision and that the subscriber or purchaser:

(a) is, and at the time of its purchase of any Offer Shares will be, a QIB within the meaning of Rule 144A;

(b) understands and acknowledges that the Offer Shares have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States, that sellers of the Offer Shares may be relying on the exemption from the registration requirements of Section 5 of the Securities Act provided by Rule 144A thereunder, and that the Offer Shares may not be offered or sold, directly or indirectly, in the United States, other than in accordance with paragraph (d) below;

(c) is subscribing for or purchasing the Offer Shares: (i) for its own account; or (ii) for the account of one or more other QIBs for which it is acting as duly authorised fiduciary or agent with sole investment discretion with respect to each such account and with full authority to make the acknowledgments, representations and agreements herein with respect to each such account (in which case it hereby makes such acknowledgements, representations and agreements on behalf of such QIBs as well), in each case for investment and not with a view to any resale or distribution of any such shares;

(d) understands and agrees that offers and sales of the Offer Shares are being made in the United States only to QIBs in transactions not involving a public offering or which are exempt from the registration requirements of the Securities Act, and that if in the future it or any such other QIB for which it is acting, as described in paragraph (c) above, or any other fiduciary or agent representing such investor decides to offer, sell, deliver, hypothecate or otherwise transfer any Offer Shares, it or any such other QIB and any such fiduciary or agent will do so only: (i) pursuant to an effective registration statement under the Securities Act; (ii) to a QIB in a transaction meeting the requirements of Rule 144A; (iii) in an "offshore transaction" pursuant to Rule 903 or Rule 904 of Regulation S (and not in a pre-arranged transaction resulting in the resale of such shares into the United States); or (iv) in accordance with Rule 144 under the Securities Act and, in each case, in accordance with any applicable securities laws of any state or territory of the United States and of any other jurisdiction. The subscriber or purchaser understands that no representation can be made as to the availability of the exemption provided by Rule 144 under the Securities Act for the resale of the Ordinary Shares;

(e) understands that for so long as the Offer Shares are "restricted securities" within the meaning of the U.S. federal securities laws, no such shares may be deposited into any American depositary receipt facility established or maintained by a depositary bank, other than a restricted depositary receipt facility, and that such shares will not settle or trade through the facilities of the Depository Trust Company or any other U.S. clearing system;

(f) has received a copy of this Prospectus and has had access to such financial and other information concerning the Company as it deems necessary in connection with making its own investment decision to subscribe for or purchase Offer Shares. The subscriber or purchaser acknowledges that none of the Company and the Joint Bookrunners or any of their respective representatives has made any representations to it with respect to the Company or the allocation, offering or sale of any Offer Shares other than as set forth in this Prospectus, which has been delivered to it and upon which it is solely relying in making its investment decision with respect to the Offer Shares. The subscriber or purchaser also acknowledges that it has made its own assessment regarding the U.S. federal tax consequences of an investment in the Offer Shares. The subscriber or purchaser has held and will hold any offering materials, including this Prospectus, it receives directly or indirectly from the Company in confidence, and it understands that any such information received by it is solely for it and not to be redistributed or duplicated by it;

(g) understands that these representations and undertakings are required in connection with the securities laws of the United States and that the Company, the Joint Bookrunners and their affiliates will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. The subscriber or purchaser irrevocably authorises the Company and the Joint Bookrunners to produce this Prospectus to any interested party in any administrative or legal proceedings or official inquiry with respect to the matters covered herein;

(h) undertakes promptly to notify the Company and the Joint Bookrunners if, at any time prior to the purchase of Ordinary Shares, any of the foregoing ceases to be true; and

(i) understands that the Ordinary Shares (to the extent they are in certificated form), unless otherwise determined by the Company in accordance with applicable law, will bear a legend substantially to the following effect.

**THE ORDINARY SHARES REPRESENTED HEREBY HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO A PERSON THAT THE SELLER AND ANY**

**PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALES OF THE ORDINARY SHARES. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, THE ORDINARY SHARES REPRESENTED HEREBY MAY NOT BE DEPOSITED INTO ANY UNRESTRICTED DEPOSITARY RECEIPT FACILITY IN RESPECT OF THE ORDINARY SHARES ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK. EACH HOLDER, BY ITS ACCEPTANCE OF ORDINARY SHARES, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS.**

The Company, the Joint Bookrunners, their affiliates and others will rely on the truth and accuracy of the foregoing acknowledgements, representations and agreements.

The Company has agreed that, for so long as any of the Ordinary Shares are "restricted securities" within the meaning of Rule 144(a)(3) of the Securities Act, the Company will, during any period in which it is neither subject to Section 13 or 15(d) of the Exchange Act, nor exempt from reporting under the Exchange Act pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, upon the request of such holder, beneficial owner or prospective purchaser, the information required to be provided pursuant to Rule 144A(d)(4) under the Securities Act. The Company expects that it will be exempt from reporting under the Exchange Act pursuant to Rule 12g3-2(b) thereunder.

### 10.4 *Other jurisdictions*

Investors in jurisdictions other than the European Economic Area, Switzerland and the United States should consult their professional advisers as to whether they require any governmental or other consents or need to observe any formalities to enable them to subscribe for or buy any Offer Shares under the Offer.

## PART VII

## INFORMATION ON THE GROUP AND THE INDUSTRY IN WHICH IT OPERATES

### Section A: The Group

### 1 Overview

The Directors believe that we are a leading supplier of ventilation products to the residential construction market in our core geographical markets, being the UK, Sweden and Germany. In particular, the Directors believe that we are the market leader in the UK residential ventilation products market, a top five supplier in the UK commercial ventilation products market, a market leader in the Swedish residential ventilation products market, and the market leader in the German decentralised heat recovery residential ventilation systems market (in each case, on the basis of revenue). The Directors believe that our range of heat recovery and ventilation products, which includes unitary ventilation fans and central ventilation systems (with and without heat recovery), ducting and accessories, blowers and motors for heating and motorised impellers for ventilation, is the most comprehensive in our core product markets. The Directors believe that our products' appeal lies in their energy efficiency, quiet operation and aesthetics, as well as in their compliance with stringent regulatory requirements.

We operate through two divisions: the Ventilation Group, which principally supplies ventilation products for residential construction applications in the UK, Sweden, Norway and Germany and ventilation products for commercial construction applications in the UK; and Torin-Sifan, which supplies motors, fans and blowers to OEMs of heating and ventilation products for both residential and commercial construction applications in Europe. The Ventilation Group also supplies other products such as hand-driers and electric heaters.

For the seven months ended 28 February 2014, on a pro forma basis:

- we generated revenue of £78.3 million and Adjusted EBITDA of £18.0 million;
- the Ventilation Group generated revenue of £65.7 million, being 83.9% of our total revenue, while Torin-Sifan generated revenue of £12.6 million, being 16.1% of our total revenue; and
- within the Ventilation Group, the:
    - UK residential market sectors (RMI and new-build) represented 46.9% of revenue;
    - UK commercial market sector represented 14.5% of revenue;
    - UK export market sector represented 5.9% of revenue;
    - Nordics residential market sector represented 22.4% of revenue; and
    - German residential market sector represented 10.4% of revenue.

The Directors believe that, in the context of the ventilation products market, we have consistently generated strong Adjusted EBITDA Margins.

The Directors believe that a key driver of our growth has been our sales team that covers our core product markets consisting of highly specialised representatives. Our sales team has specialists that focus on generating demand for Ventilation Group products by either "pull-through" techniques involving sales to meet specifications of property developers, contractors, architects and other persons who may specify certain characteristics of products ("**specifiers**") for residential new-build and RMI projects, or traditional "push-through" over-the-counter sales. Our "pull-through" sales representatives provide a high level of technical support to specifiers on major residential construction projects to develop engineering specifications "in the field" that our products meet, thereby "pulling-through" sales of our products when builders request specification-compliant products from distributors. Our "push-through" sales representatives have comprehensive product knowledge and work with assigned brands to generate individual sales orders.

The Directors believe that we have an established range of functionally advanced, higher value products designed to help end-users meet new regulatory requirements, including our Vent-Axia Lo-Carbon(TM) product range, MEV and MVHR ventilation systems and energy efficient motors. These products, the Directors believe, position us well to capture expected growth in the primary ventilation products markets in which we compete, including the UK and Swedish residential new-build and RMI segment, driven by both key regulatory changes that set thresholds for air-tightness and net carbon use by buildings, and by changes in consumer preferences in ventilation.

We are headquartered in Crawley, UK and operate nine assembly and manufacturing facilities in the UK, Sweden and Germany and an overseas office in Norway. Our primary facilities in the UK for injection moulding and assembly are vertically integrated and are scalable for further production without significant additional capital expenditure.

Our revenue growth in the UK has outperformed the UK construction market every year since 2008, which the Directors attribute to a combination of our focus on customer support and service, our comprehensive product investment and portfolio, our diversified distribution model, the long-term favourable regulatory environment and our management team. We plan to continue to grow organically in the UK, Sweden, Norway, and Germany, and to continue to make selective acquisitions primarily in Europe.

### 1.1 *The Ventilation Group*

The Ventilation Group consists of five key brands, focused primarily on the UK, Swedish, Norwegian and German ventilation markets: Vent-Axia, Manrose, Fresh, PAX and inVENTer. The Directors believe that we are the market leader in the UK residential ventilation products market, a market leader in the Swedish residential ventilation products market and the market leader in the German decentralised heat recovery residential ventilation systems market.

(a) *Vent-Axia*

We currently offer Vent-Axia products for application in the residential new-build, residential repair and maintenance (both private and social housing), and commercial (both new-build and refurbishment) segments of the construction market. The Directors believe that Vent-Axia is the market leader in ventilation products for the residential RMI segment, a market leader in the residential new-build segment, and a market leader in the social housing RMI segment of the UK construction market. The Directors believe that Vent-Axia is also the market leader in specifications-based ventilation products for the residential new-build segment of the UK construction market. The majority of sales of Vent-Axia are in the UK, primarily through electrical wholesalers, contractors and developers.

Vent-Axia has a range of premium products incorporating features such as "silent" operation, energy efficiency and aesthetic design to appeal to evolving consumer preferences, and it has established a reputation for innovative ventilation products in response to developing climate control and building regulations. Vent-Axia also includes other products, including hand-driers and electric heaters, manufactured by third parties and branded as Vent-Axia products.

Acquired by us in 1989, Anda is our private label business in the UK and is a part of Vent-Axia. Targeting principally trade merchants and electrical wholesalers, Anda has a wide product range, mostly at entry price level with fit for purpose specifications. Anda also includes other products, including hand-driers and electric heaters manufactured by third parties. The Directors believe that Anda is the leading supplier of private label ventilation products for application in the private residential RMI segment of the UK construction market.

(b) *Manrose*

Founded in 1989, and acquired by us in 2007, Manrose specialises in plastic residential and commercial fans, and residential plastic ducting. The Manrose product range is typically targeted towards over-the-counter sales and is sold primarily to electrical wholesalers and retail buyers in the UK and Europe. The Directors believe that Manrose is a leading supplier of ventilation products for application in the private residential RMI segment of the UK construction market.

(c) *Fresh*

Founded in Sweden in 1969, and acquired by us in October 2012, the Directors believe that Fresh is one of Sweden's leading suppliers of residential ventilation products. Fresh's products include fans, systems, wall ventilators, duct systems and fittings, distributed primarily through Swedish retail DIY outlets. Fresh assembles its products at its own facility in Gemla, Sweden. In addition to Sweden, the Fresh brand is distributed to customers in Norway, Denmark, Finland and 25 other countries. The Directors believe that Fresh, together with PAX, is the market leader for unitary fans used in the Swedish residential refurbishment ventilation products market.

(d) *PAX*

Founded in 1959, and acquired by us in August 2013, PAX produces what the Directors believe to be among the leading ventilation products for residential indoor use. From its origin with extract fans in the 1970s, the PAX product range has grown with the addition of a towel rail product, oil-filled radiators and, more recently, heat recovery ventilation products. With production facilities in Hälleforsnäs, Sweden, PAX products are distributed primarily in Sweden and Norway, including through established trade wholesale marketing channels.

(e) *inVENTer*

Founded in 1999, and acquired by us in April 2014, the Directors believe that inVENTer is the market leader in decentralised heat recovery ventilation systems for residential dwellings in Germany. It produces decentralised ventilation systems with heat recovery that can be installed in new residential construction and as an upgrade to older buildings. inVENTer manufactures all its products at its own facility in Löberschütz, Germany.

**1.2 *Torin-Sifan***

The Directors believe that Torin-Sifan is a leading supplier of motors, motorised impellers, fans and blowers for the European HVAC industry. The majority of Torin-Sifan's products are targeted towards the residential and commercial heating and ventilation products markets. Torin-Sifan currently operates from two production facilities in Swindon, UK.

The Directors believe that Torin-Sifan is the UK's only manufacturer of energy efficient EC motorised impellers for the HVAC industry. The Directors believe that this positions Torin-Sifan favourably for energy efficient air movement solutions in various markets where regulation is driving the structural demand for products that help buildings attain air-tightness and low net carbon usage. AC blowers represent another major revenue contributor for Torin-Sifan, principally serving as spares to support the existing installed base of residential non-condensing boilers.

## 2 Key strengths

The Directors believe that our key strengths include the following:

**2.1 *Leading products across multiple segments with high barriers to entry for new competitors***

The Directors believe that the products sold under our brands include leading products in our core product markets. The Directors estimate that the Ventilation Group's market share in the UK residential ventilation products market in the year ended 31 July 2013 was 37%, which the Directors estimate to be more than twice the market share of our closest competitor. The Directors also believe that we are the market leader for unitary fans used in the Swedish residential refurbishment ventilation market and the market leader in the German decentralised heat recovery residential ventilation systems market (in each case, on the basis of revenue). In the UK and Sweden, our products are sold primarily through numerous distributor outlets with whom we have long-standing relationships. In Germany, our products are primarily sold directly to specialist installers through a network of agents. The scope of our distribution network is complemented by strong brand loyalty among contractors and consultants in the trade, and our sales team, which the Directors believe would be difficult for others to replicate. The Directors believe that our market positions, together with product breadth and functionality, reputation for quality, culture of continuous product improvement and innovation, and focus on customer service, have enabled us to increase sales volume and price during recent difficult market conditions.

**2.2 *Positioned for significant structural growth opportunities as a result of key regulatory changes and increases in consumer awareness regarding indoor air quality***

We chair the British Electrotechnical and Allied Manufacturers' Association ("**BEAMA**") Ventilation Association, a trade association that acts as liaison with regulatory bodies to coordinate industry response to changing regulatory requirements. Our role in the BEAMA Ventilation Association allows us to have a role in seeking to influence regulatory-driven market trends and to be aware of and adjust our product portfolio proactively as regulation changes, rather than responsively.

The Directors believe that we are well positioned to benefit from a suite of legislative measures aimed at reducing carbon emissions and increasing air-tightness and improving insulation and energy efficiency in buildings across Europe, such as the European Energy Performance of Buildings Directive ("**EPBD**"), which mandates all new buildings to be "nearly zero-energy" by 2020. In the UK, the government has stated that it aims for all new homes to be "zero carbon" from 2016 and is also aiming to cut UK emissions by 80% by 2050. Increasingly stringent environmental regulations are expected to drive structural growth in the ventilation products markets in which we compete. The Directors believe that our ability to benefit from these regulatory trends lies in an established range of energy efficient products, MEV and MVHR ventilation systems and energy efficient EC/DC motors to help end-users meet these regulatory requirements in the UK residential new-build market sector. According to BRG, the sales volume of MEV and MVHR ventilation systems in the UK is expected to grow by more than 16% through to 2017 (albeit from a low base).

The Directors believe that we stand to benefit from the growing importance of ventilation systems, and that we are well positioned to benefit from any increase in consumer awareness and evolving preference for improving the indoor air quality and energy efficiency of residential buildings.

### 2.3 *Track record of successful acquisitions*

The Directors believe that, having successfully undertaken the acquisitions of Fresh, PAX and inVENTer, which together accounted for 31.6% of the Ventilation Group's pro forma revenue for the year ended 31 July 2013, we are experienced in the recognition, implementation and integration of external growth opportunities. We have established a comprehensive set of criteria for analysing such opportunities, are well-versed in the acquisition process and have a keen understanding of how to utilise synergies to maximise gains.

The Directors believe that the Fresh and PAX acquisitions will continue to generate, and that the inVENTer acquisition will generate, synergies both in terms of revenue and in terms of costs, including cost of materials. Cross-selling has been exploited as a means to revenue growth, for example, through selling existing Ventilation Group products under the Fresh brand. The sharing of best practice techniques has led to improved efficiency in many areas, such as the doubling of assembly productivity that Fresh experienced (without any corresponding increase in personnel). Our senior management team have been intimately involved in our acquisitions, and possess in-depth knowledge of the process. The Directors believe that this experience is invaluable to ensuring that the benefits of external growth are fully exploited in the future.

### 2.4 *Outperformance of the UK construction market; positioned to benefit from a recovering UK construction market*

Our revenue growth in the UK has outperformed the UK construction market every year since 2008 and our business has seen organic growth even during the decline of the construction market. According to the CPA Spring 2014 Report, construction output in the UK (excluding total UK infrastructure) is expected to grow by 3.6%, 4.6% and 3.8% during the years 2014, 2015 and 2016 respectively, being 0.9, 2.1 and 1.2 percentage points respectively above forecast GDP growth. To address the structural shortage in UK housing stock, private new housing, according to the CPA Spring 2014 Report, is expected to lead construction growth with forecast growth rates of 10.0%, 10.0% and 5.0% in 2014, 2015 and 2016 respectively. New construction is expected to continue the market shift to the use of ventilation systems rather than unitary fans due to reduced carbon usage being a primary goal of environmental regulation in the EU. The Directors believe that our established higher-value, higher-margin product ranges of MEV and MVHR systems (in which the Directors believe we are the leading UK supplier for residential use) position us to benefit from this market shift, particularly in conjunction with the recovery in residential new-build construction activity. In addition, the Directors believe that our ability to run additional shifts at our manufacturing and assembly facilities will allow us to benefit from the recovering construction market without significant additional capital expenditure.

### 2.5 *Strong revenue growth, margins and Operating Cash Conversion*

We have delivered consistently strong financial performance despite challenging conditions in the UK and Swedish construction markets in recent years. Revenue increased from £87.8 million for the year ended 31 July 2011 to £102.3 million for the year ended 31 July 2013, delivering an average of 8.3% growth per annum, as a result of organic growth of 2.3% and the acquisition of Fresh in October 2012, while (according to the CPA Spring 2014 Report) the total UK construction market (excluding total UK infrastructure) declined by more than 3% per annum over the same period. In the seven months ended 28 February 2014, revenue increased by 19.9% compared to the seven months ended 28 February 2013, as a result of organic growth in the UK of 3.9% and the full period effect of the acquisitions of Fresh in October 2012 and PAX in August 2013.

Gross margin was 43.6%, 42.9% and 45.0% for the years ended 31 July 2011, 2012 and 2013, respectively, and 44.2% and 47.2% for the seven months ended 28 February 2013 and 2014, respectively. The increase in gross margin since 2012 was due to successful implementation of our value engineering initiatives, in particular the post-acquisition product cost reduction opportunities achieved in Fresh, a number of price increase initiatives across both segments and a general mix shift towards more profitable products.

Adjusted EBITDA Margin was 23.1%, 24.2% and 23.3% for the years ended 31 July 2011, 2012 and 2013, respectively, and 23.4% and 24.2% for the seven months ended 28 February 2013 and 2014, respectively. Adjusted EBITDA Margin generally moves in line with gross margin, except for the year ended 31 July 2013 when it was reduced due to the acquisition of Fresh, which had lower Adjusted EBITDA Margin than the rest of the Group on acquisition in October 2012.

Operating Cash Conversion has been consistently strong at 96.6%, 104.8% and 94.2% for the years ended 31 July 2011, 2012 and 2013. The fluctuations are generally in line with the change in working capital for the period.

### 2.6 *Track record in developing higher specification, higher value products and recognised leadership in innovation*

We have a culture of continuous product innovation, which has resulted in innovative new products with enhanced functionality, as well as a focus on value engineering to reduce cost through process and procurement improvement. The Directors believe that innovation is a key competitive advantage and serves to strengthen our position in our markets, and we have a strong research and development team comprising 26 engineers.

In the UK residential RMI segment, which accounted for 37.9% of Group revenue in the year ended 31 July 2013, the Directors believe that we have, through sales activities and contractor education, encouraged a shift in consumer preferences towards higher value, higher specification products such as quiet and "silent" fans, energy efficient fans and heat recovery units. The Directors believe that this, in turn, has contributed to an increase in the proportion of sales from higher-end products. For example, unitary heat recovery fans, which retail for £100-£160, compared to standard fans, which retail for £6-£25, experienced a 18.9% growth in revenue for the seven months ended 28 February 2014, compared to the seven months ended 28 February 2013. The Directors believe that we are well positioned to capture further upselling opportunities as the level of RMI activity in the UK grows and consumer preferences continue to become more discerning.

Our success in innovation is recognised by UK industry, by winning various innovation awards such as Building Services Product Innovation of the Year 2013 for Tempra at the RetroExpo Awards 2013, the Innovative Residential/Domestic Product of the Year for the Lo-Carbon Solo Plus at the Electrical Industry Awards 2013 and the Best Services Product for the Kinetic Plus E at the Housebuilder Products Awards 2013. At the same time, Vent-Axia has been recognised as the UK finalist of Infosys Business of the Year Award 2013/14 at the European Business Awards.

### 2.7 *Specialist sales model targeting both "pull-through" and "push-through" demand*

Our sales strategy targets each of the key decision makers in the value chain, ranging from distributors to developers and local authorities. Our sales strategy is implemented by a large sales team for residential ventilation products in our core geographical markets of the UK, Sweden and Germany, consisting of highly specialised representatives. Our sales strategy comprises two distinct approaches, with members of the sales team focused on specific sales techniques, brands and sales channels:

- "Pull-through" or specified demand: a ventilation solution chosen by the contractor or developer is defined by specification; hence, it is subject to influence from architects, consultants or other specifiers, including housing and tenant associations, national builders, developers and local authorities. The key element of this sales strategy is to focus on targeting specifiers to create "pull-through" demand. Demand for specified products is often specifications-led rather than price-led. The Directors believe that specification is particularly prevalent in the residential and commercial new-build sectors and social housing refurbishment.

- "Push-through" demand: a contractor (or end-user) selects products without direct third-party influence. This strategy seeks to drive sales through coverage of distributors such as electrical wholesalers, DIY retailers, industrial distributors and builders' merchants, who have influence in determining the brands chosen for sales. Sales representatives are organised within teams that focus on particular market opportunities, e.g. distribution and refurbishment, commercial property, private label and national accounts. This ensures that sales teams are focused on both identifying and capitalising the opportunities within their sector, whilst also benefiting from specialist knowledge to ensure higher standards of client service. It also results in multiple sales representatives covering specific accounts, to ensure saturation of our brands that are suitable for the specific sales channel.

### 2.8 *Lean, efficient and scalable operations*

We operate nine assembly and manufacturing plants in Europe, located in the UK, Sweden and Germany. The Directors believe that these assembly and manufacturing plants have the capacity to increase production to meet increasing demand for our products without incurring significant additional capital expenditure. In 2012, we brought the balance of our assembly capabilities back to the UK from China. This "re-shoring" decision was cost-neutral and resulted in an enhanced level of flexibility and responsiveness to customers, enabling us to better respond rapidly to changes in demand and manage our cost base more efficiently through a pool of flexible workforce. The Directors also believe that we are well-positioned to benefit from economies of scale.

### 2.9 *Highly experienced management team with a track record of strong execution*

Our executive management team has an extensive track record in the industrial sector. Ronnie George first joined our board in 2008 as the leader of the Ventilation Group and was appointed CEO in February 2012. He has been instrumental in our recent development, with the integration of three strategic acquisitions and the implementation of a successful strategy focusing on further strengthening our positions in our key markets and enabling us to outperform our underlying construction markets. Together, our senior management team have approximately 200 years of commercial and manufacturing experience.

We also have a highly trained workforce and experienced and integrated senior and regional management teams with proven credentials in the industry. We have strong sales, marketing (including brand management), research and development, distribution, procurement, administration and operations teams working cohesively, and focus on training and effective people management and retention to improve capability and performance.

## 3 Strategy

We intend to leverage our core strengths and track record to outperform our underlying construction markets and to further gain market share in each of our core geographical markets. We will seek to achieve these goals through a combination of organic growth and selective acquisitions.

We have identified a number of key strategic initiatives:

### 3.1 *Continue to grow UK market share through a focused sales strategy for each of our core market segments*

We aim to strengthen our specialist sales team further to continue to address each of our key market segments individually in order to drive incremental sales growth and, in particular, to continue to focus on specification-led "pull-through" selling as a core competency. We will continue to try to generate additional "pull-through" demand by targeting housing and tenant associations, consultants, national builders and local authorities to ensure that our products are increasingly specified for major refurbishment and new-build construction applications. We will try to generate additional "push-through" demand by further developing our commercial relationships with industrial distributors, electrical wholesalers, builders' merchants and contractors. We will also continuously optimise our sales channel strategies to adjust for areas of accelerated growth and evolving market conditions.

### 3.2 *Focus on opportunities arising from increasingly favourable regulatory environments*

The Directors believe that the regulatory environment in our core product markets will become increasingly stringent, creating a favourable opportunity for growth of the ventilation products markets in which we compete. As buildings are made more air-tight to meet the new regulatory requirements, the need for more efficient mechanical ventilation solutions to circulate air will grow. The Directors believe that the local applications of the EPBD, including the Building Regulations, are likely to increase demand for ventilation solutions generally and to accelerate the shift towards higher value systems rather than unitary fans for residential application. We will continue to position our ventilation solutions to benefit from this shift, and to use our membership of various industry associations (such as our chairmanship of BEAMA Ventilation Association) to influence and anticipate such shifts.

The Directors believe that our strong market position in the UK MVHR market means that we are well placed to take advantage of the CPA's forecast increase in UK new-build house completions (from an estimated 128,946 in 2013, to a forecast 184,138 in 2016) (source: CPA Spring 2014 Report).

### 3.3 *Build public awareness to create upselling opportunities and increase margins*

We will continue to seek to build public awareness of air quality, energy efficiency and environmentally friendly ventilation solutions through engagement with consultants and end-users of our products, selling activities and our public campaigns and initiatives. In parallel, we will continue to participate in industry initiatives through trade associations (such as BEAMA Ventilation Association) to seek to enhance demand and create upselling opportunities for us. The Directors believe that this will increase the proportion of our sales in higher value and higher-end specification products such as quiet and "silent" fans, energy efficient fans and heat recovery units and increase our strong Adjusted EBITDA Margin even further.

### 3.4 *Continue to develop new products*

The Directors believe that our insight into customer needs based on our knowledge of customer requirements, together with our detailed knowledge of evolving regulatory requirements and consumer preferences, provide essential know-how for our new product development programme. We will continue to allocate resources in new product development to further increase the technology content of our products, especially in the areas of noise reduction, heat recovery, performance, energy efficiency and aesthetics. We have a track record of innovation, with 38% of the Ventilation Group's revenue generated from Lo-Carbon Products, quiet and "silent" fans, and unitary heat recovery fans in the year ended 31 July 2013, compared to only 23% in the year ended 31 July 2009.

We are planning to launch new products such as the next generation of high efficiency MVHR units with smart controls, along with expansion of the "silent" fan offering, improvements to continuous extract fans and the addition of fans for multi-family dwellings in Germany.

### 3.5 *Growth through a disciplined acquisition strategy*

We will continue to seek to acquire and integrate select businesses, primarily in the residential ventilation refurbishment market. Our focus will be principally on opportunities in Europe but we may also consider opportunities outside Europe. The Directors believe that we have a compelling track record of successful acquisitions and will seek to continue to be selective in identifying additional opportunities. We will look to acquire businesses with well-established regional or local brands in the residential ventilation market, with target markets underpinned by favourable structural and regulatory dynamics, placing emphasis on higher value heat recovery systems. We will continue to seek opportunities within our platform and through acquisitions to maximise opportunities arising from our investment in product technologies and from the operational efficiencies that can be achieved through increased scale.

### 3.6 *Deliver benefits from recently acquired businesses, including through cross-selling initiatives, and develop our international businesses*

The acquisitions of Fresh in October 2012, PAX in August 2013 and inVENTer in April 2014 enabled us to enhance our presence in the Swedish, Norwegian and German markets. In the short term, we will continue to integrate inVENTer into our existing business, with the aim of generating synergies from product and procurement costs. We will also focus on developing cross-selling between our geographies and customers and will seek to enhance our international business by focusing our sales strategy on geographies where the Directors believe we can benefit from a significant competitive advantage, underpinned by our focus on higher value engineered ventilation systems.

### *3.7 Further develop Torin-Sifan's range of EC/DC motors, and build customer preference and loyalty*

In the context of a favourable legislation-led shift towards more technologically advanced, more energy efficient and quieter EC/DC motorised impellers, the Directors believe that with its range of EC motorised impellers, Torin-Sifan is well positioned to benefit from the growth in energy efficient ventilation and heat recovery systems. We will continue to strengthen Torin-Sifan's position in that market and seek to capture additional segments through an improved EC/DC product platform (at a premium price point) and improved customer service and technical response capabilities.

### *3.8 Continuous focus on value engineering and operational efficiencies*

We will continue to seek ways to improve our operations and profitability. We continuously focus on enhancing our manufacturing processes and product design, and on supply chain optimisation to provide competitive ventilation solutions to our customers and to reduce our operating costs.

## 4 History and development

The Group was formed in December 2002, through a buy-out from Smiths Group plc of its air movement and cable management divisions. The Group has since changed ownership twice, with our majority shareholder becoming the TowerBrook Shareholder in February 2012.

Since our formation, we have executed a strategy of rationalisation by disposing of our non-core operations (including Airstream Products Limited in May 2003 and our cable management division in January 2007), and have also expanded our core ventilation operations both within the UK and internationally, most notably by acquiring UK-based Manrose in June 2007, Sweden-based Fresh in October 2012 and PAX in August 2013, and Germany-based inVENTer in April 2014.

We have also improved our product offering by developing new and improving existing products. For example, the Ventilation Group first launched its heat recovery products in 1990. In 2008 the Group then launched a full "Lo-Carbon" range including upgraded and more efficient MEV and MVHR systems. In 2009, the Lo-Carbon range was extended to include decentralised MEV for the first time and the Kinetic range of high efficiency MVHR units. The quiet and "silent" ranges followed in 2011 and 2012 respectively. Torin-Sifan launched its energy-saving EC/DC motors in 2004 and updated with integrated electronics in 2010. All such products have been upgraded several times since launch, and are discussed further in paragraph 5 below.

In recent years, the Ventilation Group has also engaged in a successful "re-shoring" of the assembly of its products. Historically, a portion of the Ventilation Group's products were assembled by third parties in China. Now, however, we assemble all of our residential ventilation products at our production facilities in Crawley, Dudley, Slough and Reading (all UK), Hälleforsnäs and Gemla (Sweden), and Löberschütz (Germany).

## 5 Products

### 5.1 *Overview*

The Directors believe that we offer an extensive range of high quality products developed to meet the needs of our customers and end-users. We categorise our product ranges into four distinct product portfolios: residential ventilation, commercial ventilation, other products and Torin-Sifan and into the following market sectors (which are described in further detail in paragraphs 1 and 2 of Part X (*Operating and financial review*)): residential RMI, residential new-build, commercial, overseas, Nordics residential, German residential and OEM (Torin-Sifan). The following table sets out our revenue by market sector for the periods presented:

| | Year Ended 31 July | | | | | | Seven Months Ended 28 February | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2011 | | 2012 | | 2013[1] | | 2013[2] | | 2014[3] | |
| (£ in thousands) | £ | %[6] | £ | %[6] | £ | %[6] | £ | %[6] | £ | %[6] |
| **Revenue[4]** | | | | | | | | | | |
| UK residential RMI | 36,762 | 38.7 | 40,132 | 40.9 | 42,230 | 37.9 | 24,591 | 38.2 | 24,561 | 32.9 |
| UK residential new-build | 13,640 | 14.3 | 13,031 | 13.3 | 14,210 | 12.7 | 7,555 | 11.7 | 8,278 | 11.1 |
| UK commercial | 17,818 | 18.7 | 18,470 | 18.8 | 17,194 | 15.4 | 10,142 | 15.8 | 10,133 | 13.6 |
| UK export | 6,950 | 7.3 | 7,738 | 7.9 | 6,883 | 6.2 | 4,153 | 6.5 | 4,160 | 5.6 |
| Nordics residential | — | — | — | — | 10,907 | 9.8 | 5,331 | 8.3 | 14,930 | 20.0 |
| IFRS sales adjustments[5] | (7,304) | — | (8,787) | — | (9,153) | — | (5,670) | — | (4,401) | — |
| **Ventilation Group** | **67,866** | **—** | **70,584** | **—** | **82,271** | **—** | **46,102** | **—** | **57,661** | **—** |
| OEM | 19,951 | 21.0 | 18,866 | 19.2 | 20,207 | 18.1 | 12,601 | 19.6 | 12,489 | 16.8 |
| IFRS sales adjustments[5] | (57) | — | (120) | — | (36) | — | (107) | — | 126 | — |
| **OEM** | **19,894** | **—** | **18,746** | **—** | **19,991** | **—** | **12,494** | **—** | **12,615** | **—** |
| ***Revenue*** | ***87,760*** | ***—*** | ***89,330*** | ***—*** | ***102,262*** | ***—*** | ***58,596*** | ***—*** | ***70,276*** | ***—*** |

(1) Year ended 31 July 2013 included only ten full months of Fresh's results, as Fresh was acquired in October 2012.

(2) Seven months ended 28 February 2013 included only five full months of Fresh's results, as Fresh was acquired in October 2012. The financial information for the seven months ended 28 February 2013 is unaudited.

(3) Seven months ended 28 February 2014 included only six full months of PAX's results, as PAX was acquired in August 2013.

(4) Segmental/market sector breakdown is derived from historical financial information prepared in accordance with UK GAAP.

(5) The IFRS sales adjustments comprise reallocation of rebates and settlement discounts to revenue.

(6) Percentages are shown before IFRS sales adjustments.

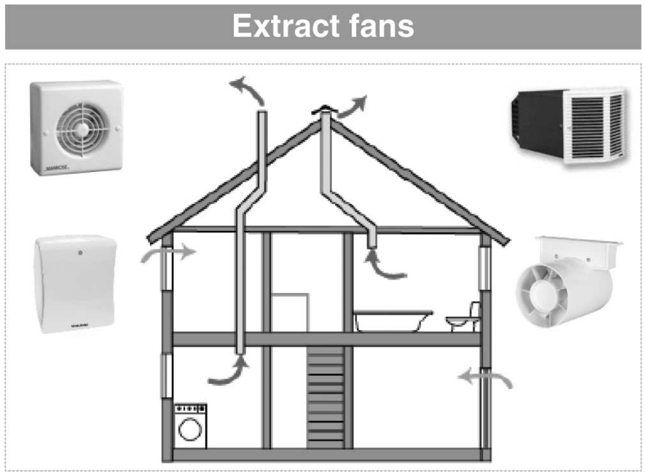
### 5.2 *Residential ventilation*

The Ventilation Group's residential products encompass a broad range of products designed to suit a variety of budgets and applications, ranging from unitary extractor fans (including for use in bathrooms and kitchens) to significantly higher value "whole building" MVHR systems. In between, there are variations on unitary extractor fans (including, for example, "quiet", "silent", "lo-carbon" and heat recovery models) and other "whole building" solutions, including MEV systems. In addition, we manufacture rigid, semi-rigid and flexible ducting products and accessories which we supply alongside our residential ventilation products.

*Unitary extractor fans.* Unitary extractor fans ventilate the room in which they are installed by extracting air from that room and venting it outside, while background ventilation (provided by trickle vents in all rooms) provides fresh air. In addition to standard unitary extractor fans, we produce the following variations (some of which are available in combination with each other) to cater to various customer and end-user preferences and regulatory factors:

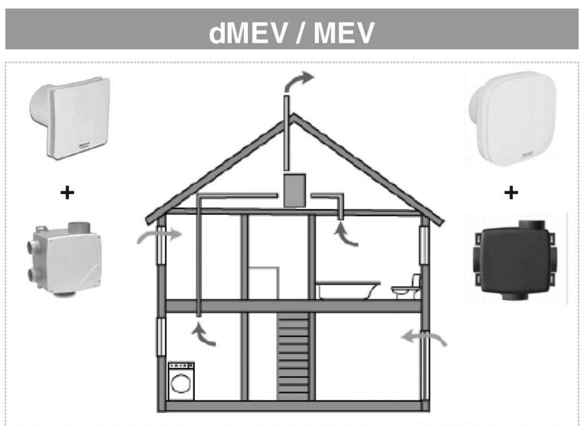
- "heat recovery" fans transfer heat from the outgoing exhaust air to incoming fresh air;
- "safety extra-low voltage" fans are safer than standard fans;
- "continuous" fans operate to ventilate a room continuously (with an option to boost if increased ventilation becomes necessary), whereas standard fans operate intermittently;
- "lo-carbon" fans use less energy than standard fans; and
- "quiet" fans are more discreet than standard fans, and "silent" fans even more so.

The following diagram shows how unitary extractor fans might be installed in a new-build dwelling:



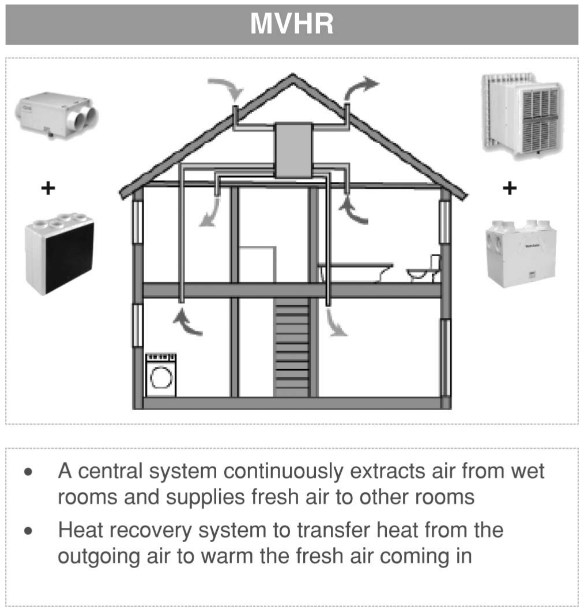

- Intermittent fans ventilate wet rooms
- Background ventilators provide ventilation to all rooms with external walls

*Mechanical Extract Ventilation systems.* MEV systems are central systems which continuously extract air from all wet rooms, while background ventilation (provided by trickle vents in all other rooms) provides fresh air. The following diagram depicts an MEV system as it might be installed in a new-build dwelling:




- Extract system continuously extracts air from all wet rooms
- Background ventilation provides supply of fresh air via trickle vents in other rooms

*Mechanical Ventilation Heat Recovery systems.* MVHR systems are central systems which continuously extract air from all wet rooms and supply fresh air to other rooms (i.e., there is no need for trickle vents). A heat recovery system transfers heat from the outgoing exhaust air to the incoming fresh air. The following diagram depicts an MVHR system as it might be installed in a new-build dwelling:




New buildings can be designed to facilitate the extensive ducting and central systems which are required for an MEV or MVHR system. Therefore, any of the systems listed above can be installed in residential new-build projects. However, there is often little or no scope for incorporating such ducting and central systems into an existing building, and so the residential refurbishment market (both private and social housing) is heavily weighted towards unitary fans.

### 5.3 *Commercial ventilation*

The Ventilation Group's commercial products encompass a variety of extractor fans, as well as mechanical heat recovery units (including both "fixed volume" and "demand" systems, some of which also incorporate high efficiency counter-flow heat recovery cells for energy efficiency). In addition to these light commercial products, the Ventilation Group also produces a number of products designed for use in the industrial space. The Ventilation Group also manufactures rigid, semi-rigid and flexible ducting products and accessories which we supply alongside our commercial ventilation products. The Ventilation Group manufactures 78% of its products for commercial application and acquires the remainder from other manufacturers.

### 5.4 *Other products*

The Ventilation Group's remaining products encompass a number of non-ventilation products, including heating products (such as underfloor heating, heated towel rails, radiators, and storage and panel heaters), cooling products (such as wall, box and tower fans, and portable air conditioners), hygiene products (such as hand dryers and insect killers) and a range of sensors, controllers and ducting which are installed together with many of the Ventilation Group's residential and commercial ventilation products. Most of the other products are produced by other manufacturers and sold by the Ventilation Group under its own brands, as private label products, or under the brands of the products' manufacturers.

### 5.5 *Torin-Sifan*

Torin-Sifan manufactures a range of blowers and motors for the heating and ventilation industry. Its products include direct and belt-drive fans, fandecks, double inlet centrifugal 'POD' blowers, motorised impellers and combustion blowers, many of which are available in models driven by standard AC motors or by energy-saving EC/DC motors (all of which are manufactured, and also sold directly to customers, including the Ventilation Group, without being incorporated into other products, by Torin-Sifan).

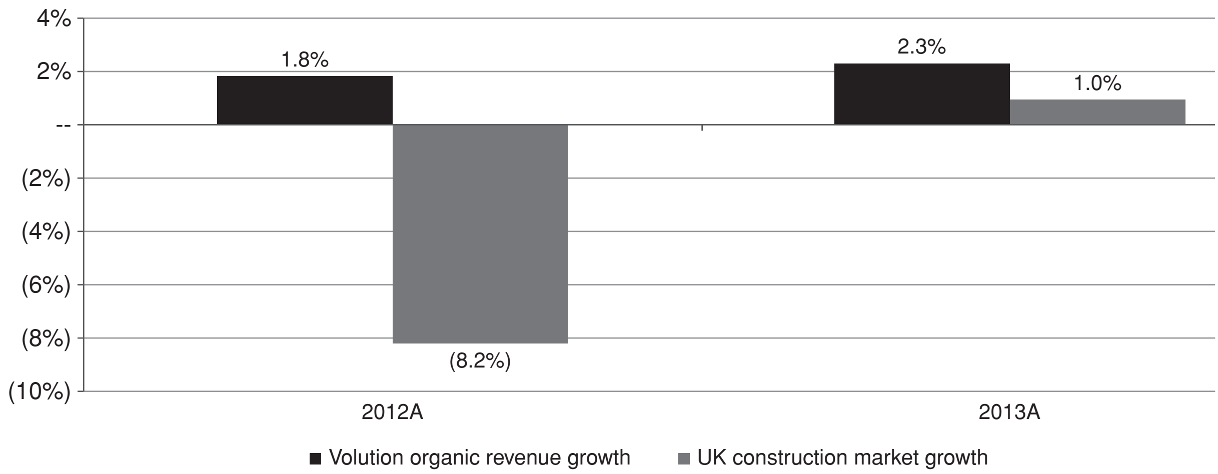
## 6 Market position and competition

The ventilation products market in Europe typically consists of a large number of companies (of varying size and scope) producing ventilation products. Further, the Directors believe that our geographical markets are generally characterised by the predominance of established domestic participants with local brand portfolios and niche applications. The Directors believe that the concentration of local participants is partially a consequence of consumer loyalty to familiar products, brand awareness and reputation, and partially due to the significant time and effort required to establish strong distribution channels and sales team, and local regulatory requirements. This concentration of local participants was a key factor in our decision to expand outside of the UK by acquisition, and is also why we continue to operate under the "Fresh", "PAX" and "inVENTer" names in the respective local markets of those companies.

### 6.1 *United Kingdom*

The Directors believe that we have developed our market share in the UK residential ventilation market, with a growth rate in our UK revenue that has consistently been above the UK construction market growth rate since 2008. The following chart shows how our organic growth has exceeded UK construction market growth in both 2012 and 2013:

**Group organic revenue growth(1) (July year end basis) vs. UK construction market growth(2) (December year end basis)**




(1): Includes group composition for FY12A on IFRS basis

(2): Excluding infrastructure

Source: Statutory accounts, CPA Spring 2014 Report.

(a) *Residential ventilation*

The Directors believe that the Ventilation Group is the market leader in the UK residential ventilation products market. Further, the Directors believe that none of our competitors in the UK residential ventilation market is a consistent challenger to us across each of the sectors of the UK residential ventilation market in which we compete. The Ventilation Group's principal competitors in the residential ventilation market are: Envirovent, Nuaire, Greenwood, Airvac, Xpelair, Airflow and Vectaire.

(b) *Commercial ventilation*

The Directors believe that the Ventilation Group is a top five supplier in the UK commercial ventilation market. The Ventilation Group's principal competitors in the commercial ventilation market are: Nuaire, Elta Fans, Fläkt Woods and Soler & Palau.

(c) *Torin-Sifan*

The Directors believe that Torin-Sifan is Europe's second largest supplier of EC/DC motors for the residential heating and ventilation industry, competing with market leader EBM-Papst, as well as Nicotra Gebhardt, Ziehl Abegg and Rosenberg.

### 6.2 *Sweden*

The Directors believe that Fresh and PAX are, together, a market leader in the Swedish residential ventilation market (for sales through both retailers and wholesalers/trade merchants). The main competitors of Fresh and PAX are: Lunos, Flexit, Soler & Palau and Myson.

### 6.3 *Germany*

The Directors believe that inVENTer is the market leader in decentralised heat recovery systems for residential dwellings in Germany. inVENTer's main competitors are: Lunos, LTM, Meltem and Ventomaxx.

## 7 Sales and distribution

### 7.1 *The Ventilation Group*

The Ventilation Group has a strong field sales team in the UK comprising 73 individuals, including 6 agents in Manrose. These are divided into teams of specialists focusing on four main areas: new building residential comprising 20 sales team members, commercial and industrial comprising 10 sales team members, distribution/generalist comprising 28 sales team members and social housing refurbishment comprising 9 sales team members. In addition we have 27 sales team members in Fresh and PAX and inVENTer has 19 sales agents in Germany and 12 sales agents outside Germany. The Ventilation Group has a broad distribution network across its key geographic locations comprising the UK, Sweden and Germany. In addition, it also has some export arrangements to continental Europe and the rest of the world which represented 6% of our total revenue during the year ended 31 July 2013 including New Zealand where the Directors estimate Manrose to be the largest supplier of ventilation fans, Belgium, where the Directors believe that we have a leading position in mechanical ventilation systems through Ventilair for Vent-Axia and Ireland where the Directors believe that we have a significant position through Lindab Ireland Limited.

The Ventilation Group uses five main channels to market its products: electrical wholesalers which accounted for 57.6%, DIY retailers which accounted for 11.6%, industrial distributors which accounted for 16.7%, builders' merchants which accounted for 2.3%, and others (including direct sales) which accounted for 11.8% respectively of its total revenue during the year ended 31 July 2013. The Ventilation Group also provides private label products.

The Ventilation Group uses a "push-pull distribution model". "Push-through" distribution is the provision of ventilation products built according to our standard specifications to wholesalers, distributors and contractors. The Directors believe that the keys to successful "push-through" sales are stock availability, range of coverage and identification of appropriate price points. "Pull-through" specification is the provision of specially adapted products by Vent-Axia through the usual distribution network which is driven by demand and specifications servicing the end user demand. The Directors believe that the keys to successful "pull-through" sales are the service levels, value added proposition and innovation that we can provide our customers and specification partners.

Because of the regulatory framework, discussed at Section C (*Regulatory overview*) of this Part VII, which requires products in certain jurisdictions to conform to specific local regulatory requirements, our products are often distributable only in their location of manufacture and a small number of other countries. Therefore (and also because building up an extensive overseas distribution network requires considerable investment of time and money) we have (outside of the relatively small international distribution arrangements described above) sought to expand internationally by acquisitions.

### 7.2 *Torin-Sifan*

Torin-Sifan supplies its products directly to a range of heating and ventilation OEMs. Torin-Sifan also supplies some EC/DC motors to the Ventilation Group. Torin-Sifan has 4 external sales personnel, 4 internal sales personnel and a sales director.

## 8 Relationships with major customers

The Directors believe that we have strong relationships with all our major customers. In the year ended 31 July 2013, the top 5 customers and the top 12 customers of the Ventilation Group accounted for 36.6%

and 46.9% of its revenue respectively, with the largest customer, who has been a customer of the Ventilation Group for over 15 years, representing 15.7% of its revenue.

In the year ended 31 July 2013, the top 12 customers of Torin-Sifan accounted for 66.0% of its revenue, with the top 5 customers of Torin-Sifan representing 39.4% of its revenue, and the largest customer representing 12.3% of its revenue. All the top customers of Torin-Sifan were heating and ventilation OEMs.

**9 Manufacturing and suppliers**

The Ventilation Group is principally a designer and assembler of its products from components supplied by third parties (although it does injection mould the majority of the plastic components used by it), and Torin-Sifan is a manufacturer of motors, fans and blowers, and supplies its products to OEMs in the HVAC industry. We purchase large volumes of electronic components (including motors and printed circuit board electronics) and raw materials (including plastics, metals and packaging materials) from third parties. Vent-Axia also purchases some EC/DC motors from Torin-Sifan.

The top 15 suppliers to the Ventilation Group for consumption in the UK accounted for 33.6% of our total supply costs during the year ended 31 July 2013, with the largest supplier accounting for 4.7% of such supply costs. The top 15 suppliers to Torin-Sifan accounted for 65.0% of its total supply costs during the year ended 31 July 2013, with the largest supplier accounting for 17.5% of such supply costs.

The Ventilation Group's largest supply spends for consumption in the UK are on motors, plastics and printed circuit board electronics, which accounted for 10.2%, 9.0% and 6.5%, respectively, of its total supply costs in the UK for the year ended 31 July 2013. Most of these motors and printed circuit board electronics are sourced from Asia, in particular China, due to the low cost sourcing potential. We also have a global testing and approval programme to actively introduce and approve new suppliers with a view to maximising competitiveness between the suppliers and ensuring that we are not over-dependent on any single supplier.

In recent years, the Ventilation Group has also engaged in "re-shoring" of the assembly of its products, such that all its UK residential ventilation products are now assembled in the UK, all its Swedish ventilation products are manufactured in Sweden and all its German ventilation products are manufactured in Germany.

**10 Employees**

For the years ended 31 July 2011, 2012 and 2013, we had an average of 757 (all based in the UK), 718 (all based in the UK) and 760 (704 based in the UK and 56 based in Sweden and Norway) employees, respectively. For the seven months ended 28 February 2014, we had an average of 884 (767 based in the UK and 117 based in Sweden and Norway) employees.

The Directors believe that our industrial relations remain strong with a continual dialogue between staff and management. There are currently no trade unions recognised within our UK business.

Our employees in Sweden, Norway and Germany are subject to employment law regulations in their respective jurisdictions that differ from those governing the UK workforce. We cooperate with the local workers' councils and have had no material labour disputes with our employees in the past five years, although we are affected by collective bargaining and pay discussions between national unions and governments.

**11 Production facilities and other properties**

We operate nine production facilities in eight locations across three countries with our head office in Crawley in the United Kingdom.

***11.1 United Kingdom***

We operate from six locations in England. Two are freeholds, one is a long leasehold and three are leaseholds.

The freehold facility at Crawley comprises our head offices, as well as being used for fan assembly (plastic) and distribution and warehousing. The buildings on the site comprise 100,000 sq. ft.

The freehold facilities at Dudley are used for fan assembly (metal), as well as system ventilation assembly and distribution and warehousing. The buildings at this location comprise 116,000 sq. ft.

The locations at Reading and Slough are held under short leases and were acquired as part of the acquisition of Manrose in 2007. The leases for these two facilities expire in June 2022, with rent reviews as well as tenant's rights to break in June 2017. The buildings at the Reading facilities comprise 70,000 sq. ft. and are used for plastic moulding and extrusion as well as a distribution and warehousing function. The buildings at the Slough site comprise 23,000 sq. ft. and are used for plastic fan assembly (Manrose and private label) with an office facility.

The facility at Drakes Way, Swindon is held under a long lease from the local authority (expires in June 2066) at a low rent. The buildings on the site comprise 78,000 sq. ft. and are used by Torin-Sifan for the manufacture of fans and motors, and also as offices.

The lease of the facility at Pagoda Park, Swindon was entered into in 2014 for a term of 12 years. The facilities are used by Torin-Sifan for manufacturing EC motors and comprise 25,000 sq. ft.

### 11.2 *Sweden*

We operate from three locations in Sweden. One is a freehold and the other two are leaseholds.

The freehold facility at Hälleforsnäs comprises our office facility as well as being used for plastic fan and heating products manufacture and distribution and warehousing and comprises 28,000 sq. ft.

The leasehold facility at Gemla is used for plastic fan and air vent manufacture, plastic moulding, distribution and warehousing as well as having an office facility and comprises 69,000 sq. ft.

The leasehold facility at Jagarevagen is used for warehousing and distribution and comprises 9,750 sq. ft.

### 11.3 *Norway*

The leasehold facility in Oslo is used as a sales office for PAX and Fresh and comprises 2,600 sq. ft.

### 11.4 *Germany*

As part of the acquisition of inVENTer, we acquired freehold property in Löberschütz which is used for decentralised ventilation and heat recovery product manufacture as well as warehousing and distribution. The production facility in Löberschütz is designed as a passive building with straw thermal insulation and is one of the largest of its kind in Europe comprising 26,200 sq. ft.

## 12 Intellectual property

We own a large portfolio of trademarks covering all of our key brands. We also own numerous patents, registered designs and domain names relating to our business. We are reliant on the maintenance and protection of our trademarks and related rights. Our principal registered trademarks include:

(a) VENT-AXIA and derivations thereof (e.g. VENT-AXIA DUO, VENT-AXIA LO CARB and VENT-AXIA LO WATT), which we have registered in many jurisdictions including Australia, Canada, China, India, Japan, New Zealand, Russia, the United Kingdom and the United States, and as a European Community trade mark ("**CTM**");

(b) the MANROSE brand, which we have registered in Australia, New Zealand and the United Kingdom, and as a CTM;

(c) FRESH and logo representations for "Fresh Ventilation", which we have registered in many jurisdictions including Austria, Canada, China, Denmark, Norway, the UK, the U.S. and Sweden, and as a CTM;

(d) PAX and logo representations, which we have registered in Sweden, and as a CTM; and

(e) inVENTer, which we have registered in Germany.

The brands TORIN and SIFAN are only currently registered in the United Kingdom. Where we do not currently have registered trade mark protection for certain brands (such as LO-WATT solus), we may seek to rely on unregistered trade mark protection.

## 13 Dividend policy

Assuming that sufficient distributable reserves are available at the time, the Board initially intends to target a dividend of approximately 30% of the Company's adjusted net income for each financial year. "Adjusted net income" is: (a) profit/(loss) before tax; after adding back (b)(i) exceptional costs; (ii) amortisation of intangible assets (customer base and trade marks); and (iii) net gain/(loss) on financial instruments at fair value; less (c) the relevant current tax charge.

The Board intends that the Company will pay an interim dividend and a final dividend to be announced at the time of its interim and preliminary results.

It is expected that the first dividend to be paid by the Company will be payable following publication of the Group's results for the six months ending 31 January 2015.

We may revise our dividend policy from time to time.

## Section B: Industry Overview

### 1 Overview

We operate through two divisions: the Ventilation Group and Torin-Sifan. The Ventilation Group's products provide ventilation solutions for public and private residential construction applications, as well as for selected commercial construction applications, for both new-build and repair and maintenance markets. Torin-Sifan supplies motors, fans and blowers to both heating and ventilation OEMs in the UK and overseas, predominantly for residential construction applications.

### 2 The construction market

The key driver for growth in the ventilation products market is the level of spending in the construction market, the causes of which vary by geography.

#### 2.1 *United Kingdom construction outlook*

In 2013, the level of activity in the UK construction market increased for the first time since 2007 and the subsequent recession. In the new-build sector of the UK residential construction market, 142,000 units were started in 2013, representing a 33% increase from new starts in 2009 (source: CPA Spring 2014 Report). The UK residential construction market is expected to continue to grow, supported by specific government initiatives as well general improvement in the economic environment.

Over the longer term, the structural shortage of housing stock and favourable demographic trends are expected to support continued UK residential construction market growth. While the demand for housing is expected to grow by an average of around 270,000 units per annum through 2017 (source: Department for Communities and Local Government), new housing completions are only expected to be in the range of 175,000 units per annum over the same period (source: CPA Spring 2014 Report).

The Directors believe that the prospects for UK private residential new-build volumes growth in particular will continue to strengthen due to the UK government's focus on ensuring increased volumes of new-build housing construction to meet the long-term structural shortage of housing in the UK. In addition, almost 80% of the private UK housing stock was built before 1980 and is therefore expected to require renovation work over the next years, thereby supporting the UK residential repair and maintenance market output.

The CPA Spring 2014 Report forecasts growth in total UK construction output (excluding total UK infrastructure) of 3.6% for 2014, 4.6% in 2015, and 3.8% in 2016. In particular, private sector recovery is expected to continue over the next few years, and investment in private housing starts is forecast to grow approximately 43% from approximately 114,000 units in 2013 to approximately 163,000 units in 2017. The residential repair and maintenance market is expected to grow through 2017, driven by improvements in the economy, a strengthening housing market and better credit conditions. A combination of improved economic growth and increased public sector spending is forecast to result in growth above the growth in construction output through 2017.

The estimated UK construction market growth rates by segment are shown in the table below, calculated at constant 2010 prices. The table excludes the infrastructure segment, which is not part of our addressable market.

| | UK construction output forecast, 2013 (estimated) - 2017 (estimated) (£ billion) | | | | |
|---|---|---|---|---|---|
| | **2013e** | **2014e** | **2015e** | **2016e** | **2017e** |
| UK residential new-build output | 21.6 | 23.3 | 25.3 | 26.5 | 27.1 |
| UK residential repair and maintenance output | 20.8 | 21.3 | 21.9 | 22.5 | 23.0 |
| Other (excl. infrastructure) | 48.1 | 49.3 | 51.0 | 52.9 | 55.0 |
| **Total UK construction output (excl. infrastructure)** | **89.9** | **93.9** | **98.2** | **101.9** | **105.0** |
| Change year-on-year (%) | +1.0% | +3.6% | +4.6% | +3.8% | +3.1% |
| UK GDP growth (%) | +1.7% | +2.7% | +2.5% | +2.6% | +3.0% |

(source: CPA Spring 2014 Report)

UK government initiatives aimed at the demand side of the housing market both in private and public residential sectors are expected to stimulate the increase of housing supply further. Since March 2011, the

UK government has announced a range of initiatives aimed at stimulating construction and housing activity. These measures include the "New Buy Scheme" and "Help to Buy Scheme", each of which is intended to improve access to mortgage finance. In the public residential sector, a number of measures have been implemented to further support the renovation and the construction of social housing. In April 2012, the UK government introduced the Housing Revenue Account reform, a system of self-financing for council houses whereby each council can re-invest rental income received to fund the renovation and development of council housing, which is expected to provide an additional £15 billion through to 2017 (source: Association of Retained Council Housing). In addition, the Affordable House Programme ("**AHP**") received an additional £225 million as part of the 2013 Budget to support an additional 15,000 homes in England, increasing total resources to almost £5.0 billion for the development of new dwellings through 2015. The government has committed to extending the AHP until 2018, with an additional £1.7 billion allocated for the development of 165,000 new homes.

### 2.2 *Construction outlook outside the UK*

The Swedish construction market is forecast to return to growth from 2014, with 1.6% growth, accelerating to 2.9% in 2015, followed by 2.2% growth in 2016 (source: Euroconstruct, November 2013). In the residential new-build sector, growth is expected to be driven by a steady increase in the construction of new dwellings in a market impacted by structural housing deficit. BRG forecasts the number of housing completions to increase from 22,700 in 2013 to 30,900 in 2016, an average annual increase of 11.0%. In the residential repair and maintenance market, construction output is forecast to rise by 3.0%, 1.7% and 2.5% in 2014, 2015 and 2016, respectively (source: Euroconstruct), supported by an improving economic outlook and an ageing residential building stock.

The Norwegian construction market is expected to continue to grow by 3.6%, 3.7% and 2.0% in 2014, 2015 and 2016, respectively (source: Euroconstruct). The residential new-build market is forecast to post 1.0% growth in 2014, accelerating to 5.2% in 2015 and followed by 2.5% in 2016 (source: Euroconstruct). According to BRG, house completions are expected to grow by 9.3% (33,000 houses) in 2014, and 6.1% and 3.7%, respectively in 2015 and 2016. The increase in residential new-build activity is expected to be driven by population growth, high employment levels, low interest rates and a significant housing shortage. According to BRG, the residential repair and maintenance market is expected to grow steadily by 3.0% per annum from 2013 to 2016.

The German construction market is expected to grow by 2.7% in 2014, and 1.2% in 2015 (source: Euroconstruct). The residential new-build construction market is expected to grow at a significantly higher pace over this period, with 6.5% growth in 2014 and 3.5% growth in 2015 (source: Euroconstruct). The residential repair and maintenance market is forecast to grow by 0.5% in each of 2014 and 2015. The overall growth in the residential construction market is due to the combination of housing affordability, GDP growth, low unemployment rate, and the rise in disposable income.

## 3 The ventilation market

Ventilation products provide air flow in buildings to facilitate the comfort and health of occupants and uphold the durability and safety of buildings by removing stale air, odours, fumes and carbon dioxide and preventing moisture condensation. Ventilation product categories include unitary fans, roof fans, central extract ventilation, and central and local heat recovery units.

### 3.1 *The United Kingdom*

In the UK, our addressable market consists of unitary fans, central extract ventilation, and central and local heat recovery units used in the residential construction market, and small scale ventilation products and systems used in the commercial market. Large ventilation units, air handling units and chilled beam ventilation systems for the infrastructure, industrial and commercial markets are not included in our addressable market.

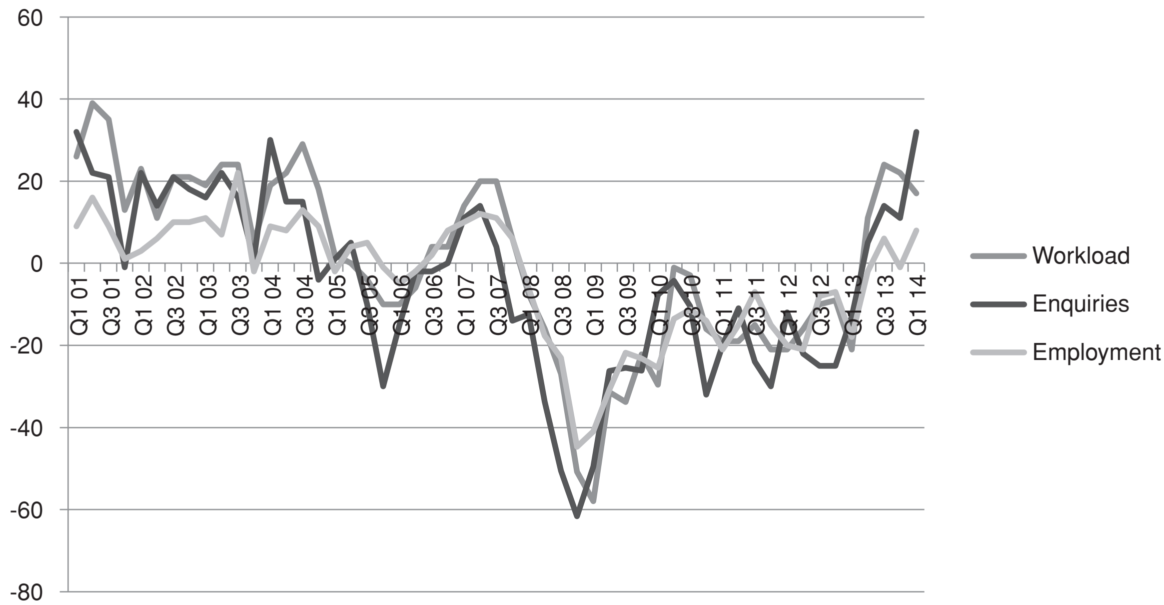
The Directors believe our addressable market to be worth £245.5 million (in revenue per annum) as at December 2013, with approximately 37% attributed to the residential RMI market, 20% attributed to the residential new-build market and 43% attributed to the commercial market. The Directors estimate our market share in the UK residential ventilation market to be 37% (by revenue). The Directors believe that we are the market leader in the residential ventilation market (by revenue), and that we have a market share significantly higher than our closest competitor as at December 2013. In the addressable commercial ventilation market, the Directors believe that we have a top five position and estimate the Group's market share to be 13%.

The end-user markets may be categorised by sector (e.g. residential and commercial), by activity (e.g. repair and maintenance, and new-build), and by funding source (e.g. public and private sector).

The level of public repair and maintenance expenditure on ventilation products is determined by ongoing basic repairs and maintenance needs, and cyclical structural upgrades to the existing housing stock, as well as by the statutory obligation of councils and other authorities or organisations to maintain adequate ventilation into publicly owned or funded buildings. The level of private repair and maintenance ventilation expenditure is influenced by the levels of housing transactions, finance availability and consumer and business expenditure. Trends in this sector are monitored by the FMB surveys.

This is illustrated in the chart below, where members of the FMB are surveyed about their workloads, and the chart reflects the percentage of responses reporting higher workloads against those reporting lower workloads. The key trend observed is that during and throughout 2013, respondents indicated higher private RMI workloads than previous quarters.

**Key Indicators of residential workloads**

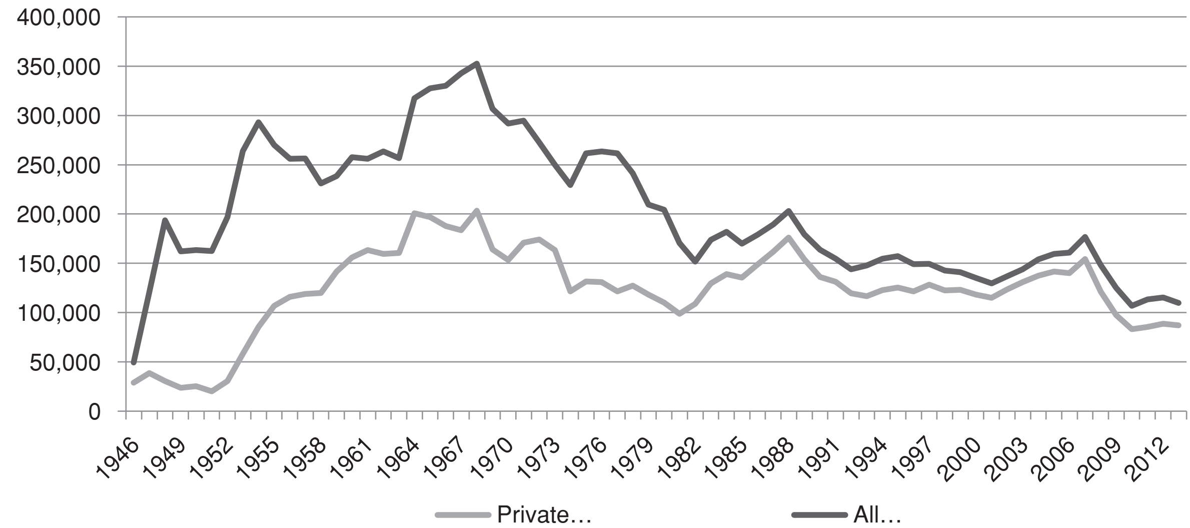



Source: FMB

Residential new-build activity is influenced by the availability of land, shortage of current housing availability, level of real estate prices, finance availability, demographic trends, and business investment activity and public sector policy. New-build trends can be observed from the national housing completions.

As illustrated by the chart below, over the last four years, house building in England reduced to a 50-year low, with new dwellings of 83,000 to 89,000 being built per annum. The CPA expects this trend to reverse materially in the coming years as discussed in section 2.1 above (source: CPA Spring 2014 Report).

**Housing building: permanent dwellings completed in England**




Source: Department of Communities and Local Government, February 2014

Commercial construction output is driven by consumer and business sentiment, consumer and business investment, finance availability and GDP growth and government spending.

The distribution channels for ventilation products primarily includes electrical products distributors such as City Electrical Factors, Edmundson Electrical and Rexel (through its Newey & Eyre, Denmans, WF Senate and Wilts brands), consortium industry buying groups such as the Association of National Electrical Wholesalers, builders' merchants and wholesalers such as The Grafton Group, Jewsons, Wolseley plc and Travis Perkins plc, and retailers such as B&Q, Homebase and Screwfix.

### 3.2 *Markets outside the UK*

In Sweden, our addressable market consists of unitary fans for the residential refurbishment ventilation market, where the Directors believe that we are the market leader through Fresh and PAX combined. The Directors estimate that our market share in this subsegment is approximately 75%. Unitary fans are mainly distributed through two channels: trade wholesalers and directly to retail. Fresh is the largest supplier of unitary fans to retailers, while PAX's products are mainly sold through the trade wholesale channel.

In Norway, we also supply kitchen and bathroom unitary fans and the Directors believe that we are the second largest supplier through Fresh and PAX combined. The majority of our fans in Norway are sold directly to retail through DIY and specialist retailers.

In Germany, inVENTer's addressable market consists of the German residential decentralised heat recovery ventilation systems market. The Directors believe that inVENTer is the market leader in this German market with a market share estimated by the Directors at 40% (by revenue). inVENTer's products are primarily sold to installers, contractors and home builders through agents.

### 3.3 *Torin-Sifan's Market*

The majority of Torin-Sifan's sales are to OEMs producing heating and ventilation products for use in the construction industry across Europe, resulting in Torin-Sifan being positioned to benefit from the macro economic trends that underpin growth forecasts within the construction industry.

In the residential ventilation market BRG estimate penetration of EC energy saving motorised fans to increase from 57% (2011) to 84% (2016) in a market set to grow in value from £40 million in 2011 to £70 million in 2016 due to increased penetration and volume demand for ventilation systems in Europe (MVHR systems require two EC motorised fans per unit, while other products require only one). The Directors believe that Torin-Sifan's current market share is 10%, with the balance of the market dominated by one competitor, EBM Papst.

The commercial ventilation market sector is expected to benefit from legislation and staged changes in minimum efficiency levels over the medium term via the Energy Related Products Directive that will lead to an increase in the demand for high efficiency fans & motors. In the commercial market, higher efficiency EC/DC motors command price premiums compared to traditional AC/DC motors.

## 4 Industry Growth Drivers

The Directors believe that spending on ventilation products and systems across our core product markets will continue to grow, driven by a long-term trend of increasing ventilation spend per building and positive outlook for residential and commercial construction volumes and activity.

### 4.1 *Ventilation spend per building*

The growth in average ventilation spend per building in recent years has been driven by both regulatory developments in the residential new-build market, and changing consumer preferences in the residential repair and maintenance market.

*(a) Regulatory developments*

The reduction of energy consumption and carbon emissions in the construction sector represents an important component of the target to reduce the EU's energy dependency and greenhouse gas emissions, as set out in the "Energy Policy for Europe". This policy targets a 20% reduction in energy dependency and greenhouse gas emissions by 2020.

In the EU, pursuant to the EPBD, by 2019 all new buildings should consume 100% less energy than those built in 2006, which means they must be zero or "plus" (net energy producer) energy buildings. In the UK, these aims are implemented by parts F and L of the Building Regulations, which regulate the energy efficiency of buildings and the standard of ventilation for dwellings and minimum airflow rates. Please see Section C (*Regulatory Overview*) below for further details on the regulatory developments in relation to Sweden, Germany and Norway.

As a result of these legislative requirements, new dwellings will be designed to be as air-tight as possible, in order to minimise heat loss, leading to increased demand for more sophisticated ventilation solutions. While, historically, dwellings have typically installed intermittent unitary ventilation fans, which result in significant heat losses, newer ventilation solutions include MEV systems, which enable the continuous extraction of air using more energy efficient means, or MVHR systems, which are fitted with heat recovery solutions which re-use the heat from exhaust air which would otherwise be lost, providing an even greater energy efficiency rate. These ventilation systems typically retail at much higher prices than unitary extract fans.

The regulations recently implemented across the European Union are expected to contribute to the further acceleration of sales of MVHR systems in the residential new-build segment. The Directors believe that sales value in residential MVHR systems in the UK should grow by 10% per annum through to 2017 (albeit from a low base) and sales value in residential decentralised ventilation systems with heat recovery in Germany should grow by 12.4% per annum (€127 million in 2011 to €256 million in 2017). The Directors believe that we have the highest market share in the residential MEV and MVHR sub-segments in the UK (by revenue), and that we have the highest market share for residential decentralised heat recovery ventilation in Germany (by revenue).

In addition to the drive for energy efficiency in new buildings, there is also a regulatory drive for ventilation products in buildings to be designed to be as energy efficient as possible themselves. BRG forecast this as a key driver of the strong growth of MEV and MVHR systems, which typically use electronically commutated ("**EC/DC**") motorised impellers, such as those produced by Torin-Sifan, which are more energy efficient than their traditional alternating current ("**AC**") counterparts. The Directors estimate that the penetration rate of EC/DC motorised impellers in Europe in Torin-Sifan's end markets will increase from 57% in 2011 to 84% by 2016.

| | Unitary ventilation | Systems | |
|---|---|---|---|
| | **Extract Fans** | **MEV** | **MVHR** |
| **Solutions** |  | | |
| **Description** | • Intermittent fans ventilate wet rooms<br>• Background ventilators provide ventilation to all rooms with external walls | • Extract system continuously extracts air from all wet rooms<br>• Background ventilation provides supply of fresh air via trickle vents in other rooms | • A central system continuously extracts air from wet rooms and supplies fresh air to other rooms<br>• Heat recovery system to transfer heat from the outgoing air to warm the fresh air coming in<br>• > 90% energy recovered |
| **Price** | • £20-£80 + trickle vents in every room | • £200-500 + trickle vents in rooms other than wet rooms | • £800-£1,200<br>• No trickle vents required |

**Shift to higher value systems**

*(b) Evolving consumer preferences*

In the repair and maintenance market (across both the residential and commercial segments), there has been a consumer shift towards more energy efficient, quieter and more aesthetically pleasing ventilation products. This has been driven by greater consumer awareness of air quality, environmentally related issues and education on the technical and functional capabilities of ventilation products, both through specifiers such as architects, consultants, developers and local authorities, or directly from the ventilation product suppliers themselves. This has resulted in an increase in demand for higher value and higher specification products such as quiet and "silent" fans, energy efficient fans and heat recovery units.

## Section C: Regulatory overview

Our operations are governed by a range of laws and regulations, including those relating to workplace safety and worker health; environmental protection; consumer protection, including product liability and safety measures; personal information protection; export regulations, including those related to tariffs; antitrust; protection of intellectual property; and taxation. Our production facilities are subject to requirements relating to the emission of pollutants into the ground, water and the atmosphere and the generation, transportation, treatment, storage and disposal of solid and hazardous wastes.

In addition, our products are required indirectly to comply with laws and regulations applicable to end-users of our products, and we reengineer or redesign our products, or design new products to enable the end-users of our products to meet such laws and regulations. The most pertinent of such laws and regulations are summarised below.

### 1 European Union—EPBD

#### 1.1 *Overview*

The EPBD and its predecessor (Directive 2002/91/EC of the European Parliament and of the Council of 16 December 2002 on the energy performance of buildings, as amended (the "**2002 EPBD**")) are one of the principal ways in which the EU proposes to tackle climate change and meet its greenhouse gas emission targets through greater energy efficiency. According to the preamble to the EPBD, buildings accounted for 40% of the EU's total energy consumption at the time of publication of the EPBD. The EPBD is indicative of the general trend across Europe for buildings to be more energy efficient, by building on the requirements of the 2002 EPBD, including by requiring the Member States to introduce more robust and comprehensive methodologies and by introducing the concept of a "nearly zero-energy building" and dates by which new buildings must qualify as such (all of which are discussed in further detail below).

The EPBD allows each Member State to apply stricter national rules than those laid down in the EPBD.

#### 1.2 *Calculating energy performance and the importance of ventilation*

The EPBD requires that any methodology for calculating the energy performance of a building in a Member State must take into account a number of factors, including a building's ventilation and air-tightness (other factors include heating installations, hot water supply, insulation and air-conditioning installations).

The importance thereby attached to a building's ventilation when calculating its energy performance (which is used, among other things, to determine the rating given to a building in its energy performance certificate) has been a significant factor in the expansion of the market for our products in recent years.

#### 1.3 *New buildings*

The Member States are required to impose minimum standards for the energy performance of buildings, and to take the necessary measures to ensure that new buildings meet those standards. However, in addition to the Member States' own standards, the EPBD requires (subject to limited exceptions) that:

(a) by 31 December 2020, all new buildings be "nearly zero-energy buildings"; and

(b) after 31 December 2018, new buildings occupied and owned by public authorities be "nearly zero-energy buildings".

The EPBD defines a "nearly zero-energy building" as a building that has a very high energy performance, with any energy required being covered to a very significant extent by energy from renewable sources.

#### 1.4 *Major renovations*

Member States are also required to ensure that, when an existing building undergoes "major renovations" or a part of a building is retrofitted or replaced, the energy performance of that building or the relevant part of it is, to the extent technically, functionally and economically feasible, upgraded to meet the minimum standard for the energy performance of buildings implemented in each Member State which are referred to above.

The EPBD defines "major renovations" as the renovation of a building where either:

(a) the total cost of the renovation is more than 25% of the value or building, excluding the value of the land on which the building is situated; or

(b) more than 25% of the surface of the elements of a building which separate its interior from the outdoor environment undergoes renovation.

**1.5 *Technical building systems***

The EPBD defines a "technical building system" as technical equipment for, among other things, the heating, cooling or ventilation of a building. This requires every state to have a standard method of calculating the energy efficiency of a building. This has had a direct impact on the adoption of energy efficient products including our MEV and MVHR systems. Therefore, the MEV and MVHR systems produced by the Ventilation Group will need to comply with the EPBD and the relevant implementing requirements of the UK, Sweden, Norway and Germany.

Member States are required to implement system requirements in respect of the overall energy performance, proper installation and the appropriate dimensioning, adjustment and control of technical building systems which are installed in existing buildings, and these requirements may also be extended to new buildings. These requirements must be applied to the extent technically, economically and functionally feasible. To the extent applicable to our products, we must comply with the relevant requirements in each Member State in which we operate.

**2 European Union—Directive 2009/125/EC of the European Parliament and of the Council of 21 October 2009 on Ecodesign ("Ecodesign")**

**2.1 *Overview***

Ecodesign establishes a framework under which manufacturers of energy-using products are obliged to reduce the energy consumption and other negative environmental impacts occurring throughout the product life cycle. It is complemented by Directive 2010/30/EU of the European Parliament and of the Council of Europe 19 May 2010 on the indication by labelling and standard product information of the consumption of energy and other resources by energy-related products (commonly referred to as the Energy Labelling Directive). All energy using products sold in the domestic, commercial and industrial sectors are covered by Ecodesign (with the exception of all means of transport). Ecodesign was revised, effective from November 2009, extending its scope by covering in principle all energy-related products. In the future, windows, insulation materials, and certain water using products like shower heads or taps are expected to be covered as well.

Our products are required to comply with Ecodesign, in particular with the Directive 2009/125/EC of the European Parliament and of the Council of 21 October 2009 establishing a framework for the setting of ecodesign requirements for energy-related products (commonly referred to as the Energy Related Products Directive, or "**ErP**"), which is part of Ecodesign.

**2.2 *Effect of ErP***

ErP covers the energy efficiency of ventilation products through Lots 6, 10 and 11. ErP will eventually lead to energy labelling of ventilation devices providing consumers with energy and environmental information to help compare products when making a purchasing decision. It is expected that this legislation will help drive consumers to purchase higher efficiency products as has been seen in other categories where energy labelling already exists.

**3 United Kingdom—The Building Regulations 2010 (SI 2010/2214) (as amended) (the "Building Regulations")**

The Building Regulations set out certain requirements that apply to various aspects of "building work", which is broadly defined to include, among other things, the erection or extension of a building, the material alteration of a building, and work required where there is a material change of use of a building.

Our business is most directly impacted by Part F (*Ventilation*) of Schedule 1 to the Building Regulations ("**Part F**") and Part L (*Conservation of fuel and power*) of Schedule 1 to the Building Regulations ("**Part L**").

### 3.1 *Part F*

Under Part F, each building must have adequate means of ventilation for people in that building, and fixed systems for mechanical ventilation and any associated controls must be commissioned by testing and adjusted as necessary to ensure that each building is able to comply with that requirement.

Part F itself is supplemented by The Building Regulations 2010 Approved Document F: Ventilation (2010 edition, as amended) ("**Approved Document F**"), which sets out detailed technical guidance for the ventilation of buildings. In particular, Approved Document F sets out:

(a) minimum ventilation rates which a building is required to meet. These vary depending on numerous factors, including:
- whether the building is being built or refurbished;
- the use of the building (residential/commercial/other);
- the type of ventilation system (intermittent/continuous; extract/whole building; etc.);
- where the ventilation system is to be installed (wet/dry room; sanitary/kitchen; etc.);
- the number of bedrooms and occupants in a residential dwelling;
- whether the building has a basement;
- the total volume of the building;
- how air-tight the building is; and
- how many stories the building has and, if it is single-storey, how high that storey is;

(b) the British Standards Institution performance tests which ventilation products and systems must pass;

(c) recommendations for fans to be quiet so as not to discourage their use by occupants (including recommended maximum noise levels);

(d) requirements regarding the effectiveness of automatic controls (for example, automatic systems in kitchens which use gas cookers must be sufficient to prevent a build-up of combustion products); and

(e) a requirement for continuous systems to have a "boost" option where periods of enhanced ventilation is required.

Each of the above requirements and recommendations is relevant to some or all of our products.

### 3.2 *Part L*

Under Part L, reasonable provision must be made for the conservation of fuel and power in buildings by limiting heat gains and losses (both through thermal elements and from pipes, ducts and vessels used for space heating and cooling and hot water services) and by providing fixed building services which are energy efficient, have effective controls and are commissioned by testing and adjusting to ensure they use reasonable fuel and power.

Part L itself is supplemented by The Building Regulations 2010 Approved Documents L1A: Conservation of fuel and power in new dwellings (2013 edition, as amended), L1B: Conservation of fuel and power in existing dwellings, L2A: Conservation of fuel and power in new buildings other than dwellings and L2B: Conservation of fuel and power in existing buildings other than dwellings (together, "**Approved Document L**"). Approved Document L sets out, among other things:

(a) requirements for buildings to meet specified carbon dioxide emissions targets;

(b) requirements for the fabric of buildings to meet specified energy efficiency requirements; and

(c) guidance for the performance of individual fabric elements and fixed building services of a building.

As under Approved Document F, the requirements vary markedly between various types, sizes and uses of buildings. The requirements of Part L and Approved Document have contributed in part to the recent shift towards more energy efficient fans, including unitary fans with heat recovery, as well as central systems such as the Ventilation Group's MEV and MVHR systems.

### 4 Sweden

The 2002 EPBD was implemented in Sweden in 2007 and sets out similar requirements to those outlined above. In addition, Sweden introduced additional regulations including The Directive on Energy End Use Efficiency and Energy Services, targeting a 17% reduction in greenhouse gas emissions by 2020 in relation to 2005. These regulations have driven energy tax rises, incentive schemes for energy efficiency measures as well as stricter greenhouse gas emission requirements for all new buildings that use electricity for heating or air conditioning.

### 5 Norway

Although not a member of the EU, Norway also implemented the 2002 EPBD in 2004. Norway is targeting a 30% reduction of its carbon emissions levels by 2020 (compared to 1990 levels), and to become carbon neutral by 2030. In 2004, Norway established a new building code (TEK07) in 2007 demanding all new buildings to be fitted with more energy efficient heating solutions, including heat recovery ventilation systems. The latest revision of the building code (TEK10) in July 2010 set minimum heat recovery requirements of 70% for all new residential dwellings.

### 6 Germany

The 2002 EPBD was implemented in Germany by the Energy Saving Ordinance (*Energieeinsparverordnung EnEV* 2009). This established minimum airflow rate requirements for all new buildings. Germany has also introduced a number of regulatory requirements, including stricter energy efficiency requirements for new and renovated buildings. In addition, the German government earmarked €1.5 billion per year for the 2011-2015 period as financial incentives for renovation work aiming to reduce energy consumption in existing dwellings.

The products manufactured by inVENTer also fall within the scope of the European Construction Product Regulation 305/2011.

# PART VIII

## DIRECTORS, SENIOR MANAGERS AND CORPORATE GOVERNANCE

### 1 Directors

The Board will comprise:

| Name | Position | Date of Appointment |
|---|---|---|
| Peter Hill, CBE | Non-Executive Chairman | On Admission |
| Ronnie George | CEO | 15 May 2014 |
| Ian Dew | CFO | 15 May 2014 |
| Anthony Reading, MBE | Senior Independent Non-Executive Director | On Admission |
| Adrian Barden | Independent Non-Executive Director | On Admission |
| Paul Hollingworth | Independent Non-Executive Director | On Admission |
| Gavin Chittick | Non-Executive Director | 15 May 2014 |

The business address of each Director is: Vent-Axia, Fleming Way, Crawley, West Sussex RH10 9YX.

**Peter Hill, CBE** will join the Board on Admission as Non-Executive Chairman and Chairman of the Nomination Committee. Peter has extensive experience of this role, having been non-executive chairman of Alent plc since September 2012. In addition, he acts as a non-executive director of Essentra plc and of the Royal Air Force, and has previously acted in such capacity on the boards of Cookson Group plc, Meggitt plc and Oxford Instruments plc, and was a non-executive board member of UK Trade and Investment. He also has substantial experience in executive roles, having been Chief Executive of Laird plc from 2002 until late 2011, an executive director of Costain Group plc and a senior manager at BTR plc (subsequently Invensys plc). The Directors believe that Peter Hill will be independent on appointment in relation to the Company, the Senior Managers and the TowerBrook Shareholder.

**Ronnie George** joined us in 2008 as Managing Director of Vent-Axia Division (now the Ventilation Group) and a director of our then holding company, Volution Holdings Limited, and was appointed our CEO and a director of our then holding company, Windmill Topco, in February 2012. He has over 25 years' experience in the industry and, prior to joining us, served as the Managing Director of Draka UK, a £200m turnover business with c.450 employees focussing on electric cable production for construction, where he had full financial and operational responsibility for the UK business. Latterly he also served as the President of Draka's global Marine, Oil and Gas Division, reporting directly to the Draka CEO.

**Ian Dew** joined us in 2012 in Consultant Services before being appointed Business Improvement Director and subsequently our CFO in January 2014, becoming a director of our then holding company, Windmill Topco, in April 2014. He has over 25 years' experience in the industry and, prior to joining us, held the position of Group Finance Director (Industry and Speciality Group) at Draka Holding N.V, where he had previously been Divisional Financial Controller in the company's Marine, Oil and Gas Division. He has also served as Finance Director of Draka UK and Transplastix Limited.

**Anthony Reading, MBE** will join the Board on Admission as Senior Independent Non-Executive Director and Chairman of the Remuneration Committee. Prior to joining us, he was a non-executive director of Taylor Wimpey plc, Laird plc, e2v Technologies plc, Spectris plc and George Wimpey plc. He was previously an executive director of Tomkins plc, and chairman and Chief Executive of Tomkins Corp. USA. The Directors believe that Anthony Reading is independent in relation to the Company, the Senior Managers and the TowerBrook Shareholder.

**Adrian Barden** joined us in 2012 as an Independent Non-Executive Director of our then holding company, Windmill Topco, and will join the Board on Admission. Adrian's other assignments include being a board member of Sanitec Corporation, a leading European manufacturer of bathroom ceramics, and CEO of Blue Burgee Ltd. Adrian was previously chairman of the Construction Products Association and Chief Business Development Officer of Wolseley plc. The Directors believe that Adrian Barden is independent in relation to the Company, the Senior Managers and the TowerBrook Shareholder.

**Paul Hollingworth** will join the Board on Admission as an Independent Non-Executive Director and Chairman of the Audit Committee. Paul is currently a non-executive director and chairman of the audit committee at Electrocomponents plc. Prior to that he headed the finance function and served on the boards at a number of UK listed public companies, including Thomas Cook Group plc, Mondi Group, BPB plc, De La Rue plc and Ransomes plc. The Directors believe that Paul Hollingworth is independent in relation to the Company, the Senior Managers and the TowerBrook Shareholder.

**Gavin Chittick** joined us in 2012 as a Non-Executive Director of our then holding company, Windmill Topco, following his nomination as such by TCP. He is an Operating Director at TCP and provides operational management support to portfolio and prospective investee companies. Prior to joining TCP, he was Chief Executive of EuroPlex BV, an international cinema operator. Over more than 25 years, Gavin has gained extensive board-level management experience in various sectors. He is also qualified as a chartered accountant.

## 2 Senior managers

Our senior management comprises:

| Name | Position |
|---|---|
| Ronnie George | CEO |
| Ian Dew | CFO |
| Paul Davies | Group Operations Director |
| Brendan Murphy | UK & Ireland Sales Director |
| Lee Nurse | Group Marketing & Product Director |
| Eva Thunholm | Country Manager, Nordics |
| Annett Wettig | Country Manager, Germany |
| Neil Sproston | Managing Director, Torin-Sifan |
| Paul Kilburn | Commercial Director, Torin-Sifan |

**Ronnie George (CEO).** See "Directors" above for Ronnie George's biography.

**Ian Dew (CFO).** See "Directors" above for Ian Dew's biography.

**Paul Davies (Group Operations Director)** joined us in 2011 as General Manager, Manrose, and was appointed Group Operations Director in February 2012. Prior to joining us, Paul's previous roles included General Manager (Manufacturing), Crane Saunders Valves, and Country Director of Operations for the UK affiliate of Prysmian Cables and Systems (formerly Pirelli Cables).

**Brendan Murphy (UK & Ireland Sales Director)** joined us in 2012 as Group Sales Director (UK & Ireland) of the Ventilation Group. Prior to joining us, Brendan held the position of Commercial Director (UK & Ireland) of Wavin Plastics, a £200m turnover business with approximately 1,400 employees. Brendan also held the position of Managing Director, Wavin Ireland with full profit and loss responsibility for the Irish businesses. Brendan has held senior management positions in the building materials sector for the past 13 years.

**Lee Nurse (Group Marketing & Product Director)** joined us in 2009 as Product and Marketing Manager for Vent-Axia and was appointed Ventilation Group Product and Marketing Director in 2010. Prior to joining us, Lee held the position of Marketing Manager of Greenwood Airvac, part of the Aliaxis Group, and was part of the management team involved in the sale of Greenwood Airvac to the Zehnder Group in 2008.

**Eva Thunholm (Country Manager, Nordics)** joined us in 2013 as Managing Director of Fresh. Eva was appointed Managing Director of PAX and Managing Director of Volution Holding Sweden during that year. Prior to joining us, Eva served as Sales Director for Södra Timber, a £300m turnover business with 9 saw mills and 800 employees, where she had worldwide sales responsibility for the company. Before that she served as Sales Director for Nymölla mill, with a sales responsibility of £600m.

**Annett Wettig (Country Manager, Germany)** joined us in 2014 upon the acquisition of inVENTer. She joined inVENTer in February 2007, and has previously held the roles of Marketing and Sales Manager and Commercial Director. Previously, Annett held a commercial coordinator role at Wettig Planungsgruppe.

**Neil Sproston (Managing Director, Torin-Sifan)** has been a Group employee since its inception in 2002, holding the position of Vent-Axia Operations Director before joining Torin-Sifan as Director and General Manager in September 2006. Prior to joining us, Neil gained from over ten years' of operational management experience with us whilst under both private and PLC ownership.

**Paul Kilburn (Commercial Director, Torin-Sifan)** joined us in 2004 as Commercial Director, Vent-Axia Group. In 2008, he was appointed to the position of Commercial Director, Torin-Sifan Limited. Before joining us, Paul spent nine years with the Hagemeyer Group, a £5bn multi-national Electrical Distribution business and key customer for our Ventilation Division. Paul held the roles of Head of Category Management for Hagemeyer UK and Head of Global Category Strategy (Heating & Ventilation) for

Hagemeyer NV. Paul has over twenty years' of construction industry experience in international sales, marketing, product, purchasing and legislative strategy.

## 3 Corporate governance

### 3.1 *UK Corporate Governance Code*

The UK Corporate Governance Code sets out standards of good practice in relation to board leadership and effectiveness, remuneration, accountability and relations with shareholders. The UK Corporate Governance Code recommends that a company outside the FTSE 350 (such as the Company) should have at least two 'independent' non-executive directors, being individuals determined by the board to be independent in character and judgement and free from relationships or circumstances which may affect, or could appear to affect, the director's judgement. It also recommends that a non-FTSE 350 company's remuneration and audit committees should comprise at least two 'independent' non-executive directors, and that its nomination committee should comprise a majority of 'independent' non-executive Directors.

From Admission, certain provisions of the UK Corporate Governance Code will apply to us, and we intend to be fully compliant with all applicable requirements of the UK Corporate Governance Code.

### 3.2 *Board composition and independence*

The Board is committed to the highest standards of corporate governance. On Admission, the Board will comprise seven members, including the Chairman, three Independent Non-Executive Directors, two Executive Directors and one Non-Executive Director who is not deemed to be independent for the purposes of the UK Corporate Governance Code.

The UK Corporate Governance Code recommends that a chairman meet the independence criteria set out in the UK Corporate Governance Code on appointment. The Board considers that Peter Hill will be an independent non-executive Chairman at the time of his appointment for the purposes of the UK Corporate Governance Code. Further, the Board regards Paul Hollingworth, Adrian Barden and Anthony Reading as independent non-executive Directors for the purposes of the UK Corporate Governance Code.

The UK Corporate Governance Code recommends that the Board appoint one of the Independent Non-Executive Directors to be the Senior Independent Non-Executive Director ("**SID**"). The SID should be available to Shareholders if they have concerns that the normal channels of Chairman, CEO or other Executive Directors have failed to resolve or for which such channels of communication are inappropriate. The Company's SID will on Admission be Anthony Reading.

Under the Listing Rules, the TowerBrook Shareholder is a controlling shareholder of the Company. A 'controlling shareholder' is, broadly, a shareholder which, together with its concert parties, holds 30% or more of the voting rights in the Company. For so long as the Company has a controlling shareholder, any election or re-election of an independent director by shareholders must also be approved by independent shareholders (being shareholders other than the controlling shareholder). If the approval of independent shareholders to the appointment of a director is not obtained, the company may propose a further shareholder resolution to appoint that person between 90 and 120 days after the vote on the first resolution. Independent shareholder approval is not required for any such second resolution.

### 3.3 *Board committees*

As envisaged by the UK Corporate Governance Code, the Board has established Audit, Remuneration and Nomination Committees with effect from Admission.

(a) *Audit Committee*

The Audit Committee has responsibility for, among other things, the monitoring of our financial integrity of the financial statements and the involvement of our auditors in that process. It focuses in particular on compliance with accounting policies and ensuring that an effective system of internal financial controls is maintained. The ultimate responsibility for reviewing and approving the annual report and accounts and the half-yearly reports remains with the Board. The Audit Committee will normally meet at least three times a year at the appropriate times in the reporting and audit cycle.

The terms of reference of the Audit Committee cover such issues as membership and the frequency of meetings, together with requirements for quorum and notice procedure and the right to attend meetings. The responsibilities of the Audit Committee covered in the terms of reference include external audit, internal audit, financial reporting and internal controls and risk management. The terms of reference also set out the authority of the committee to carry out its responsibilities.

The UK Corporate Governance Code recommends that, for companies outside the FTSE 350, the Audit Committee comprises at least two members who are Independent Non-Executive Directors and includes one member with recent and relevant financial experience. The Audit Committee's terms of reference require that its composition comply with these recommendations. The Audit Committee will on Admission comprise three members who will be Independent Non-Executive Directors (Paul Hollingworth, Anthony Reading and Adrian Barden). The committee will on Admission be chaired by Paul Hollingworth.

(b) *Remuneration Committee*

The Remuneration Committee has responsibility, subject to any necessary Shareholder approval, for the determination of the terms and conditions of employment, remuneration and benefits of each of the Executive Directors and certain other senior executives, including pension rights and any compensation payments, and recommending and monitoring the level and structure of remuneration for senior management and the implementation of share option or other performance-related schemes. The Remuneration Committee will meet at least twice a year.

The terms of reference of the Remuneration Committee cover such issues as membership and frequency of meetings, together with the requirements for quorum and notice procedure and the right to attend meetings. The responsibilities of the Remuneration Committee covered in its terms of reference include determining and monitoring policy on and setting levels of remuneration, termination, performance-related pay, pension arrangements, reporting and disclosure, share incentive plans and remuneration consultants. The terms of reference also set out the reporting responsibilities and the authority of the committee to carry out its responsibilities.

The UK Corporate Governance Code recommends that, for companies outside the FTSE 350, the Remuneration Committee comprises at least two members who are Independent Non-Executive Directors, one of whom may be the Chairman (but who may not chair the Remuneration Committee). The terms of reference of the Remuneration Committee require that its composition comply with these requirements. The Remuneration Committee will on Admission comprise four members, three of whom will be Independent Non-Executive Directors (Anthony Reading, Paul Hollingworth and Adrian Barden) and one of whom will be the Chairman (Peter Hill, who will be regarded as independent on appointment). The committee will on Admission be chaired by Anthony Reading.

(c) *Nomination Committee*

The Nomination Committee is responsible for considering and making recommendations to the Board in respect of appointments to the Board, the Board committees and the chairmanship of the Board committees. It is also responsible for keeping the structure, size and composition of the Board under regular review, and for making recommendations to the Board with regard to any changes necessary.

The Nomination Committee's terms of reference deal with such issues as membership and frequency of meetings, together with the requirements for quorum and notice procedure and the right to attend meetings. The responsibilities of the Nomination Committee covered in its terms of reference include review of the Board composition, appointing new Directors, re-appointment and re-election of existing Directors, succession planning taking into account the skills and expertise that will be needed on the Board in the future, reviewing time required from Non-Executive Directors, determining membership of other Board committees and ensuring external facilitation of the evaluation of the Board. The Nomination Committee will meet at least once a year.

The UK Corporate Governance Code recommends that a majority of the members of the Nomination Committee should be Independent Non-Executive Directors. The terms of reference of the Nomination Committee require that that its composition comply with these requirements. The Nomination Committee will on Admission comprise four members, three of whom will be Independent Non-Executive Directors (Anthony Reading, Paul Hollingworth and Adrian Barden) and one of whom will be the Chairman (Peter Hill, who will be regarded as independent on appointment). The committee will on Admission be chaired by Peter Hill.

### 3.4 *Remuneration policy*

(a) *Overview*

The Company's remuneration strategy is to provide a remuneration framework that will:

- attract, motivate and retain employees who will successfully execute our stated strategy;
- encourage and support a high performance sales and service culture;
- reward delivery of the Company's business plan and key strategic goals;
- align employees with the interests of shareholders and other external stakeholders; and
- be consistent with the Company's risk policies and systems.

Consistent with the remuneration strategy, the Remuneration Committee has agreed a post-Admission remuneration policy for the Senior Managers, including the Executive Directors, whereby:

- salaries will be set at competitive, but not excessive, levels compared to peers and other companies of an equivalent size and complexity;
- performance-related pay, based on stretching targets, will form a significant part of remuneration packages; and
- there will be an appropriate balance between rewards for delivery of short-term and longer-term performance.

The remuneration framework intended to deliver this policy post-Admission for the Senior Managers, including the Executive Directors, will be a combination of base salary, benefits, an annual incentive award (as described in paragraph (b) below) and awards under The Volution Group plc Long-Term Incentive Plan (the "**LTIP**") (as described in paragraph (c) below).

Following Admission, the Remuneration Committee may consider implementing all-employee share arrangements. In the event that such arrangements are implemented, the Senior Managers, including the Executive Directors, will be eligible to participate on the same terms as for other employees.

The Executive Directors will be subject to Share Ownership Guidelines that will require them to build up and retain a holding of Ordinary Shares worth 100% of their salary within a period of four years of Admission or, if later, within four years of the individual Director becoming subject to such guidelines.

The Company will be required to submit its remuneration policy (as it relates to the Directors) to a binding vote of Shareholders at the Company's 2014 annual general meeting. Accordingly, the Company will outline its future policy relating to the Directors' remuneration in its report and accounts for its financial year ending 31 July 2014.

(b) *Annual incentive awards*

Annual incentive awards for the Senior Managers, including the Executive Directors, for the financial year ending 31 July 2014 will be primarily determined by financial performance of the Company or area of responsibility. The maximum annual incentive opportunity for this financial year is 150% of salary for the Executive Directors.

For the financial year ending 31 July 2015, annual incentive awards will be determined by a combination of financial and strategic objectives appropriate to an individual's role. Subject to Admission, the maximum annual incentive opportunity for the financial year ending 31 July 2015 will be 100% of salary for the Executive Directors.

50% of any annual incentive above the target incentive (which will be 60% of the maximum opportunity) earned by the Executive Directors for the financial year ending 31 July 2015 will be deferred into awards over Ordinary Shares under The Volution Group plc Deferred Share Bonus Plan (the "**DSBP**") (which is summarised in paragraph 12.2 of Part XIV (*Additional information*)) with such awards vesting two years post grant.

(c) *Long-term incentive awards*

The Existing EBT holds certain B ordinary shares in Windmill Topco as nominee for certain of the Senior Managers (except Ronnie George, who holds his shares in Windmill Topco directly) and certain other B ordinary shares in Windmill Topco as the trustee of a discretionary trust for the benefit of employees of the Group.

Prior to Admission, on 17 June 2014 the Board adopted the LTIP. The full terms of the LTIP are set out in paragraph 12.1 of Part XIV (*Additional information*).

The intention is for the first awards to be made to the Executive Directors under the LTIP up to a maximum of 100% of salary in the financial year ending 31 July 2015. Awards will be subject to a three year performance period and will vest at the end of this period subject to the achievement of share price and financial measures as determined by the Remuneration Committee.

(d) *Malus and clawback*

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

### 3.5 *Training and development of management*

The Group has implemented a development programme for its senior management with a view to increasing cooperation between them and developing the skills of future leaders. This programme runs on an annual cycle. The Company also aims to strengthen its senior management team following Admission, by the recruitment of individuals with specific skills that it may need as a public company.

### 3.6 *Model Code*

From Admission, the Company will require the Directors and other persons discharging managerial responsibilities within the Group to comply with the Model Code, and will take all proper and reasonable steps to secure their compliance. Such steps will include the introduction of a code for dealings in securities applicable to relevant individuals and the monitoring of such individuals' compliance with that code.

### 3.7 *Relationship with the TowerBrook Shareholder*

Immediately following Admission, the TowerBrook Shareholder will be interested in approximately 61.4% of the Company's issued share capital. The TowerBrook Shareholder has entered into the Relationship Agreement, which governs its conduct in relation to the Company. The Relationship Agreement is intended to ensure that the Group is capable of carrying on business independently of the TowerBrook Shareholder and its affiliates, at all times after Admission.

The Directors believe that the terms of the Relationship Agreement, together with the provisions of the Listing Rules relating to "related party transactions" and the provisions of the Companies Act and the Articles relating to conflicts of interest, will enable us to carry on our business independently of the TowerBrook Shareholder and its affiliates, at all times after Admission. In particular, all transactions between us and such persons will be at arm's length and on a normal commercial basis.

For further information in relation to the Relationship Agreement, see Part XIV (*Additional information*).

# PART IX

## SELECTED FINANCIAL INFORMATION

*The following tables summarise the Group's consolidated historical financial information as at the dates and for the periods indicated, and has been extracted without material adjustment from the consolidated historical financial information included in Part XI (Historical financial information). The Group's selected financial information for the seven months ended 28 February 2013 is unaudited.*

**Consolidated statement of comprehensive income**

| | Year ended 31 July | | | Seven months ended 28 February | |
|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2013 | 2014 |
| | £000 | £000 | £000 | £000 | £000 |
| ***Revenue*** | 87,760 | 89,330 | 102,262 | 58,596 | 70,276 |
| Cost of sales | (49,535) | (51,003) | (56,245) | (32,722) | (37,111) |
| ***Gross profit*** | 38,225 | 38,327 | 46,017 | 25,874 | 33,165 |
| Distribution costs | (10,866) | (10,586) | (12,380) | (7,052) | (9,080) |
| Administrative expenses | (8,635) | (12,356) | (21,593) | (11,818) | (15,727) |
| Exceptional costs | — | (10,765) | (2,778) | (1,554) | (1,924) |
| ***Operating profit*** | 18,724 | 4,620 | 9,266 | 5,450 | 6,434 |
| Finance revenue | 679 | 23 | 630 | 14 | 7 |
| Finance costs | (14,115) | (16,394) | (14,099) | (7,988) | (16,236) |
| ***Profit/(loss) before tax*** | 5,288 | (11,751) | (4,203) | (2,524) | (9,795) |
| Income tax (expense)/credit | (3,711) | (2,145) | 2,139 | (166) | 934 |
| ***Profit/(loss) for the period*** | 1,577 | (13,896) | (2,064) | (2,690) | (8,861) |
| ***Other comprehensive income/(expense):*** | | | | | |
| Exchange differences arising on translation of foreign operations | — | — | 138 | — | 283 |
| Gain/(loss) on hedge of net investment in foreign operation | — | — | 444 | — | (45) |
| ***Other comprehensive income/(expense) for the period*** | — | — | 582 | — | (328) |
| ***Total comprehensive income/(expense) for the period*** | 1,577 | (13,896) | (1,482) | (2,690) | (9,189) |
| ***Earnings/(loss) per share (pence per share):*** | | | | | |
| Basic and diluted, pence per share | 52.6p | (552.8)p | (103.2)p | (134.5)p | (442.8)p |

## Consolidated statement of financial position

| | At 31 July | | | At 28 February |
|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2014 |
| | £000 | £000 | £000 | £000 |
| ***Non-current assets*** | | | | |
| Property, plant and equipment | 10,232 | 10,192 | 10,793 | 11,218 |
| Intangible assets—goodwill | 84,872 | 45,668 | 46,374 | 48,275 |
| Intangible assets—others | 161 | 111,340 | 108,392 | 109,194 |
| Deferred tax assets | 549 | 464 | 99 | 1,403 |
| | 95,814 | 167,664 | 165,658 | 170,090 |
| ***Current assets*** | | | | |
| Inventories | 12,538 | 12,597 | 12,751 | 14,792 |
| Trade and other receivables | 20,102 | 19,192 | 21,326 | 23,660 |
| Other current financial assets | 19 | — | 68 | — |
| Cash and short term deposits | 10,537 | 14,957 | 15,943 | 6,536 |
| | 43,196 | 46,746 | 50,088 | 44,988 |
| ***Total assets*** | 139,010 | 214,410 | 215,746 | 215,078 |
| ***Current liabilities*** | | | | |
| Trade and other payables | (17,796) | (18,097) | (19,888) | (21,247) |
| Other current financial liabilities | (21) | (104) | — | (318) |
| Current tax liabilities | (1,621) | (1,173) | (934) | (649) |
| Interest bearing loans and borrowings | (3,173) | (2,746) | (3,540) | (4,650) |
| Provisions | (562) | (793) | (719) | (892) |
| | (23,173) | (22,913) | (25,081) | (27,756) |
| ***Non-current liabilities*** | | | | |
| Interest bearing loans and borrowings | (142,523) | (176,512) | (181,482) | (186,725) |
| Other non-current financial liabilities | — | (913) | (494) | (782) |
| Provisions | (550) | (550) | (550) | (550) |
| Deferred tax liabilities | (18) | (25,588) | (21,687) | (22,002) |
| | (143,091) | (203,563) | (204,213) | (210,059) |
| ***Total liabilities*** | (166,264) | (226,476) | (229,294) | (237,815) |
| ***Net liabilities*** | (27,254) | (12,066) | (13,548) | (22,737) |
| ***Capital and reserves*** | | | | |
| Share capital | 787 | 3 | 3 | 3 |
| Share premium | 2,223 | 2,098 | 2,098 | 2,098 |
| Foreign currency translation reserve | — | — | 582 | 254 |
| Retained earnings | (30,264) | (14,167) | (16,231) | (25,092) |
| ***Total equity*** | (27,254) | (12,066) | (13,548) | (22,737) |

**Consolidated statement of changes of equity**

| | Share capital | Share premium | Foreign currency translation reserve | Retained earnings | Total |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| ***At 1 August 2010*** | 787 | 2,223 | — | (31,841) | (28,831) |
| Profit for the year | — | — | — | 1,577 | 1,577 |
| ***At 31 July 2011*** | 787 | 2,223 | — | (30,264) | (27,254) |
| Loss for the year | — | — | — | (13,896) | (13,896) |
| Net adjustment to reserves arising from change in ownership | (787) | (2,223) | — | 29,993 | 26,983 |
| Issue of share capital | 3 | 2,098 | — | — | 2,101 |
| ***At 31 July 2012*** | 3 | 2,098 | — | (14,167) | (12,066) |
| Loss for the period from 1 August 2012 to 28 February 2013 | — | — | — | (2,690) | (2,690) |
| ***At 28 February 2013*** | 3 | 2,098 | — | (16,857) | (14,756) |
| Profit for the period from 1 March 2013 to 31 July 2013 | — | — | — | 626 | 626 |
| Other comprehensive income | — | — | 582 | — | 582 |
| Total comprehensive income | — | — | 582 | 626 | 1,208 |
| ***At 31 July 2013*** | 3 | 2,098 | 582 | (16,231) | (13,548) |
| Loss for the year | — | — | — | (8,861) | (8,861) |
| Other comprehensive expense | — | — | (328) | — | (328) |
| Total comprehensive expense | — | — | (328) | (8,861) | (9,189) |
| ***At 28 February 2014*** | 3 | 2,098 | 254 | (25,092) | (22,737) |

**Consolidated statement of cash flows**

| | Year ended 31 July | | | Seven months ended 28 February | |
|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2013 | 2014 |
| | £000 | £000 | £000 | £000 | £000 |
| ***Operating activities*** | | | | | |
| Profit/(loss) for the period | 1,577 | (13,896) | (2,064) | (2,690) | (8,861) |
| ***Adjustments to reconcile profit/(loss) for the period to net cashflow from operating activities*** | | | | | |
| Tax charge/(credit) for the period | 3,711 | 2,145 | (2,139) | 166 | (934) |
| (Gain) on disposal of plant and equipment | (33) | (62) | (48) | (32) | (37) |
| Exceptional cost | — | 10,765 | 2,778 | 1,554 | 1,924 |
| Cash flows relating to exceptional costs | — | (5,357) | (1,354) | (629) | (858) |
| Finance revenue | (679) | (23) | (630) | (14) | (7) |
| Finance costs | 14,115 | 16,394 | 14,099 | 7,988 | 16,236 |
| Depreciation of property, plant and equipment | 1,425 | 1,403 | 1,588 | 879 | 998 |
| Amortisation of intangible assets | 81 | 4,845 | 10,186 | 5,850 | 7,651 |
| ***Working capital adjustments:*** | | | | | |
| Decrease/(increase) in trade receivables and other assets | (249) | 910 | (1,415) | (2,409) | (2,048) |
| Decrease/(increase) in inventories | (1,473) | (59) | 1,097 | 870 | (955) |
| Exceptional costs: fair value of inventories | — | (5,408) | (845) | (845) | (102) |
| Increase/(decrease) in trade payables and other payables | 1,312 | (87) | 18 | (731) | (838) |
| Increase/(decrease) in provisions | (170) | 231 | (74) | 26 | 173 |
| Withholding tax paid on loan note interest | — | (275) | — | — | — |
| UK income tax paid | (3,807) | (3,695) | (2,883) | 2,028 | (1,925) |
| Overseas income tax paid | — | — | (276) | (147) | (320) |
| ***Net cash flow from operating activities*** | 15,810 | 7,831 | 18,038 | 7,808 | 10,097 |
| ***Investing activities*** | | | | | |
| Payments to acquire intangible assets | (145) | (124) | (850) | (313) | (1,228) |
| Purchase of property, plant and equipment | (1,396) | (1,403) | (1,758) | (1,079) | (729) |
| Proceeds from disposal of property, plant and equipment | 49 | 102 | 109 | 118 | 65 |
| Acquisition of subsidiary, net of cash acquired | — | — | (7,955) | (7,955) | (10,632) |
| Interest received | 48 | 23 | 40 | 14 | 7 |
| ***Net cash flow used in investing activities*** | (1,444) | (1,402) | (10,414) | (9,215) | (12,517) |
| ***Financing activities*** | | | | | |
| Repayment of interest bearing loans and borrowings | (14,121) | (178,528) | (3,375) | (1,500) | (41,881) |
| Proceeds from new borrowings raised | — | 179,263 | — | — | 41,050 |
| Receipt of compensation from bondholders | 2,733 | 2,929 | 1,653 | 1,653 | — |
| Issue costs of new borrowings | — | (4,405) | (182) | (182) | (3,756) |
| Interest paid | (2,538) | (3,369) | (4,736) | (2,461) | (2,363) |
| Proceeds from issue of new shares | 10 | 2,101 | — | — | — |
| ***Net cash flow (used in)/from financing activities*** | (13,916) | (2,009) | (6,640) | (2,490) | (6,950) |
| Net increase/(decrease) in cash and cash equivalents | 450 | 4,420 | 984 | (3,897) | (9,370) |
| Cash and cash equivalents at the start of the period | 10,087 | 10,537 | 14,957 | 14,957 | 15,943 |
| Effect of exchange rates on cash and cash equivalents | — | — | 2 | 21 | (37) |
| ***Cash and cash equivalents at the end of the period*** | 10,537 | 14,957 | 15,943 | 11,081 | 6,536 |

## PART X

## OPERATING AND FINANCIAL REVIEW

*The following is a discussion and analysis of our results of operations and financial condition based on the consolidated financial information of Windmill Topco Limited and its consolidated subsidiaries (referred to in this Part X (Operating and financial review) as the "**Group**") as of and for the year ended 31 July 2011, 31 July 2012 and 31 July 2013, and as of and for the seven months ended 28 February 2014 and 28 February 2013 (all such periods being referred to herein as the "**periods under review**"), included in Part XI (Historical financial information), prepared in accordance with IFRS (except as set out in Note 2 to the historical financial information contained in Part XI (Historical financial information)). The consolidated financial information for the seven months ended 28 February 2013 is unaudited.*

*The following discussion should be read in conjunction with the other information in this Prospectus, including the section of Part I (Summary) entitled "Selected historical key financial information" and Part IX (Selected financial information) as well as the consolidated financial information and related notes included in Part XI (Historical financial information). This discussion contains forward-looking statements, which, although based on assumptions that the Directors consider reasonable, are subject to risks and uncertainties which could cause actual events or conditions to differ materially from those expressed or implied by the forward-looking statements. Such risks and uncertainties, include, but are not limited to those described in Part II (Risk factors). Actual results may differ materially from those contained in the forward-looking statements. See paragraph 9 (Forward-looking statements) of Part V (Presentation of information).*

### 1 Overview

### 1.1 *Financial information presented*

Windmill Topco was incorporated in December 2011 in connection with the acquisition of Volution Group Limited by Windmill Bidco (a subsidiary of Windmill Topco), which acquisition (the "**Volution Acquisition**") was effected in February 2012. For the year ended 31 July 2011, the historical financial information presented is that of Volution Group Limited and its consolidated subsidiaries ("**Volution Group**"). For the year ended 31 July 2012, the historical financial information presented is that of the Volution Group combined with Windmill Topco and relevant intermediate holding companies from their date of incorporation until the date of the Volution Acquisition, and thereafter is that of Windmill Topco and its consolidated subsidiaries.

The Company has been incorporated for purposes of the Offer, has had no trading or operations to date and is not included in the historical financial information presented in this Prospectus. Following Admission, the Company will be the ultimate holding company for the Group, which will report its results on the basis of the Company and its consolidated subsidiaries.

The conversion of the historical financial statements of Volution Group and Windmill Topco (the "**IFRS Conversion**") for the purposes of the Offer from UK GAAP to IFRS (effective for periods beginning on and after 1 August 2010) had various accounting effects, which are described below. In addition, during the periods under review, our business profile changed significantly due to acquisitions, which, as well as the Volution Acquisition, had various accounting implications over and above the addition of associated revenue and expense items. These in turn have a significant impact on the comparability, period-to-period, of our results.

### 1.2 *Our business*

The Directors believe that we are a leading supplier of ventilation products to the residential construction market in our core geographical markets, being the UK, Sweden and Germany. We manage our business through two vertically integrated divisions (which, as discussed below, are also our reporting segments): the Ventilation Group and Torin-Sifan:

- The Ventilation Group produces and supplies ventilation products and systems for residential and commercial construction and RMI applications, primarily via electrical wholesalers and distributors in the UK, Sweden and (with effect from completion of the acquisition of inVENTer on 17 April 2014) Germany; and
- Torin-Sifan is a manufacturer of motors, fans and blowers supplied both to the Ventilation Group and, primarily, third party OEMs of heating, ventilation and air conditioning ("**HVAC**") equipment for both residential and commercial applications in Europe.

Our products are marketed under six key brands and some private labelling for customers:

- *Vent-Axia:* Vent-Axia is the largest brand by sales value in the Group. The majority of Vent-Axia sales are made in the UK through electrical wholesalers and distributors, for installation by electrical contractors and developers. We produce and sell Vent-Axia ventilation products and systems for use in the residential and commercial construction sectors, both in RMI and new-build. For the year ended 31 July 2013 and the seven months ended 28 February 2014, sales of Vent-Axia products accounted for 49.4% and 43.4% of our total revenue, respectively. The Vent-Axia brand is also applied to certain other products, including hand-dryers and electric heaters, some of which are manufactured by third parties, and these products represented 12% of Vent-Axia's total sales for the seven months ended 28 February 2014. We have owned the companies that manufacture and sell Vent-Axia products and systems throughout the periods under review;

- *Manrose:* the Manrose product range is typically targeted towards over-the-counter ventilation ranges at a lower price point and specification than the Vent-Axia brand. Sales are primarily to electrical wholesalers and distributors in the UK, with the balance of its sales to retailers and export. Manrose's injection moulding facilities supply plastic parts for Vent-Axia products. The proportion of intercompany sales between the companies that produce and sell Vent-Axia and Manrose products, respectively, has increased following Vent-Axia's re-shoring (insourcing) of fan assembly, in 2012, which previously took place in China. The re-shoring of this assembly was prompted by a desire to improve the control that we have over our supply chain and quality, and to avoid future cost inflation in China. Sales from Manrose to Vent-Axia reflect a margin based on standard commercial terms, with any new significant, larger volume product lines discussed at a senior management level. For the year ended 31 July 2013 and the seven months ended 28 February 2014, sales of Manrose products accounted for 28.9% and 23.7% of our total revenue, respectively. We have owned the company that manufactures and sells Manrose products throughout the periods under review;

- *Fresh:* Fresh products are sold in the Swedish residential ventilation market through Fresh's presence in Swedish retail and DIY outlets. Fresh also generates significant sales in Norway, Denmark and Finland. We sell Fresh-branded residential ventilation products and systems, including fans, heat recovery ventilation, wall ventilators, duct systems and fittings. In addition to sales in Sweden, Norway, Denmark and Finland, 11% of Fresh products are sold to customers in other regions, including the United States, China, Germany, Japan, the Netherlands, Russia, Belgium and the Baltic States. For the year ended 31 July 2013 and the seven months ended 28 February 2014, sales of Fresh products accounted for 9.8% and 12.2% of our total revenue, respectively. We acquired Fresh in October 2012, and therefore our consolidated financial results for the year ended 31 July 2013 include only ten full months of Fresh's results and our consolidated financial results for the seven months ended 28 February 2013 include only five full months of Fresh's results. Our unaudited pro forma financial information contained in Part XII (*Unaudited pro forma financial information*) shows, among other things, our consolidated financial results for the year ended 31 July 2013 on a pro forma basis as if we had acquired Fresh on 1 August 2012;

- *PAX:* a producer of a range of products for the residential ventilation market. The PAX product range includes ventilation products, towel warmers and radiators, and, more recently, heat recovery ventilation. Manufactured in Hälleforsnäs, Sweden, PAX products are sold primarily in Sweden and Norway. To distribute PAX products, we use established trade wholesale and retail sales channels in those countries. For the seven months ended 28 February 2014, sales of PAX products accounted for 8.1% of our total revenue. We acquired PAX in August 2013, and therefore our consolidated financial results for the seven months ended 28 February 2014 include only six full months of PAX's results. Our unaudited pro forma financial information contained in Part XII (*Unaudited pro forma financial information*) shows, among other things, our consolidated financial results for the year ended 31 July 2013 and for the seven months ended 28 February 2014 on a pro forma basis as if we had acquired PAX on 1 August 2012;

- *inVENTer:* a producer of decentralised ventilation systems with heat recovery for the German residential ventilation market, inVENTer manufactures all of its products in Germany. We acquired inVENTer in April 2014, and therefore its results are not included in any of our historical financial information contained in Part XI (*Historical financial information*) or in this Part X (*Operating and financial review*) as part of the discussion of such historical results. Our unaudited pro forma financial information contained in Part XII (*Unaudited pro forma financial information*) shows, among other things, our consolidated financial results for the year ended 31 July 2013 and for the seven months ended 28 February 2014 on a pro forma basis as if we had acquired inVENTer on 1 August 2012;

- *Torin-Sifan:* a supplier of motors, fans and blowers to OEMs in the European HVAC industry, typically targeted towards the residential and commercial heating and ventilation markets. The majority of sales are in the UK, although a significant proportion of sales (48% in the seven months ended 28 February 2014) were made in overseas markets, principally the Netherlands and France. AC boiler spares represent another major revenue contributor for Torin-Sifan, principally supporting the existing installed base of residential non-condensing boilers. Further, during the seven months ended 28 February 2014, 6% of Torin-Sifan's sales were made to the Ventilation Group. Sales to the Ventilation Group reflect a margin based on standard commercial terms, with any new significant larger volume product lines discussed at a senior management level. For the year ended 31 July 2013 and the seven months ended 28 February 2014, sales of Torin-Sifan products accounted for 18.8% and 17.8% of our total sales respectively. We have owned Torin-Sifan throughout the periods under review; and
- *Private labelling:* we also sell certain of our Ventilation Group products branded according to the wishes of customers. For the year ended 31 July 2013 and the seven months ended 28 February 2014, this accounted for revenue of £11.5 million (10.3% of total revenue) and £6.8 million (9.1% of total revenue), respectively.

Our business model differs between brands. For example, Vent-Axia products are sold primarily by means of "pull-through" sales efforts by specifying products for use in projects. Because "pull-through" sales depend on specifications (to meet particular construction projects), the Directors believe that critical success factors for "pull-through" sales include value-added propositions, service levels, innovation and the new products which we develop meeting the detailed specifications, and therefore lends itself to Vent-Axia achieving a higher price point. On the other hand, Manrose, Fresh and PAX products are sold primarily by means of "push through" over-the-counter sales and distribution. The Directors believe that the critical success factors for "push through" distribution are brand strength, product range and performance, stock availability and speed of delivery. inVENTer products are primarily sold by agents to installers based on their technical specification. Torin-Sifan products are primarily sold directly to OEMs through individually managed customer relationships.

Our reporting segments are Ventilation Group and OEM. Ventilation Group comprises all of our brands, and also our private labelling activity, except Torin-Sifan (which is our OEM segment), and can be broken down by market sector as follows:

- *UK residential RMI:* comprises fans and accessories for use in private and social housing, primarily RMI. This encompasses products designed to suit a variety of budgets and applications, ranging from intermittent unitary extractor fans to continuous running more energy efficient unitary fans with more sophisticated controls (with and without heat recovery). This also includes a small volume of electric heating products and portable cooling desk fans;
- *UK residential new-build:* comprises central ventilation systems, ducting and accessories. The central ventilation systems products include MVHR and MEV systems;
- *UK commercial:* comprises fans and systems. The product range sold in this segment includes unitary fans for light commercial use as well as a range of industrial fans, commercial heat recovery units and hand dryers;
- *UK export:* comprises sales from our UK businesses to markets outside the UK;
- *Nordics residential:* comprises unitary extract fans, wall inlet grilles, heat recovery systems, a range of ducting and accessories, and towel warmers and radiators. This also includes sales from our Nordic businesses to their overseas markets; and
- *German residential:* comprises decentralised ventilation systems with heat recovery for the residential German market.

## 2 Segmental analysis

Under IFRS 8, "Operating Segments", we have identified our reporting segments (described above and analysed below) based on internal management reporting information that is regularly reviewed by our Board (which is considered to be the chief operating decision maker). Our cash generating units are the individual market sectors within Ventilation Group (as described above) and the OEM segment, which are used in the impairment review of tangible and intangible assets. An analysis of our revenue by segment for the periods under review is shown in the tables immediately below.

In spite of the IFRS Conversion, as the Board continues to use UK GAAP financial information for purposes of making operational and resource allocation decisions, the segmental analysis is presented below on the basis of figures that are derived from the historical financial information prepared in accordance with UK GAAP. The relevant difference between UK GAAP and IFRS is in the treatment of rebates and settlement discounts, which difference is quantified in a line item titled "IFRS sales adjustments" for purposes of presenting a reconciliation to IFRS.

| | Year Ended 31 July | | | | |
|---|---|---|---|---|---|
| **(£ in thousands)** | **2011** | **% of total (before IFRS sales adjustments)** | **2012** | **% of total (before IFRS sales adjustments)** | **% change** |
| **Revenue**[1] | | | | | |
| UK residential RMI | 36,762 | 38.7 | 40,132 | 40.9 | 9.2 |
| UK residential new-build | 13,640 | 14.3 | 13,031 | 13.3 | (4.5) |
| UK commercial | 17,818 | 18.7 | 18,470 | 18.8 | 3.7 |
| UK export | 6,950 | 7.3 | 7,738 | 7.9 | 11.3 |
| Nordics residential | — | — | — | — | — |
| IFRS sales adjustments[2] | (7,304) | — | (8,787) | — | — |
| **Ventilation Group** | **67,866** | **—** | **70,584** | **—** | **4.0** |
| OEM | 19,951 | 21.0 | 18,866 | 19.2 | (5.4) |
| IFRS sales adjustments[2] | (57) | — | (120) | — | — |
| **OEM** | **19,894** | **—** | **18,746** | **—** | **(5.8)** |
| **Revenue** | **87,760** | **—** | **89,330** | **—** | **1.8** |

(1) Segmental/market sector breakdown is derived from historical financial information prepared in accordance with UK GAAP.

(2) The IFRS sales adjustments comprise reallocation of rebates and settlement discounts to revenue.

| | Year Ended 31 July | | | | |
|---|---|---|---|---|---|
| **(£ in thousands)** | **2012** | **% of total (before IFRS sales adjustments)** | **2013[3]** | **% of total (before IFRS sales adjustments)** | **% change** |
| **Revenue**[1] | | | | | |
| UK residential RMI | 40,132 | 40.9 | 42,230 | 37.9 | 5.2 |
| UK residential new-build | 13,031 | 13.3 | 14,210 | 12.7 | 9.0 |
| UK commercial | 18,470 | 18.8 | 17,194 | 15.4 | (6.9) |
| UK export | 7,738 | 7.9 | 6,883 | 6.2 | (11.0) |
| Nordics residential | — | — | 10,907 | 9.8 | — |
| IFRS sales adjustments[2] | (8,787) | — | (9,153) | — | — |
| **Ventilation Group** | **70,584** | **—** | **82,271** | **—** | **16.6** |
| OEM | 18,866 | 19.2 | 20,027 | 18.1 | (6.2) |
| IFRS sales adjustments[2] | (120) | — | (36) | — | — |
| **OEM** | **18,746** | **—** | **19,991** | **—** | **(6.6)** |
| **Revenue** | **89,330** | **—** | **102,262** | **—** | **14.4** |

(1) Segmental/market sector breakdown is derived from historical financial information prepared in accordance with UK GAAP.

(2) The IFRS sales adjustments comprise reallocation of rebates and settlement discounts to revenue.

(3) Year ended 31 July 2013 included only ten full months of Fresh's results, as Fresh was acquired in October 2012.

| (£ in thousands) | Seven Months Ended 28 February | | | | |
|---|---|---|---|---|---|
| | 2013[3] | % of total (before IFRS sales adjustments) | 2014[4] | % of total (before IFRS sales adjustments) | % change |
| **Revenue**[1] | | | | | |
| UK residential RMI | 24,591 | 38.2 | 24,561 | 32.9 | (0.1) |
| UK residential new-build | 7,555 | 11.7 | 8,278 | 11.1 | 9.6 |
| UK commercial | 10,142 | 15.8 | 10,133 | 13.6 | (0.1) |
| UK export | 4,153 | 6.5 | 4,160 | 5.6 | 0.2 |
| Nordics residential | 5,331 | 8.3 | 14,930 | 20.0 | 180.1 |
| IFRS sales adjustments[2] | (5,670) | — | (4,401) | — | — |
| **Ventilation Group** | **46,102** | **—** | **57,661** | **—** | **25.1** |
| OEM | 12,601 | 19.6 | 12,489 | 16.8 | (0.9) |
| IFRS sales adjustments[2] | (107) | — | 126 | — | — |
| **OEM** | **12,494** | **—** | **12,615** | **—** | **1.0** |
| **Revenue** | **58,596** | **—** | **70,276** | **—** | **19.9** |

(1) Segmental/market sector breakdown is derived from historical financial information prepared in accordance with UK GAAP.

(2) The IFRS sales adjustments comprise reallocation of rebates and settlement discounts to revenue.

(3) Seven months ended 28 February 2013 included only five full months of Fresh's results, as Fresh was acquired in October 2012.

(4) Seven months ended 28 February 2014 included only six full months of PAX's results, as PAX was acquired in August 2013.

By geography, our revenue from external customers was as follows during the periods under review:

| (£ in thousands) | Year Ended 31 July | | | Seven Months Ended 28 February | |
|---|---|---|---|---|---|
| | 2011 | 2012 | 2013[1] | 2013[2] | 2014[3] |
| United Kingdom | 71,188 | 72,904 | 75,066 | 43,349 | 44,699 |
| European Community (excluding UK and Nordics) | 13,038 | 13,485 | 15,112 | 9,111 | 9,452 |
| Nordics | 760 | 706 | 9,831 | 4,866 | 15,226 |
| Rest of the world | 2,774 | 2,235 | 2,253 | 1,270 | 899 |
| **Revenue** | **87,760** | **89,330** | **102,262** | **58,596** | **70,276** |

(1) Year ended 31 July 2013 included only ten full months of Fresh's results, as Fresh was acquired in October 2012.

(2) Seven months ended 28 February 2013 included only five full months of Fresh's results, as Fresh was acquired in October 2012.

(3) Seven months ended 28 February 2014 included only six full months of PAX's results, as PAX was acquired in August 2013.

### 3 Production facilities and suppliers

Since completion of the re-shoring of the assembly of our UK residential ventilation products from China (which occured during 2012), we have assembled the vast majority of our product portfolio across eight facilities in the UK and Sweden, supported by an injection moulding capability in one facility in each of the UK (Reading) and Sweden (Gemla). The Ventilation Group assembles all of its UK residential products in our facilities in Crawley, Dudley and Slough. We assemble Fresh and PAX extract fans, ventilation products and towel warmers and radiators in our Swedish facilities in Gemla and Hälleforsnäs. Following the acquisition of inVENTer in April 2014, we now have assembly capability in Germany (Löberschütz). The Ventilation Group sources electric motors for smaller fans from various suppliers in the Europe and Asia, as well as insourcing from Torin-Sifan. We source electronic components (including printed circuit boards) from manufacturers in Europe and Asia, while we source other components from specialist manufacturers, primarily in Europe.

## 4 Factors affecting our results of operations and their comparability

The Directors believe that our results of operations during the periods under review have been, and could continue to be, primarily affected by the following factors:

### 4.1 *Building and construction industries*

In RMI, key drivers of demand for unitary extraction products include an ongoing need to replace or upgrade older ventilation equipment, as well as additional demand created by the desire and ability of new owners and occupiers to refurbish their kitchen, bathroom and utility facilities. Factors such as the availability and cost of mortgage financing directly impact the ability of homeowners to undertake RMI projects, and therefore to purchase the products of the Ventilation Group. The revenue from our residential RMI products during the last period of declining construction activity in the UK (from 2008 to 2012) was resilient due to our ability to sell higher value solutions as well as apply above inflation price increases.

The demand for our products in residential new-build is directly impacted by the level of activity in new house completions. However, even in the last period of declining construction activity in the UK (from 2008 to 2012), the increased penetration of central systems was sufficient to offset the negative impact that the decrease in volume of completions would otherwise have had on our revenue because central systems are higher value products.

Whereas the residential RMI market is heavily weighted towards unitary fans, new-builds can be designed to facilitate the extensive ducting and central systems which are required for higher priced MEV or MVHR systems.

A key to success in both the residential and commercial markets is having Vent-Axia products included in the specifications for public housing projects, residential new construction and commercial projects. Whilst we do not sell directly to the relevant end users, if our products are specified to be used on their projects this will drive sales through existing wholesaler and distributor outlets.

### 4.2 *EU regulation*

The EU has passed increasingly stringent environmental regulation in a drive for higher energy efficiency and lower carbon emissions. There is a regulatory drive across the European Union for all new buildings to be "nearly zero-energy" by 2020, and the UK has implemented equivalent aims for all new domestic and non-domestic buildings to be "zero carbon" from 2016 and 2019 respectively. Stricter building regulations have resulted in a shift towards air-tight buildings, with a consequent increase in use of our value-add systems and other more environmentally friendly solutions, rather than standard unitary fans, because of a need for reduced noise and improved indoor air quality. The Directors believe that our membership of various industry associations (including our chairmanship of the Ventilation Association of the British Electrical and Mechanical Association) enables us to anticipate and influence these regulatory changes which have been a key driver of performances and we expect to continue to be a key driver in the future.

### 4.3 *Consumer trends*

There is a continuing shift in customer preference for quieter and more aesthetically pleasing fans which are more energy efficient (and have a higher selling price and profitability). The Directors believe that our ability to identify and adapt to changing preferences has been a key driver of performance and we expect that it will continue to be a key driver in the future.

### 4.4 *Seasonality*

Our business exhibits an annual seasonality profile, particularly in December, when there is a dip in sales when the factories and the majority of our customers are closed for the Christmas and New Year period. Torin-Sifan's sales are highest in the winter months reflecting the seasonal sale of AC blowers as boiler spares. There are also increased or decreased sales of boiler spares in years when there is an unusually cold or mild winter respectively. For the year ended 31 July 2013, boiler spares only accounted for 4% of our total revenue. Demand for these spares is relatively inelastic, which has allowed the introduction of significant price increases.

### 4.5 *Macroeconomic factors*

Macroeconomic conditions in the countries in which we operate have historically affected our results of operations and will continue to do so. International market and economic conditions (including in the two primary geographical markets in which we operated during the periods under review, the UK and Sweden) recently experienced tighter credit conditions and slower or declining growth, but have since returned to growth.

Such factors may reduce consumer confidence and levels of disposable income. Such factors may also result in a move to more cautious spending behaviour.

### 4.6 *Cost of electronic components and raw materials*

While we are not generally directly exposed to commoditised raw material price fluctuations, we are exposed to general increases in the cost of certain electronic components (because they incorporate commoditised materials, such as PVC and copper). However, historically we have been able to more than recover such input cost increases through price improvement with customers.

### 4.7 *Rebates*

Our agreements with our customers typically comprise two types of rebates, including a "guaranteed" element and a tiered volume-based rebate. The number and size of rebates that we offer to our customers (and the level of volume-based rebates customers are able to trigger) will affect our results of operations. The level of rebates increased slightly during the periods under review. Under IFRS, revenue is presented on a net basis after rebates, while under UK GAAP revenue is presented on a gross basis and rebates and settlement discounts are expensed as part of cost of sales.

### 4.8 *Acquisitions*

During the periods under review we acquired two businesses, and after the periods under review we acquired a further business, which we deemed as having complementary product ranges and offering synergistic benefits. Because the results of operations of acquired businesses are included in our results of operations from the date of acquisition, such acquisitions can affect the comparability of results between periods. Our recent acquisitions have included:

- Fresh in October 2012 (and therefore our consolidated financial results as at and for the year ended 31 July 2013 include only ten full months of Fresh's results);
- PAX in August 2013 (and therefore our consolidated financial results as at and for the seven months ended 28 February 2014 include only six full months of PAX's results); and
- inVENTer in April 2014 (and therefore its results are not included in any of our historical financial information contained in Part XI (*Historical financial information*)).

Our unaudited pro forma financial information contained in Part XII (*Unaudited pro forma financial information*) shows, amongst other things, our consolidated financial results for the year ended 31 July 2013 and for the seven months ended 28 February 2014 on a pro forma basis as if we had acquired Fresh, PAX and inVENTer on 1 August 2012.

We do not expect to incur material integration costs as a result of any of the acquisitions described above.

We may make additional acquisitions in the future.

#### (a) *Amortisation of intangibles*

We identify intangible assets acquired in a business combination and recognise them separately from goodwill where they satisfy the definition of an intangible asset under IFRS and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

The fair value of identifiable brands, trademarks, and customer lists acquired and recognised as part of a business combination is determined using the multi-period excess earnings method.

We amortise intangible assets with a definite life on a straight-line basis over their estimated useful lives as follows:

- Trademarks: 20 - 25 years;

- Customer base: 7 - 11 years;
- Development: 10 years; and
- Software: 5 years.

We review the estimated useful life and amortisation method at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

For the year ended 31 July 2011, there were no intangible assets to amortise. However, as a result of the Volution Acquisition in February 2012 and our subsequent acquisitions of Fresh (in October 2012) and PAX (in August 2013), during the years ended 31 July 2012 and 31 July 2013, and the seven months ended 28 February 2013 and 28 February 2014, there were significantly higher levels of amortisation of intangible assets (as shown in the table below). This will continue in the future, and there may be an increase in the amortisation charge for future periods as a consequence of the acquisition of inVENTer in April 2014.

| | Year Ended 31 July | | | Seven Months Ended 28 February | |
|---|---|---|---|---|---|
| **(£ in thousands)** | **2011** | **2012** | **2013** | **2013** | **2014** |
| Amortisation of intangible assets | 81 | 4,845 | 10,186 | 5,850 | 7,651 |

**(b)** *Transaction costs*

Transaction costs associated with the Volution Acquisition, and our subsequent acquisitions of Fresh (in October 2012) and PAX (in August 2013), have resulted in significant transaction costs which have varied based on the size of the relevant transaction during the periods under review. As is permitted by IFRS, these are recognised as exceptional costs for the period in which they are incurred. This treatment will be the same for the acquisition of inVENTer (in April 2014) and any future business combinations.

**(c)** *Valuation of finished goods inventories*

Under IFRS, we recognise the value of inventories at the lower of cost and net realisable value. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

However, IFRS requires that the value of finished goods inventory acquired on a business combination be recognised on a "fair value" basis. As a consequence, the finished goods inventory of each acquired business or company (the Group, when acquired in the Volution Acquisition in February 2012, and Fresh and PAX, when acquired by us in October 2012 and August 2013, respectively) has been revalued upwards by significant amounts. The subsequent resale of this inventory has depressed post-acquisition profit margins in the acquired businesses and companies by increasing the cost of sales of the relevant finished goods inventory. We will follow the same policy in respect of the acquisition of inVENTer, which completed in April 2014, and any future business combinations.

**(d)** *Deferred tax charge*

As a result of the adjustments described above under "Amortisation of intangibles", "Transaction costs" and "Valuation of finished goods inventories", there are corresponding fluctuations in our deferred tax charges for the relevant periods.

### 4.9 *Effects of financing*

The Existing Debt Facilities were originally drawn down in February 2012, and at the same time the TowerBrook Shareholder subscribed for loan notes issued by a Group member. Previous to that, we had access to different third-party debt facilities and shareholder debt. In December 2013, the Existing Debt Facilities were extended by £41.1 million, which we drew down to repay certain of the loan notes held by the TowerBrook Shareholder and certain of our other shareholders and directors on a pro rata basis (£40.0 million of which were repaid, using a combination of these new borrowings (net of fees) and £2.8 million of cash on balance sheet). These changes to our financing structure have affected the comparability of our results by varying our finance costs. There will be a further reduction in our finance costs as a result of Admission and our repayment, out of the net proceeds receivable by us under the Offer, of £61.9 million of the Existing Debt Facilities (which will be amended and restated into the New Debt

Facilities). Further, as a result of the Reorganisation, we will not have any shareholder debt post-Admission.

In connection with a new loan facility obtained during the seven months ended 28 February 2014, in accordance with IFRS we wrote-off accumulated third-party bank financing costs of £7.5 million as finance costs during the seven months ended 28 February 2014. During the earlier periods under review, these were amortised on a straight-line basis over the life of the relevant debt facilities.

### 4.10 *Currency fluctuations*

**(a)** *Transactional currency fluctuations*

In preparing the financial statements of our individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. In these instances we incur transactional exchange differences that fluctuate as both the selling and buying currencies strengthen or deteriorate over time.

**(b)** *Translational currency fluctuations*

For the purpose of presenting our consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in sterling using exchange rates prevailing at the end of the reporting period, and therefore we are subject to translational risk. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are classified as other comprehensive income and transferred to our foreign currency translation reserve. We have hedged against the translation risk of Fresh and PAX by means of redenominating £20.5 million of the Existing Debt Facilities to SEK, over time. Under the New Debt Facilities, we will have access to sterling, SEK and euro facilities, which are the functional currencies of the members of the Group.

### 4.11 *Fair value of derivatives*

We enter into derivative financial instruments, including foreign exchange forward contracts and interest rate swaps, to manage our exposure to interest rate and foreign exchange rate risk.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at the reporting period date. The resulting gain or loss is immediately recognised in profit or loss because no derivative contracts have been designated as hedges for accounting purposes. The fair value of derivative contracts has fluctuated during the periods under review, and will continue to do so.

## 5 Explanation of income statement items

### 5.1 *Revenue*

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances that are calculated based upon the price of goods, volumes and product mix purchased by the customer. Revenue is stated net of rebates, settlement discounts, VAT and other sales taxes and duties. Agreements with customers typically comprise two types of rebates, including a "guaranteed" element and a tiered volume-based rebate.

### 5.2 *Cost of sales*

Cost of sales primarily relates to materials (such as plastics, electronic components and motors) used in the assembly of products (which includes the effect of foreign currency fluctuations for purchases other than in the functional currency of the relevant Group company), assembly staff costs (direct labour costs), other consumables and labour costs required to support the assembly process. The majority of the direct cost structure is deemed variable in nature, with the exception of items such as property related expenditure and certain non-direct payroll staff costs which are part of production overheads.

In particular, two of the major costs, materials and direct labour, are considered variable in nature. We source high quality, low cost electronic components and motors from selected manufacturers in China and across Asia. The supply of direct labour is flexible within limits, allowing us to vary direct labour expenditure depending on the short term demand for products. Direct labour currently operates on a one shift rota (with the exception of our injection moulding facilities in Reading and Gemla), therefore providing us with additional growth potential without the need for significant additional fixed costs or capital expenditure.

Cost of sales break down as follows for the periods under review:

| | Year Ended 31 July | | | Seven Months Ended 28 February | |
|---|---|---|---|---|---|
| **(£ in thousands)** | **2011** | **2012** | **2013** | **2013** | **2014** |
| Materials | 36,684 | 38,067 | 40,409 | 22,959 | 25,365 |
| Direct labour | 6,719 | 6,606 | 8,238 | 4,602 | 5,519 |
| Direct overheads | 4,194 | 4,151 | 5,057 | 2,944 | 3,375 |
| Other fixed costs | 1,178 | 1,484 | 1,696 | 1,740 | 2,238 |
| Depreciation of property, plant and equipment | 760 | 695 | 845 | 477 | 614 |
| **Cost of sales** | **49,535** | **51,003** | **56,245** | **32,722** | **37,111** |

### 5.3 *Distribution costs*

Distribution costs comprise primarily costs of freight outwards, distribution, sales support and marketing staff costs, pallets, packaging and other consumables relating to distribution and depreciation on certain plant and equipment used for distribution.

Distribution costs break down as follows for the periods under review:

| | Year Ended 31 July | | | Seven Months Ended 28 February | |
|---|---|---|---|---|---|
| **(£ in thousands)** | **2011** | **2012** | **2013** | **2013** | **2014** |
| Indirect payroll | 5,918 | 5,744 | 6,166 | 3,577 | 4,382 |
| Freight out | 2,835 | 2,681 | 3,019 | 1,750 | 1,925 |
| Depreciation of property, plant and equipment | 271 | 273 | 333 | 194 | 214 |
| Others | 1,842 | 1,889 | 2,862 | 1,531 | 2,559 |
| **Distribution costs** | **10,866** | **10,586** | **12,380** | **7,052** | **9,080** |

### 5.4 *Administrative expenses*

Administrative expenses include administrative staff costs (such as finance, information technology and human resources staff costs), research and development costs, operating lease expenses, net foreign exchange differences, amortisation of intangible assets and legal and professional fees. Research costs are expensed as incurred. Development expenditure on an individual project is recognised as an intangible asset when we can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during development.

Administrative expenses break down as follows for the periods under review:

| (£ in thousands) | Year Ended 31 July | | | Seven Months Ended 28 February | |
|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2013 | 2014 |
| Indirect payroll | 3,910 | 3,175 | 4,984 | 2,912 | 4,332 |
| Property & occupation | 488 | 524 | 547 | 320 | 349 |
| Research and development costs | 1,202 | 1,322 | 1,406 | 599 | 869 |
| Legal and professional fees | 960 | 751 | 1,019 | 518 | 724 |
| Repairs | — | — | — | — | — |
| Depreciation of property, plant and equipment | 394 | 435 | 410 | 208 | 170 |
| Amortisation of intangible assets | 81 | 4,845 | 10,186 | 5,850 | 7,651 |
| Operating lease expense | 31 | 29 | 107 | 58 | 31 |
| Net foreign exchange differences | (53) | 115 | (48) | (27) | 36 |
| Profit on disposal of property, plant and equipment | (33) | (62) | (48) | (32) | (37) |
| Others | 1,655 | 1,222 | 3,031 | 1,412 | 1,602 |
| **Administrative expenses** | **8,635** | **12,356** | **21,593** | **11,818** | **15,727** |

### 5.5 *Exceptional costs*

Exceptional costs are disclosed by virtue of their nature, size or incidence to allow a better understanding of our underlying trading performance.

Exceptional costs break down as follows for the periods under review:

| (£ in thousands) | Year Ended 31 July | | | Seven Months Ended 28 February | |
|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2013 | 2014 |
| Inventory fair value adjustment(1) | — | (5,408) | (845) | (845) | (102) |
| Acquisition costs(2) | — | (5,357) | (1,071) | (523) | (215) |
| Restructuring / acquisition integration(3) | — | — | (369) | — | (618) |
| Other(4) | — | — | (493) | (186) | (25) |
| Costs associated with the reduction of shares held by the majority shareholder(5) | — | — | — | — | (964) |
| **Exceptional costs** | **—** | **(10,765)** | **(2,778)** | **(1,554)** | **(1,924)** |

(1) In accordance with IFRS, inventory acquired on acquisition is recognised at fair value. The fair value adjustment in the year ended 31 July 2012 related to the Volution Acquisition, in the year ended 31 July 2013 related to our acquisition of Fresh, and in the seven months ended 28 February 2014 related to our acquisition of PAX. The relevant inventory was disposed of in the same period as it was acquired.

(2) Acquisition costs substantially related to professional fees incurred in respect of the Volution Acquisition (£5,357,000 in the year ended 31 July 2012, £165,000 in the year ended 31 July 2013 and £72,000 in the seven months ended 28 February 2014), and our acquisitions of Fresh (£388,000 in the year ended 31 July 2013), PAX (£499,000 in the year ended 31 July 2013 and £39,000 in the seven months ended 28 February 2014) and inVENTer (£19,000 in the year ended 31 July 2013 and £48,000 in the seven months ended 28 February 2014). They also included an additional £56,000 incurred in the seven months ended 28 February 2014 in respect of prospective future business combinations.

(3) During the year ended 31 July 2013, we incurred costs of £148,000 in respect of professional services to simplify our corporate structure and £221,000 to restructure Fresh following its acquisition. During the seven months ended 28 February 2014, a further £28,000 was incurred in simplifying our corporate structure, £384,000 was incurred in restructuring our Nordic operations and UK restructuring costs of £206,000 were incurred.

(4) Other comprises professional fees incurred in respect of a strategic review of our UK operations and our prospective future international footprint.

(5) Advisory and legal costs accrued in connection with the Offer.

### 5.6 *Finance revenue*

Finance revenue consists of net gain on financial derivative instruments at fair value, foreign currency exchange gain and other finance revenue (such as interest on cash deposits). Finance revenue is recognised as interest accrues using the effective interest method. The effective rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount. It also includes a one-off gain recognised during the year ended 31 July 2011 when, prior to the Volution Acquisition, we re-purchased a portion of our then-outstanding third-party bank debt at a discount.

### 5.7 *Finance costs*

Finance costs consist of interest expense (which consists of interest payable on bank overdrafts and bank loans, interest on loan notes, and amortisation of financing costs), foreign currency exchange loss and net loss on financial instruments at fair value through profit or loss. For the seven months ended 28 February 2014, finance costs also include the write-off of accumulated third-party bank financing costs. For the actual cash interest paid in a given financial period, see paragraph 9.2 (*Cash flow*) below.

### 5.8 *Income tax expense*

Income tax expense consists of current income tax expense arising from the standard rate of corporation tax in the UK (currently 21%) and the other countries in which our Group companies are incorporated (and tax resident), as adjusted for permanent and temporary differences, effect of changes in tax rate and tax expense/(credit) relating to the prior year.

### 5.9 *Exchange differences arising on translation of foreign operations*

On consolidation, we translate the financial results of our subsidiaries whose functional currencies are not sterling into sterling, at the applicable foreign exchange rate. Exchange differences relating to the effectively hedged portion of such foreign operations are classified as "Exchange differences arising on translation of foreign operations" (shown as part of "Total comprehensive income/(expense) for the period") and transferred to the foreign currency translation reserve. All other translation differences are taken to profit or loss with the exception of differences on foreign currency borrowings to the extent that they are used to finance or provide a hedge against Group equity investments in foreign operations, in which case they are taken directly to reserves together with the exchange difference on the net investment in these operations.

### 5.10 *Gain on hedge of net investment in foreign operation*

Net investments in foreign operations have been hedged by redenominating £20.5 million of our indebtedness under the Existing Debt Facilities into SEK, over time. On consolidation, we translate this non-sterling indebtedness into sterling at the applicable foreign exchange rate. Gains and losses on such translation relating to the effective portion of the hedge are classified as "Gain on hedge of net investment in foreign operation" (shown as part of "Total comprehensive income/(expense) for the period") and transferred to the foreign currency translation reserve.

## 6 Non-IFRS measures

We present in this Prospectus various non-IFRS measures, including Adjusted EBITDA, Adjusted EBITA, Adjusted EBITDA Margin, Adjusted EBITA Margin and Operating Cash Conversion. We define these terms as follows:

- Adjusted EBITDA is profit/(loss) before tax, after adding back amortisation of intangible assets, depreciation of property, plant and equipment, finance revenue, finance costs and exceptional costs (see paragraph 5.5 for a description of exceptional costs);
- Adjusted EBITA is Adjusted EBITDA less depreciation of property, plant and equipment;
- Adjusted EBITDA Margin is: (a) Adjusted EBITDA; divided by (b) revenue, with the quotient expressed as a percentage;
- Adjusted EBITA Margin is: (a) Adjusted EBITA; divided by (b) revenue, with the quotient expressed as a percentage;

- Operating Cash Conversion is: (a) Adjusted EBITA; plus (b) depreciation of property, plant and equipment; plus or minus (c) change in working capital; minus (d) capital expenditure; all divided by (e) Adjusted EBITA, with the quotient expressed as a percentage, where:
    - change in working capital is: (a) decrease/(increase) in trade receivables and other assets; plus or minus (b) decrease/(increase) in inventories; plus or minus (c) increase/(decrease) in trade payables and other payables; plus or minus (d) increase/(decrease) in provisions; and
    - capital expenditure is: (a) payments to acquire intangible assets; plus (b) purchase of property, plant and equipment; minus (c) proceeds from sale of property, plant and equipment;

Each of Adjusted EBITDA, Adjusted EBITA, Adjusted EBITDA Margin, Adjusted EBITA Margin and Operating Cash Conversion is a supplemental measure of financial performance that is not required by, or presented in accordance with, IFRS. In addition, certain components of these supplemental measures are not IFRS measures. These supplemental measures are not measurements of performance under IFRS and should not be considered in isolation from, or as alternatives to:

- profit/(loss) for the period as a measure of operating performance;
- cash flow from operating and financing activities as a measure of ability to meet cash needs; or
- any other measures of performance under IFRS.

Adjusted EBITDA, Adjusted EBITA, Adjusted EBITDA Margin, Adjusted EBITA Margin and Operating Cash Conversion are not calculated in the same manner by other companies in the Group's industry or otherwise and, accordingly, are not necessarily comparable to similarly titled measures presented by other companies and may not be appropriate measures of performance relative to other companies.

Adjusted EBITDA, Adjusted EBITA, Adjusted EBITDA Margin, Adjusted EBITA Margin and Operating Cash Conversion have been included in this Prospectus because they are measures that our management uses to assess our performance. See Part V (*Presentation of information*) for information on the limitations of these measures as analytical tools.

In evaluating Adjusted EBITDA, Adjusted EBITA, Adjusted EBITDA Margin and Adjusted EBITA Margin, we encourage you to evaluate each adjustment and the reasons we consider it appropriate as a method of supplemented analysis. See Part V (*Presentation of information*). In addition, you should be aware that we are likely to incur expenses similar to the adjustments in this presentation in the future and that certain of these items could be considered recurring in nature. Our presentation of Adjusted EBITDA and Adjusted EBITA should not be construed as an implication that our future results will be unaffected by unusual or non-recurring items.

### 6.1 *Adjusted EBITDA, Adjusted EBITA, Adjusted EBITDA Margin and Adjusted EBITA Margin*

The following table shows how Adjusted EBITDA and Adjusted EBITA are derived from the historical financial information of the Group contained in Part XI (*Historical financial information*). It also shows how Adjusted EBITDA Margin and Adjusted EBITA Margin are derived from such figures.

| | Year Ended 31 July | | | Seven Months Ended 28 February | |
|---|---|---|---|---|---|
| **(£ in thousands)** | **2011** | **2012** | **2013** | **2013** | **2014** |
| Profit/(loss) before tax | 5,288 | (11,751) | (4,203) | (2,524) | (9,795) |
| Depreciation of property, plant and equipment | 1,425 | 1,403 | 1,588 | 879 | 998 |
| Amortisation of intangible assets | 81 | 4,845 | 10,186 | 5,850 | 7,651 |
| Finance revenue | (679) | (23) | (630) | (14) | (7) |
| Finance costs | 14,115 | 16,394 | 14,099 | 7,988 | 16,236 |
| Exceptional costs | — | 10,765 | 2,778 | 1,554 | 1,924 |
| **Adjusted EBITDA** | **20,230** | **21,633** | **23,818** | **13,733** | **17,007** |
| Revenue | 87,760 | 89,330 | 102,262 | 58,596 | 70,276 |
| **Adjusted EBITDA Margin** | **23.1%** | **24.2%** | **23.3%** | **23.4%** | **24.2%** |
| Adjusted EBITDA | 20,230 | 21,633 | 23,818 | 13,733 | 17,007 |
| Depreciation of property, plant and equipment | (1,425) | (1,403) | (1,588) | (879) | (998) |
| **Adjusted EBITA** | **18,805** | **20,230** | **22,230** | **12,854** | **16,009** |
| Revenue | 87,760 | 89,330 | 102,262 | 58,596 | 70,276 |
| **Adjusted EBITA Margin** | **21.4%** | **22.6%** | **21.7%** | **21.9%** | **22.8%** |

### 6.2 *Operating Cash Conversion*

The following table shows how Operating Cash Conversion is derived from the historical financial information of the Group contained in Part XI (*Historical financial information*).

| | Year Ended 31 July | | | Seven Months Ended 28 February | |
|---|---|---|---|---|---|
| **(£ in thousands)** | **2011** | **2012** | **2013** | **2013** | **2014** |
| Adjusted EBITA | 18,805 | 20,230 | 22,230 | 12,854 | 16,009 |
| Depreciation of property, plant and equipment | 1,425 | 1,403 | 1,588 | 879 | 998 |
| Decrease/(increase) in trade receivables | (249) | 910 | (1,415) | (2,409) | (2,047) |
| Decrease/(increase) in inventories | (1,473) | (59) | 1,097 | 870 | (955) |
| Increase/(decrease) in trade and other payables | 1,312 | (87) | 18 | (731) | (340) |
| Increase/(decrease) in provisions | (170) | 231 | (74) | 26 | 173 |
| Payments to acquire intangible assets | (145) | (124) | (850) | (313) | (1,228) |
| Purchase of property, plant and equipment | (1,396) | (1,403) | (1,758) | (1,079) | (729) |
| Proceeds from sale of property, plant and equipment | 49 | 102 | 109 | 118 | 65 |
| **Sum of the above** | **18,158** | **21,203** | **20,945** | **10,215** | **11,946** |
| **Operating Cash Conversion** | **96.6%** | **104.8%** | **94.2%** | **79.5%** | **74.6%** |

## 7 Results of operations

### 7.1 *Comparison of the seven months ended 28 February 2013 and 28 February 2014*

| (£ in thousands) | Seven months ended 28 February 2013 | Seven months ended 28 February 2014 | % Change |
|---|---|---|---|
| Revenue[1]: | | | |
| UK residential RMI | 24,591 | 24,561 | (0.1) |
| UK residential new-build | 7,555 | 8,278 | 9.6 |
| UK commercial | 10,142 | 10,133 | (0.1) |
| UK export | 4,153 | 4,160 | 0.2 |
| Nordics residential | 5,331 | 14,930 | 180.1 |
| IFRS sales adjustments[2] | (5,670) | (4,401) | |
| **Ventilation Group** | **46,102** | **57,661** | **25.1** |
| OEM | 12,601 | 12,489 | (0.9) |
| IFRS sales adjustments[2] | (107) | 126 | |
| **OEM** | **12,494** | **12,615** | **1.0** |
| ***Revenue*** | ***58,596*** | ***70,276*** | **19.9** |
| Cost of sales | (32,722) | (37,111) | 13.4 |
| ***Gross profit*** | ***25,874*** | ***33,165*** | 28.2 |
| Gross profit by segment[1]: | | | |
| Ventilation Group | 23,029 | 29,443 | 27.8 |
| OEM | 3,859 | 4,356 | 12.9 |
| IFRS adjustments and eliminations[3] | (1,014) | (634) | |
| Operating expenses: | | | |
| Distribution costs | (7,052) | (9,080) | 28.8 |
| Administrative expenses | (11,818) | (15,727) | 33.1 |
| Exceptional costs | (1,554) | (1,924) | 23.8 |
| ***Operating profit*** | ***5,450*** | ***6,434*** | 18.1 |
| Operating profit by segment[1]: | | | |
| Ventilation Group | 10,465 | 12,430 | 18.8 |
| OEM | 2,184 | 2,343 | 8.3 |
| Unallocated | (5,699) | (7,226) | 26.8 |
| IFRS adjustments and eliminations[3] | (1,480) | (1,113) | |
| Finance revenue | 14 | 7 | (50.0) |
| Finance costs | (7,988) | (16,236) | 103.3 |
| ***Profit/(loss) before tax*** | ***(2,524)*** | ***(9,795)*** | 288.1 |
| Income tax (expense)/credit | (166) | 934 | 662.7 |
| ***Profit/(loss) for the period*** | ***(2,690)*** | ***(8,861)*** | 229.4 |
| Exchange differences arising on translation of foreign operations | — | (283) | — |
| Gain on hedge of net investment in foreign operation | — | (45) | — |
| ***Total comprehensive income/(expense) for the period, net of tax*** | ***(2,690)*** | ***(9,189)*** | 241.6 |

(1) Segmental/market sector breakdown is derived from historical financial information prepared in accordance with UK GAAP.

(2) The IFRS sales adjustments comprise reallocation of rebates and settlement discounts to revenue.

(3) The IFRS adjustments and eliminations include the fair value of derivatives, identification of intangible assets on acquisition, fair value of inventory and recognition of deferred tax balances on acquisitions.

#### (a) *Revenue*

Revenue increased by £11.7 million, or 19.9%, from £58.6 million for the seven months ended 28 February 2013 to £70.3 million for the seven months ended 28 February 2014. As set out below, this increase was due to growth in the Ventilation Group segment.

*Ventilation Group.* Revenue in the Ventilation Group segment increased by £11.6 million, or 25.1%, from £46.1 million for the seven months ended 28 February 2013 to £57.7 million for the seven months ended 28 February 2014. This increase was primarily due to Fresh being consolidated for the full seven months ended 28 February 2014 (compared to only five full months in the seven months ended 28 February 2013) and PAX being acquired in August 2013 (such that the seven months ended 28 February 2014 include six full months of PAX's results). By market sector:

- *UK residential RMI.* Revenue in the residential RMI market sector was flat at £24.6 million for the seven months ended 28 February 2013 and for the seven months ended 28 February 2014, despite a reduction in sales of £1.0 million to one retailer and one electrical wholesaler of our products (which the Directors believe was due to de-stocking by them). Sales to remaining customers increased primarily due to increased revenue per unit as a result of upselling of higher price per unit quiet and "silent" products.
- *UK residential new-build.* Revenue in the residential new-build market sector increased by £0.7 million, or 9.6%, from £7.6 million for the seven months ended 28 February 2013 to £8.3 million for the seven months ended 28 February 2014. This increase was due to the increased penetration of central ventilation systems with (MVHR) and without (MEV) heat recovery, which have significantly higher revenue per residence than standard unitary extract fans, in the UK residential new-build market sector. The Directors believe that this increase primarily reflected greater penetration of these higher value products rather than higher residential completions, and so was primarily driven by an increase in revenue per unit rather than an increase in volume of sales.
- *UK commercial.* Revenue in the commercial market sector was flat at £10.1 million for the seven months ended 28 February 2013 and for the seven months ended 28 February 2014.
- *UK export.* Revenue in the UK export market sector was flat at £4.2 million for the seven months ended 28 February 2013 and for the seven months ended 28 February 2014. The mix of sales shifted towards higher cost per unit MVHR units, which offset a reduction in sales volumes.
- *Nordics residential.* Revenue in the Nordics residential market sector increased by £9.6 million, or 180.1%, from £5.3 million for the seven months ended 28 February 2013 to £14.9 million for the seven months ended 28 February 2014. This increase was due to the effects of the acquisitions of Fresh and PAX. In addition, the growth was supported by significant volume growth, and we recently secured an average 4.2% price increase across the Nordics residential market sector from February 2014.

*OEM.* Revenue in the OEM segment was essentially flat at £12.5 million for the seven months ended 28 February 2013 and £12.6 million for the seven months ended 28 February 2014. Although revenue was essentially flat, we secured a significant price increase for boiler spares (which offset a reduction in volumes caused the mild winter experienced in the seven months ended 28 February 2014) and also an improved customer mix for sales of motorised impellers.

**(b)** *Cost of sales*

Cost of sales increased by £4.4 million, or 13.4%, from £32.7 million for the seven months ended 28 February 2013 to £37.1 million for the seven months ended 28 February 2014. This increase was due to the effect of the acquisitions of Fresh and PAX and the increased penetration of central ventilation systems in the UK residential new-build market sector, which led to higher sales and a consequent rise in cost of sales, partially offset by our value engineering initiatives and a general mix shift towards more profitable products.

Cost of sales as a percentage of revenue decreased from 55.8% for the seven months ended 28 February 2013 to 52.8% for the seven months ended 28 February 2014 in spite of slightly higher depreciation in the seven months ended 28 February 2014. The reason for the decrease as a percentage of revenue was due to successful implementation of our value engineering initiatives, in particular the post-acquisition product cost reduction opportunities achieved in Fresh, a number of price increase initiatives across both segments and a general mix shift towards more profitable products.

**(c)** *Gross profit*

Gross profit increased by £7.3 million, or 28.2%, from £25.9 million for the seven months ended 28 February 2013 (during which gross margin was 44.2%) to £33.1 million for the seven months ended 28 February 2014 (during which gross margin was 47.2%, 3.0 percentage points higher than for the prior period). These increases were due to the increased revenue and reduction in cost of sales as a percentage of revenue.

*Ventilation Group.* Gross profit in the Ventilation Group segment increased by £6.4 million, or 27.8%, from £23.0 million for the seven months ended 28 February 2013 (during which gross margin was 44.5%) to £29.4 million for the seven months ended 28 February 2014 (during which gross margin was 47.4%, 2.9 percentage points higher than for the prior period).

*OEM.* Gross profit in the OEM segment increased by £0.5 million, or 12.9%, from £3.9 million for the seven months ended 28 February 2013 (during which gross margin was 30.6%) to £4.4 million for the seven months ended 28 February 2014 (during which gross margin was 34.9%, 4.3 percentage points higher than for the prior period).

**(d)** *Distribution costs*

Distribution costs increased by £2.0 million, or 28.8%, from £7.1 million for the seven months ended 28 February 2013 to £9.1 million for the seven months ended 28 February 2014. This increase was generally due to the effect of the acquisitions of Fresh and PAX, and also the increase in the volumes transacted by our underlying business. In particular, distribution, sales support and marketing staff costs increased.

Distribution costs as a percentage of revenue increased slightly from 12.0% for the seven months ended 28 February 2013 to 12.9% for the seven months ended 28 February 2014. This increase was due to the acquisitions of Fresh and PAX, which have higher distribution costs as a percentage of revenue compared to the rest of the Group.

**(e)** *Administrative expenses*

Administrative expenses increased by £3.9 million, or 33.1%, from £11.8 million for the seven months ended 28 February 2013 to £15.7 million for the seven months ended 28 February 2014. This increase was primarily due to an increase in the amortisation of intangible assets following the acquisitions of Fresh and PAX.

Administrative expenses as a percentage of revenue increased from 20.2% for the seven months ended 28 February 2013 to 22.3% for the seven months ended 28 February 2014. This increase was primarily due to the increase in amortisation of intangible assets.

**(f)** *Exceptional costs*

Exceptional costs increased by £0.4 million, or 23.8%, from £1.5 million for the seven months ended 28 February 2013 to £1.9 million for the seven months ended 28 February 2014. This increase was due to the incurrence of fees and expenses in connection with the Offer and senior management restructuring, primarily in the Nordics to bring Fresh and PAX under a single management team, partially offset by a reduction in acquisition costs as a result of lower acquisition activity in the seven months ended 28 February 2014.

**(g)** *Operating profit*

Operating profit increased by £1.0 million, or 18.1%, from £5.5 million for the seven months ended 28 February 2013 to £6.4 million for the seven months ended 28 February 2014. This increase was due to the increased gross profit, partially offset by the increases of each of distribution costs, administrative expenses and exceptional costs as a percentage of revenue.

*Ventilation Group.* Operating profit in the Ventilation Group segment increased by £2.0 million, or 18.8%, from £10.5 million for the seven months ended 28 February 2013 to £12.4 million for the seven months ended 28 February 2014.

*OEM.* Operating profit in the OEM segment increased by £0.2 million, or 8.3%, from £2.2 million for the seven months ended 28 February 2013 to £2.3 million for the seven months ended 28 February 2014.

*Unallocated.* Unallocated operating loss increased by £1.5 million, or 26.8%, from £5.7 million for the seven months ended 28 February 2013 to £7.2 million for the seven months ended 28 February 2014. This loss represents head office costs which are not allocated to a segment, which increased because certain head office staff costs were re-allocated from a segment to head office with effect from 1 August 2013.

**(h)** *Finance costs*

Finance costs increased by £8.2 million, or 103.3%, from £8.0 million for the seven months ended 28 February 2013 to £16.2 million for the seven months ended 28 February 2014. This increase was primarily due to an increase in amortisation of finance costs of £7.2 million because, as a consequence of the IFRS Conversion, we wrote-off accumulated third-party bank financing costs as finance costs during the seven months ended 28 February 2014. During the earlier periods under review (including the seven months ended 28 February 2013), these were amortised on a straight-line basis over the life of the relevant debt facilities.

**(i)** *Profit/(loss) before tax*

Loss before tax increased by £7.3 million, or 288.1%, from £2.5 million for the seven months ended 28 February 2013 to £9.8 million for the seven months ended 28 February 2014. This increase was primarily due to higher finance costs of £8.2 million in the seven months ended 28 February 2014, partially offset by higher operating profit.

**(j)** *Income tax (expense)/credit*

Income tax changed from an expense of £0.2 million for the seven months ended 28 February 2013 to a credit of £0.9 million for the seven months ended 28 February 2014. This change was due to the reduction in the deferred tax rate in April 2013 which increased our deferred tax credit for the seven months ending 28 February 2014 when compared to that for the seven months ending 28 February 2013, partially offset by an increase in the current tax charge from £1.6 million to £2.0 million.

**(k)** *Profit/(loss) for the period*

Loss for the period increased by £6.2 million, or 229.4%, from £2.7 million for the seven months ended 28 February 2013 to £8.9 million for the seven months ended 28 February 2014. This increase was primarily due to higher finance costs of £8.2 million in the seven months ended 28 February 2014, partially offset by higher operating profit and the change in income tax from an expense of £0.2 million for the seven months ended 28 February 2013 to a credit of £0.9 million for the seven months ended 28 February 2014.

**(l)** *Exchange differences arising on translation of foreign operations*

Exchange differences arising on translation of foreign operations changed from nil for the seven months ended 28 February 2013 to a loss of £283,000 for the seven months ended 28 February 2014.

**(m)** *Gain on hedge of net investment in foreign operation*

Gain on hedge of net investment in foreign operation changed from nil for the seven months ended 28 February 2013 to a loss of £45,000 for the seven months ended 28 February 2014.

**(n)** *Total comprehensive income/(expense) for the period*

Total comprehensive expense for the period increased by £6.5 million, or 241.6%, from £2.7 million for the seven months ended 28 February 2013 to £9.2 million for the seven months ended 28 February 2014. This increase was primarily due to the higher loss before tax.

**(o)** *Adjusted EBITDA*

Adjusted EBITDA increased by £3.3 million, or 23.8%, from £13.7 million for the seven months ended 28 February 2013 to £17.0 million for the seven months ended 28 February 2014. This increase was primarily due to the increase in gross profit, partially offset by increases in distribution costs and administrative expenses.

**(p)** *Adjusted EBITDA Margin*

Adjusted EBITDA Margin increased from 23.4% for the seven months ended 28 February 2013 to 24.2% for the seven months ended 28 February 2014. This increase was primarily due to an increase in gross margin from 44.2% to 47.2%.

**(q)** *Operating Cash Conversion*

Operating Cash Conversion decreased from 79.5% for the seven months ended 28 February 2013 to 74.6% for the seven months ended 28 February 2014. This decrease was primarily due to the decrease in inventories for the seven months ended 28 February 2013 of £0.9 million (because of de-stocking) changing to an increase of £1.0 million for the seven months ended 28 February 2014 (because of the acquisition of PAX).

### 7.2 *Comparison of the years ended 31 July 2012 and 31 July 2013*

| | Year Ended 31 July | | |
|---|---|---|---|
| **(£ in thousands)** | **2012** | **2013** | **% Change** |
| Revenue[1]: | | | |
| UK residential RMI | 40,132 | 42,230 | 5.2 |
| UK residential new-build | 13,031 | 14,210 | 9.0 |
| UK commercial | 18,470 | 17,194 | (6.9) |
| UK export | 7,738 | 6,883 | (11.0) |
| Nordics residential | — | 10,907 | — |
| IFRS sales adjustments[2] | (8,787) | (9,153) | — |
| **Ventilation Group** | **70,584** | **82,271** | **16.6** |
| OEM | 18,866 | 20,027 | 6.2 |
| IFRS sales adjustments[2] | (120) | (36) | — |
| **OEM** | **18,746** | **19,991** | **6.6** |
| ***Revenue*** | ***89,330*** | ***102,262*** | **14.5** |
| Cost of sales | (51,003) | (56,245) | 10.3 |
| ***Gross profit*** | ***38,327*** | ***46,017*** | 20.1 |
| Gross profit by segment[1]: | | | |
| Ventilation Group | 35,455 | 41,432 | 16.9 |
| OEM | 4,752 | 6,142 | 29.3 |
| IFRS adjustments and eliminations[3] | (1,880) | (1,557) | |
| Operating expenses: | | | |
| Distribution costs | (10,586) | (12,380) | 16.9 |
| Administrative expenses | (12,356) | (21,593) | 74.8 |
| Exceptional costs | (10,765) | (2,778) | 74.2 |
| ***Operating profit*** | ***4,620*** | ***9,266*** | 100.6 |
| Operating profit by segment[1]: | | | |
| Ventilation Group | 17,792 | 18,317 | 3.0 |
| OEM | 2,329 | 3,302 | 41.8 |
| Unallocated | (14,830) | (11,286) | (23.9) |
| IFRS adjustments and eliminations[3] | (671) | (1,067) | |
| Finance revenue | 23 | 630 | 2,639.1 |
| Finance costs | (16,394) | (14,099) | 14.0 |
| ***Profit/(loss) before tax*** | ***(11,751)*** | ***(4,203)*** | 64.2 |
| Income tax (expense)/credit | (2,145) | 2,139 | 199.7 |
| ***Profit/(loss) for the period*** | ***(13,896)*** | ***(2,064)*** | (85.1) |
| Exchange differences arising on translation of foreign operations | — | 138 | — |
| Gain on hedge of net investment in foreign operation | — | 444 | — |
| ***Total comprehensive income/(expense) for the period, net of tax*** | ***(13,896)*** | ***(1,482)*** | (89.3) |

(1) Segmental/market sector breakdown is derived from historical financial information prepared in accordance with UK GAAP.

(2) The IFRS sales adjustments comprise reallocation of rebates and settlement discounts to revenue.

(3) The IFRS adjustments and eliminations include the fair value of derivatives, identification of intangible assets on acquisition, fair value of inventory and recognition of deferred tax balances on acquisitions.

**(a)** *Revenue*

Revenue increased by £12.9 million, or 14.5%, from £89.3 million for the year ended 31 July 2012 to £102.3 million for the year ended 31 July 2013. The acquisition of Fresh in October 2012 established our presence in the Nordics residential market sector and contributed £10.9 million of revenue. As set out below, despite general decline in UK construction activity, there was also growth in our UK residential RMI and UK residential new-build market sectors and OEM segment, although this was partially offset by decreases in the UK commercial and UK export segments. We also generally increased our prices in all market sectors.

*Ventilation Group.* Revenue in the Ventilation Group segment increased by £11.7 million, or 16.6%, from £70.6 million for the year ended 31 July 2012 to £82.3 million for the year ended 31 July 2013. This increase was primarily due to the acquisition of Fresh. By market sector:

- *UK residential RMI.* Revenue in the UK residential RMI market sector increased by £2.1 million, or 5.2%, from £40.1 million for the year ended 31 July 2012 to £42.2 million for the year ended 31 July 2013. This increase was primarily due to specification sales in social housing, where sales of new higher price products that include continuous running ventilation (with and without heat recovery) performed particularly well. Over-the-counter sales, which are primarily made under the Manrose brand, also performed well, underpinned by the previous launch of more quiet and "silent" unitary fan products that appeal to increasingly discerning consumer requirements.
- *UK residential new-build.* Revenue in the UK residential new-build market sector increased by £1.2 million, or 9.0%, from £13.0 million for the year ended 31 July 2012 to £14.2 million for the year ended 31 July 2013. This increase was primarily due to the continued increased penetration of higher price central ventilation systems (with and without heat recovery) in new-build residential projects, underpinned by the continued growth of the Sentinel Kinetic™ range of heat recovery units. The Directors believe that this increase primarily reflected greater penetration of these higher value products rather than higher residential completions, and so was primarily driven by an increase in revenue per unit rather than an increase in volume of sales. The increase was partially offset by Manrose's loss of a key account.
- *UK commercial.* Revenue in the UK commercial market sector decreased by £1.3 million, or 6.9%, from £18.5 million for the year ended 31 July 2012 to £17.2 million for the year ended 31 July 2013. This decrease was due to the general difficulties in the UK commercial construction market, where most of our sales categories declined. A number of recently launched products in Manrose helped offset some of the decline.
- *UK export.* Revenue in the UK export market sector decreased by £0.9 million, or 11.0%, from £7.7 million for the year ended 31 July 2012 to £6.9 million for the year ended 31 July 2013. This decrease was due to a stock reduction at a customer in Belgium and a reduction in sales to New Zealand, under the Manrose brand, following the Christchurch earthquake.
- *Nordics residential.* We established our presence in the Nordics residential market sector during the year ended 31 July 2013, by acquiring Fresh in October 2012. As a result of this acquisition, the Nordics residential market sector contributed £10.9 million of revenue during the year ended 31 July 2013 that we did not receive during the year ended 31 July 2012.

*OEM.* Revenue in the OEM segment increased by £1.2 million, or 6.6%, from £18.7 million for the year ended 31 July 2012 to £20.0 million for the year ended 31 July 2013. This increase was due to significant price increases coupled with a return to normal winter temperatures, which in turn drove increased sales volumes of boiler spares. Despite losing two low-margin customers in mainland Europe, our sales of motorised impellers into the residential ventilation systems market remained relatively flat as a consequence of the increased penetration of central ventilation systems (which incorporate two motorised impellers per unit) in new-build residential projects driving increased sales volumes to other customers.

**(b)** *Cost of sales*

Cost of sales increased by £5.2 million, or 10.3%, from £51.0 million for the year ended 31 July 2012 to £56.2 million for the year ended 31 July 2013. This increase was due to the effect of the acquisition of Fresh and the increased sales of higher value products in the UK residential RMI and new-build market sectors, which led to higher sales and a consequent rise in cost of sales, partially offset by the successful implementation of our value engineering initiatives and a general mix shift towards more profitable products.

Cost of sales as a percentage of revenue decreased from 57.1% for the year ended 31 July 2012 to 55.0% for the year ended 31 July 2013. The reason for the decrease as a percentage of revenue was due to successful implementation of our value engineering initiatives, in particular the post-acquisition product cost reduction opportunities achieved in the Ventilation Group, a number of price increase initiatives across both segments and a general mix shift towards more profitable products.

**(c)** *Gross profit*

Gross profit increased by £7.7 million, or 20.1%, from £38.3 million for year ended 31 July 2012 (during which gross margin was 42.9%) to £46.0 million for the year ended 31 July 2013 (during which gross margin was 45.0%, 2.1 percentage points higher than for the prior period). These increases were due to the increased revenue and reduction in cost of sales as a percentage of revenue.

*Ventilation Group.* Gross profit in the Ventilation Group segment increased by £6.0 million, or 16.9%, from £35.5 million for the year ended 31 July 2012 (during which gross margin was 44.7%) to £41.4 million for the year ended 31 July 2013 (during which gross margin was 45.3%, 0.6 percentage points higher than for the prior period).

*OEM.* Gross profit in the OEM segment increased by £1.4 million, or 29.3%, from £4.8 million for the year ended 31 July 2012 (during which gross margin was 25.3%) to £6.1 million for the year ended 31 July 2013 (during which gross margin was 30.7%, 5.4 percentage points higher than for the prior period). This increase was primarily due to increased revenue in the OEM segment.

**(d)** *Distribution costs*

Distribution costs increased by £1.8 million, or 16.9%, from £10.6 million for the year ended 31 July 2012 to £12.4 million for the year ended 31 July 2013. This increase was primarily due to the acquisition of Fresh. On an underlying basis, distribution costs generally increased in line with sales.

Distribution costs as a percentage of revenue increased from 11.9% for the year ended 31 July 2012 to 12.1% for the year ended 31 July 2013, due to the higher distribution costs as a percentage of revenue of Fresh when compared to our underlying business.

**(e)** *Administrative expenses*

Administrative expenses increased by £9.2 million, or 74.8%, from £12.4 million for the year ended 31 July 2012 to £21.6 million for the year ended 31 July 2013. This increase was primarily due to an increase in amortisation of intangible assets of £5.3 million because of the full year effect of the Volution Acquisition in February 2012 and also the acquisition of Fresh, as well as the general impact of Fresh's other administrative expenses.

Administrative expenses as a percentage of revenue increased from 13.8% for the year ended 31 July 2012 to 21.1% for the year ended 31 July 2013, primarily due to the increase in administrative expenses following the Volution Acquisition and our acquisition of Fresh.

**(f)** *Exceptional costs*

Exceptional costs decreased by £8.0 million, or 74.2%, from £10.8 million for the year ended 31 July 2012 to £2.8 million for the year ended 31 July 2013. This decrease was primarily due to higher acquisition costs and inventory fair value adjustments aggregating £10.8 million for the year ended 31 July 2012 (due to the Volution Acquisition in February 2012) compared to £1.9 million for the year ended 31 July 2013.

**(g)** *Operating profit*

Operating profit increased by £4.6 million, or 100.6%, from £4.6 million for the year ended 31 July 2012 to £9.3 million for the year ended 31 July 2013. This increase was primarily due to the increase in gross profit and a reduction in exceptional costs, partially offset by the increase of administrative expenses.

*Ventilation Group.* Operating profit in the Ventilation Group segment increased by £0.5 million, or 3.0%, from £17.8 million for the year ended 31 July 2012 to £18.3 million for the year ended 31 July 2013.

*OEM.* Operating profit in the OEM segment increased by £1.0 million, or 41.8%, from £2.3 million for the year ended 31 July 2012 to £3.3 million for the year ended 31 July 2013.

*Unallocated.* Unallocated operating loss decreased by £3.5 million, or 23.9%, from £14.8 million for the year ended 31 July 2012 to £11.3 million for the year ended 31 July 2013. This loss represents head office costs which are not allocated to a segment, which decreased because of the full year effect of a reduction in head office costs following the Volution Acquisition.

**(h)** *Finance revenue*

Finance revenue increased by £0.6 million, from £23,000 for the year ended 31 July 2012 to £0.6 million for the year ended 31 July 2013. This increase was due to a net increase in the fair value of our derivatives, which was booked as a net gain on financial instruments at fair value.

**(i)** *Finance costs*

Finance costs decreased by £2.3 million, or 14.0%, from £16.4 million for the year ended 31 July 2012 to £14.1 million for the year ended 31 July 2013. This decrease was primarily due to a reduction in the interest rate on our shareholder debt following the Volution Acquisition in February 2012, resulting in lower interest cost on loan notes, and also because we wrote off £1.6 million of financing costs in the year ended 31 July 2012.

**(j)** *Profit/(loss) before tax*

Loss before tax decreased by £7.5 million, or 64.2%, from £11.8 million for the year ended 31 July 2012 to £4.2 million for the year ended 31 July 2013. This decrease was due to the increase in operating profits and the reduction in financing costs.

**(k)** *Income tax (expense)/credit*

Income tax expense of £2.1 million for the year ended 31 July 2012 changed to a credit of £2.1 million for the year ended 31 July 2013. This change was due to the reduction in the deferred tax rate in April 2013 which increased our deferred tax credit for the year ending 31 July 2013 when compared to that for the year ending 31 July 2012, and a decrease in the current tax charge from £3.1 million to £2.8 million.

**(l)** *Profit/(loss) for the period*

Loss for the period decreased by £11.8 million, or 85.1%, from £13.9 million for the year ended 31 July 2012 to £2.1 million for the year ended 31 July 2013. This decrease was due to the cumulative effect of higher gross profit following the acquisition of Fresh in 2012, lower interest expense and exceptional costs for the year ended 31 July 2013 and the change in income tax from an expense of £2.1 million for the year ended 31 July 2012 to a credit of £2.1 million for the year ended 31 July 2013, partially offset by increased administrative expenses for the year ended 31 July 2013.

**(m)** *Exchange differences arising on translation of foreign operations*

Exchange differences arising on translation of foreign operations changed from nil for the year ended 31 July 2012 to a gain of £0.1 million for the year ended 31 July 2013. This arose because we did not have any exchange differences arising on translation of foreign operations in the year ended 31 July 2012 because during such period all of our operations were UK-based and conducted through entities which had sterling as their functional currency, which was not the case during the year ended 31 July 2013 following the acquisition of Fresh, during which there were favourable movements in the exchange rate between SEK and sterling.

**(n)** *Gain on hedge of net investment in foreign operations*

Gain on hedge of net investment in foreign operations changed from nil for the year ended 31 July 2012 to a gain of £0.4 million for the year ended 31 July 2013. This gain was due to favourable movements in the exchange rate between SEK and sterling that occurred after our acquisition of Fresh.

**(o)** *Total comprehensive income/(expense) for the period*

Total comprehensive expense for the period decreased by £12.4 million, or 89.3%, from £13.9 million for the year ended 31 July 2012 to £1.5 million for the year ended 31 July 2013. This decrease was primarily due to the decrease in loss for the period.

**(p)** *Adjusted EBITDA*

Adjusted EBITDA increased by £2.2 million, or 10.2%, from £21.6 million for the year ended 31 July 2012 to £23.8 million for the year ended 31 July 2013. This increase was primarily due to the increase in gross profit and a reduction in exceptional costs, partially offset by the increase of administrative expenses.

**(q)** *Adjusted EBITDA Margin*

Adjusted EBITDA Margin decreased from 24.2% for the year ended 31 July 2012 to 23.3% for the year ended 31 July 2013. This decrease was due to the acquisition of Fresh, which had a lower Adjusted EBITDA Margin than the rest of the Group on acquisition, and additional distribution costs and administrative expenses incurred during the year ended 31 July 2013.

**(r)** *Operating Cash Conversion*

Operating Cash Conversion decreased from 104.8% for the year ended 31 July 2012 to 94.2% for the year ended 31 July 2013. This decrease was primarily due to an increase in capital expenditure, mainly in respect of our new enterprise resource planning software.

### 7.3 *Comparison of the years ended 31 July 2011 and 31 July 2012*

| (£ in thousands) | Year Ended 31 July 2011 | Year Ended 31 July 2012 | % Change |
|---|---|---|---|
| Revenue[1]: | | | |
| UK residential RMI | 36,763 | 40,132 | 9.2 |
| UK residential new-build | 13,640 | 13,031 | (4.5) |
| UK commercial | 17,818 | 18,470 | 3.7 |
| UK export | 6,950 | 7,738 | 11.3 |
| Nordics residential | — | — | |
| IFRS sales adjustments[2] | (7,304) | (8,787) | |
| **Ventilation Group** | **67,866** | **70,584** | **4.0** |
| OEM | 19,951 | 18,866 | (5.4) |
| IFRS sales adjustments[2] | (57) | (120) | |
| **OEM** | **19,894** | **18,746** | **(5.8)** |
| ***Revenue*** | ***87,760*** | ***89,330*** | **1.8** |
| Cost of sales | (49,535) | (51,003) | 3.0 |
| ***Gross profit*** | ***38,225*** | ***38,327*** | 0.3 |
| Gross profit by segment[1]: | | | |
| Ventilation Group | 33,928 | 35,455 | 4.5 |
| OEM | 5,762 | 4,752 | (17.5) |
| IFRS adjustments and eliminations[3] | (1,465) | (1,880) | |
| Operating expenses: | | | |
| Distribution costs | (10,866) | (10,586) | (2.6) |
| Administrative expenses | (8,635) | (12,356) | 43.1 |
| Exceptional costs | — | (10,765) | — |
| ***Operating profit*** | ***18,724*** | ***4,620*** | (75.3) |
| Operating profit by segment[1]: | | | |
| Ventilation Group | 16,256 | 17,792 | 9.4 |
| OEM | 3,384 | 2,329 | (31.2) |
| Unallocated | (6,976) | (14,830) | (112.6) |
| IFRS adjustments and eliminations[3] | 6,060 | (671) | |
| Finance revenue | 679 | 23 | (96.6) |
| Finance costs | (14,115) | (16,394) | 16.1 |
| ***Profit/(loss) before tax*** | ***5,288*** | ***(11,751)*** | (322.2) |
| Income tax (expense)/credit | (3,711) | (2,145) | (42.2) |
| ***Profit/(loss) for the period*** | ***1,577*** | ***(13,896)*** | (981.2) |
| Exchange differences arising on translation of foreign operations | — | — | |
| Gain on hedge of net investment in foreign operation | — | — | |
| ***Total comprehensive income/(expense) for the period, net of tax*** | ***1,577*** | ***(13,896)*** | (981.2) |

(1) Segmental/market sector breakdown is derived from historical financial information prepared in accordance with UK GAAP.

(2) The IFRS sales adjustments comprise reallocation of rebates and settlement discounts to revenue.

(3) The IFRS adjustments and eliminations include the fair value of derivatives, identification of intangible assets on acquisition, fair value of inventory and recognition of deferred tax balances on acquisition.

#### (a) *Revenue*

Revenue increased by £1.6 million, or 1.8%, from £87.8 million for the year ended 31 July 2011 to £89.3 million for the year ended 31 July 2012. As set out below, despite the generally declining UK construction market, there was growth in our UK residential RMI, UK commercial and UK export market sectors, although this was partially offset by decreases in the UK residential new-build market sector and OEM segment. We also generally increased our prices in all market segments.

*Ventilation Group.* Revenue in the Ventilation Group segment increased by £2.7 million, or 4.0%, from £67.9 million for the year ended 31 July 2011 to £70.6 million for the year ended 31 July 2012. By market sector:

- *UK residential RMI.* Revenue in the UK residential RMI market sector increased by £3.4 million, or 9.2%, from £36.8 million for the year ended 31 July 2011 to £40.1 million for the year ended 31 July 2012. This increase was primarily due to a number of new product launches in over-the-counter product ranges, which included the quiet and "silent" fan products under the Manrose and Vent-Axia brands respectively (such new products generally have a higher price than existing products). In social housing, the brand strength of Vent-Axia, coupled with a focused specification sales team, enabled us, the Directors believe, to continue to increase our market share through increased sales volumes, which in turn contributed to revenue growth. This growth was despite the general decline in this market sector during the relevant periods.
- *UK residential new-build.* Revenue in the UK residential new-build market sector decreased by £0.6 million, or 4.5%, from £13.6 million for the year ended 31 July 2011 to £13.0 million for the year ended 31 July 2012. This decrease was primarily due to a large one-off new-build specific project for the London 2012 Olympic village, the revenue from which was primarily recognised during the year ended 31 July 2011. Excluding this one-off project, underlying sales grew by 18.2% in this segment, notwithstanding the low levels of house completions in the relevant periods which contributed to a reduction in our sales volumes, because the penetration of higher value central ventilation systems (with and without heat recovery), including ducting and accessories, has increased (and, with it, our revenue per unit) consistently during the year ended 31 July 2012.
- *UK commercial.* Revenue in the UK commercial market sector increased by £0.7 million, or 3.7%, from £17.8 million for the year ended 31 July 2011 to £18.5 million for the year ended 31 July 2012. This increase was contributed to by an uplift in sales volume of a new range of faster, more energy efficient hand dryers. Overall, the commercial market sector was in decline, with the majority of our sales being the commercial and industrial range of fans sold over-the-counter to distributors.
- *UK export.* Revenue in the UK export market sector increased by £0.8 million, or 11.3%, from £7.0 million for the year ended 31 July 2011 to £7.7 million for the year ended 31 July 2012. This increase was due primarily to increased sales volumes of higher price MVHR systems, mainly to Belgium, although this was partially offset by Manrose's loss of a key OEM account in the Nordic market.

*OEM.* Revenue in the OEM segment decreased by £1.1 million, or 5.8%, from £19.9 million for the year ended 31 July 2011 to £18.7 million for the year ended 31 July 2012. This decrease was due to a fall in demand for residential boiler spares because of an abnormally mild winter period, partially offset by an increase in volume of sales of motorised impellers to the residential ventilation systems market because of the increased penetration of central ventilation systems (some of which incorporate two motorised impellers per unit) and the gain of two new customers in Europe.

**(b)** *Cost of sales*

Cost of sales increased by £1.5 million, or 3.0%, from £49.5 million for the year ended 31 July 2011 to £51.0 million for the year ended 31 July 2012. This increase was primarily a consequence of our increased sales partially offset by a reduction in sales of high margin boiler spares (with a comparatively high cost of sales) because of the mild winter which occurred during the year ended 31 July 2012.

Cost of sales as a percentage of revenue increased from 56.4% for the year ended 31 July 2011 to 57.1% for the year ended 31 July 2012, due to lower sales of high margin boiler spares as a result of a mild winter during the year ended 31 July 2012.

**(c)** *Gross profit*

Gross profit increased by £0.1 million, or 0.3%, from £38.2 million for the year ended 31 July 2011 (during which gross margin was 43.6%) to £38.3 million for the year ended 31 July 2012 (during which gross margin was 42.9%, 0.7 percentage points lower than for the prior period).

*Ventilation Group.* Gross profit in the Ventilation Group segment increased by £1.5 million, or 4.5%, from £33.9 million for the year ended 31 July 2011 (during which gross margin was 50.2%) to £35.5 million for the year ended 31 July 2012 (during which gross margin was 50.0%, 0.2 percentage points lower than for the prior period). The increase in gross profit was primarily due to increased revenue, while the decrease in gross margin was due to higher sales in the UK export market sector at a lower margin.

*Torin-Sifan.* Gross profit in the Torin-Sifan segment decreased by £1.0 million, or 17.5%, from £5.8 million for the year ended 31 July 2011 (during which gross margin was 29.0%) to £4.8 million for the year ended 31 July 2012 (during which gross margin was 25.3%, 3.7 percentage points lower than for the prior period). This decrease was due to the decrease in sales of high margin boiler spares.

**(d)** *Distribution costs*

Distribution costs decreased by £0.3 million, or 2.6%, from £10.9 million for the year ended 31 July 2011 to £10.6 million for the year ended 31 July 2012.

Distribution costs as a percentage of revenue decreased from 12.4% for the year ended 31 July 2011 to 11.9% for the year ended 31 July 2012.

**(e)** *Administrative expenses*

Administrative expenses increased by £3.7 million, or 43.1%, from £8.6 million for the year ended 31 July 2011 to £12.4 million for the year ended 31 July 2012. This increase was due to the amortisation of intangible assets of £4.8 million because of the Volution Acquisition in February 2012, partially offset by reduced head office costs following such acquisition.

Administrative expenses as a percentage of revenue increased from 9.8% for the year ended 31 July 2011 to 13.8% for the year ended 31 July 2012, primarily due to the increased amortisation of intangible assets.

**(f)** *Exceptional costs*

We had no exceptional costs in the year ended 31 July 2011 compared to exceptional costs of £10.8 million for the year ended 31 July 2012 due to an inventory fair value adjustment and acquisition costs relating to the Volution Acquisition in February 2012.

**(g)** *Operating profit*

Operating profit decreased by £14.1 million, or 75.3%, from £18.7 million for the year ended 31 July 2011 to £4.6 million for the year ended 31 July 2012. This decrease was primarily due to the increase in administrative expenses (caused principally by an increase in amortisation of intangibles as a consequence of the Volution Acquisition) and exceptional costs arising from the Volution Acquisition.

*Ventilation Group.* Operating profit in the Ventilation Group segment increased by £1.5 million, or 9.4%, from £16.3 million for the year ended 31 July 2011 to £17.8 million for the year ended 31 July 2012.

*OEM.* Operating profit in the OEM segment decreased by £1.1 million, or 31.2%, from £3.4 million for the year ended 31 July 2011 to £2.3 million for the year ended 31 July 2012.

*Unallocated.* Unallocated operating loss increased by £7.8 million, or 112.6%, from £7.0 million for the year ended 31 July 2011 to £14.8 million for the year ended 31 July 2012. This loss represents head office costs which are not allocated to a segment, which increased because of an increase in amortisation of intangible assets as a consequence of the Volution Acquisition.

**(h)** *Finance revenue*

Finance revenue was £0.7 million for the year ended 31 July 2011 primarily due to our purchase of a portion of our bank debt at a discount (recognised as gain on discharge of loan), whereas for the year ended 31 July 2012 it was £23,000 (interest received on cash).

**(i)** *Finance costs*

Finance costs increased by £2.3 million, or 16.1%, from £14.1 million for the year ended 31 July 2011 to £16.4 million for the year ended 31 July 2012. This increase was primarily due to a £1.6 million write-off of financing costs, and a £0.8 million net loss on derivatives (recognised as net loss on financial instruments at fair value), in the year ended 31 July 2012.

**(j)** *Profit/(loss) before tax*

Profit/(loss) before tax decreased from £5.3 million profit for the year ended 31 July 2011 to a loss before tax of £11.8 million for the year ended 31 July 2012. This decrease was primarily due to the decrease in operating profit and the increase in finance costs as a consequence of the Volution Acquisition.

**(k)** *Income tax (expense)/credit*

Income tax expense decreased by £1.6 million, or 42.2%, from £3.7 million for the year ended 31 July 2011 to £2.1 million for the year ended 31 July 2012. This decrease was due to the decrease in current tax charge from £3.9 million for the year ending 31 July 2012 to £3.1 million for the year ending 31 July 2013, and also a deferred tax charge of £1.1 million for the intangible assets (customer base and trade marks) recognised as a result of the Volution Acquisition in the year ended 31 July 2012 (compared to £0.2 million in the year ended 31 July 2011).

**(l)** *Profit/(loss) for the period*

Profit/(loss) for the period changed from £1.6 million profit for the year ended 31 July 2011 to a loss for the period of £13.9 million for the year ended 31 July 2012. This change was primarily due to the decrease in profit/(loss) before tax.

**(m)** *Adjusted EBITDA*

Adjusted EBITDA increased by £1.4 million, or 6.9%, from £20.2 million for the year ended 31 July 2011 to £21.6 million for the year ended 31 July 2012. This was primarily due to the reduction in head office costs (recognised as administrative expenses) as a result of the Volution Acquisition in February 2012.

**(n)** *Adjusted EBITDA Margin*

Adjusted EBITDA Margin increased from 23.1% for the year ended 31 July 2011 to 24.2% for the year ended 31 July 2012. This increase was due to a product mix shift to higher margin Ventilation Group products and tighter cost control.

**(o)** *Operating Cash Conversion*

Operating Cash Conversion increased from 96.6% for the year ended 31 July 2011 to 104.8% for the year ended 31 July 2012. This increase was primarily due to an increase in working capital during the year ended 31 July 2011, and a decrease in working capital during the year ended 31 July 2012.

## 8 Current trading and prospects

Since 28 February 2014, sales are above those achieved for the same period in the prior year, especially in the UK residential RMI market sector, the UK residential new-build market sector and the UK export market sector. Sales in the current period also benefit from the August 2013 acquisition of PAX when compared to the prior year. In addition, we completed the acquisition of inVENTer in April 2014, and the integration of inVENTer into the wider Group is proceeding as planned. The Directors anticipate that some additional head office costs and other costs associated with the status of the Company as a listed company will be incurred following Admission.

## 9 Liquidity and capital resources

### 9.1 *Overview*

During the periods under review, our primary sources of funds were cash from operations, borrowings under bank facilities and funding from shareholders, in the form of subscriptions for loan notes. Following Admission, we expect our primary sources of liquidity will be cash generated from operations and borrowings under bank facilities.

In preparation for the Offer, the Existing Debt Facilities were amended and restated into the New Debt Facilities on 28 May 2014, and such amendment and restatement will become effective automatically on Admission once we have repaid £61.9 million of the Existing Debt Facilities, which we will do out of the net proceeds of the Offer. On Admission, we expect to have approximately £30.0 million of unused commitments which are available in cash under the New Debt Facilities (consisting of £20.0 million of acquisition facility and £10.0 million of the £13.0 million revolving credit facility available to us thereunder). On Admission, we will have £55.2 million of outstanding indebtedness under the New Debt Facilities, denominated in a mix of sterling, SEK and euros. The interest rates under the New Debt Facilities are LIBOR + 3.0% for sterling loans, STIBOR + 3.75% for SEK loans and EURIBOR + 3.0% for euro loans.

The balance of the net proceeds of the Offer will be available for general corporate purposes.

During the periods under review, our primary uses of cash were to repay and service indebtedness, acquire Fresh and PAX, finance capital expenditure (including investments in our production facilities, most notably during the re-shoring of our UK production capabilities described above) and to fund working capital. We also recently acquired inVENTer in April 2014. Aggregate consideration for these three acquisitions was £37.9 million, all of which has been paid save for €2.0 million (£1.6 million) which we will pay (from existing cash on our balance sheet) to the seller of inVENTer on 17 July 2014. Going forward, we expect our principal future cash needs to be to repay and service indebtedness, undertake further acquisitions, and to finance capital expenditure, working capital and new product development and acquisitions of the components and raw materials that we require to produce our products.

As of 28 February 2014, our financial debt (non-current interest bearing loans and borrowings plus current interest bearing loans and borrowings) was £191.4 million, and we had cash and short-term deposits totalling £6.5 million. We aim to hold a minimum of £5.0 million of cash and short-term deposits at all times, and manage our cash proactively against forecasts to ensure that we always have sufficient cash to meet our obligations (under both normal and stressed conditions).

Our business is cash generative and we require a relatively low level of capital expenditure to implement our strategy. We expect that any future acquisitions would be funded from cash in hand or borrowings.

### 9.2 *Cash flow*

The following table sets out consolidated cash flow information for the periods under review.

| (£ in thousands) | Year Ended 31 July | | | Seven months ended 28 February | |
|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2013 | 2014 |
| **OPERATING ACTIVITIES** | | | | | |
| Profit/(loss) after tax | 1,577 | (13,896) | (2,064) | (2,690) | (8,861) |
| **Adjustments to reconcile profit/(loss) for the period to net cash flow from operating activities** | | | | | |
| Tax charge/(credit) for the period | 3,711 | 2,145 | (2,139) | 166 | (934) |
| (Gain) on disposal of plant and equipment | (33) | (62) | (48) | (32) | (37) |
| Exceptional costs | — | 10,765 | 2,778 | 1,554 | 1,924 |
| Cash flows relating to exceptional costs | — | (5,357) | (1,354) | (629) | (1,357) |
| Finance income | (679) | (23) | (630) | (14) | (7) |
| Finance costs | 14,115 | 16,394 | 14,099 | 7,988 | 16,236 |
| Depreciation of property, plant and equipment | 1,425 | 1,403 | 1,588 | 879 | 998 |
| Amortisation of intangible assets | 81 | 4,845 | 10,186 | 5,850 | 7,651 |
| **Working capital adjustments** | | | | | |
| Decrease/(increase) in trade receivables and other assets | (249) | 910 | (1,415) | (2,409) | (2,047) |
| Decrease/(increase) in inventories | (1,473) | (59) | 1,097 | 870 | (955) |
| Exceptional costs: fair value of inventories | — | (5,408) | (845) | (845) | (102) |
| Increase/(decrease) in trade payables and other payables | 1,312 | (87) | 18 | (731) | (340) |
| Increase/(decrease) in provisions | (170) | 231 | (74) | 26 | 173 |
| Withholding tax paid on loan note interest | — | (275) | — | — | — |
| UK income tax paid | (3,807) | (3,695) | (2,883) | (2,028) | (1,925) |
| Overseas income tax paid | — | — | (276) | (147) | (320) |
| ***Net cash flows from operating activities*** | ***15,810*** | ***7,831*** | ***18,038*** | ***7,808*** | ***10,097*** |
| **INVESTING ACTIVITIES** | | | | | |
| Payments to acquire tangible assets | (145) | (124) | (850) | (313) | (1,228) |
| Purchase of property, plant and equipment | (1,396) | (1,403) | (1,758) | (1,079) | (729) |
| Proceeds from sale of property, plant and equipment | 49 | 102 | 109 | 118 | 65 |
| Acquisition of subsidiary, net of cash acquired | — | — | (7,955) | (7,955) | (10,632) |
| Interest received | 48 | 23 | 40 | 14 | 7 |
| ***Net cash flow from investing activities*** | ***(1,444)*** | ***(1,402)*** | ***(10,414)*** | ***(9,215)*** | ***(12,517)*** |
| **FINANCING ACTIVITIES** | | | | | |
| Repayment of interest bearing loans and borrowings | (14,121) | (178,528) | (3,375) | (1,500) | (41,881) |
| Proceeds from new borrowings raised | — | 179,263 | — | — | 41,050 |
| Receipt of compensation from bondholders | 2,733 | 2,929 | 1,653 | 1,653 | — |
| Issue costs on new borrowings | — | (4,405) | (182) | (182) | (3,756) |
| Interest paid | (2,538) | (3,369) | (4,736) | (2,461) | (2,363) |
| Proceeds from issue of new shares issued | 10 | 2,101 | — | — | — |
| ***Net cash flow from financing activities*** | ***(13,916)*** | ***(2,009)*** | ***(6,640)*** | ***(2,490)*** | ***(6,950)*** |
| Net increase/(decrease) in cash and cash equivalents | 450 | 4,420 | 984 | (3,897) | (9,370) |
| Cash and cash equivalents at the start of the period | 10,087 | 10,537 | 14,957 | 14,957 | 15,943 |
| Effect of exchange rates on cash and cash equivalents | — | — | 2 | 21 | (37) |
| ***Cash and cash equivalents at the end of the period*** | ***10,537*** | ***14,957*** | ***15,943*** | ***11,081*** | ***6,536*** |

#### (a) *Net cash flows from operating activities*

For the seven months ended 28 February 2013, we generated net cash flows from operating activities of £7.8 million compared to £10.1 million for the seven months ended 28 February 2014. This increase of £2.3 million was primarily because Adjusted EBITDA was £3.2 million higher in the seven months ended 28 February 2014, partially offset by an adverse movement in working capital of £0.9 million.

For the year ended 31 July 2012, we generated net cash flows from operating activities of £7.8 million compared to £18.0 million for the year ended 31 July 2013. This increase of £10.2 million was primarily because of the decrease by £4.2 million of exceptional costs relating to professional services, and the decrease of £4.6 million in fair value adjustments to finished goods inventories, in each case in connection with the Volution Acquisition (which completed in the year ended 31 July 2012), and also the increase in Adjusted EBITDA of £2.2 million, partially offset by an adverse movement in working capital of £1.4 million.

For the year ended 31 July 2011, we generated net cash flows from operating activities of £15.8 million compared to £7.8 million for the year ended 31 July 2012. This decrease of £8.0 million was primarily due to the increase by £5.4 million of exceptional costs relating to professional services, and the increase of £5.4 million in fair value adjustments to finished goods inventories, in each case in connection with the Volution Acquisition (which completed in the year ended 31 July 2012), partially offset by a positive movement in working capital of £1.6 million.

**(b)** *Net cash flows from investing activities*

For the seven months ended 28 February 2013, net cash outflow from investing activities was £9.2 million compared to £12.5 million for the seven months ended 28 February 2014. This increase of £3.3 million was due to the investment in PAX during the seven months ended 28 February 2014 (which exceeded the investment in Fresh during the seven months ended 28 February 2013).

For the year ended 31 July 2012, net cash outflow from investing activities was £1.4 million compared to £10.4 million for the year ended 31 July 2013. This increase of £9.0 million was primarily due to the investment in Fresh during the year ended 31 July 2013 and the investment in our new enterprise resource planning software.

For the year ended 31 July 2011, net cash outflow from investing activities was £1.4 million (the same as for the year ended 31 July 2012).

**(c)** *Net cash flows from financing activities*

For the seven months ended 28 February 2013, net cash outflow from financing activities was £2.5 million compared to £7.0 million for the seven months ended 28 February 2014. This increase of £4.5 million was due to the December 2013 extension of the Existing Debt Facilities (£3.8 million outflow to pay associated issuing costs of new borrowings) and the receipt of £1.7 million compensation from bondholders during the seven months ended 28 February 2013 (which was not repeated in the seven months ended 28 February 2014), partially offset by £1.5 million of additional repayments during the seven months ended 28 February 2013.

For the year ended 31 July 2012, net cash outflow from financing activities was £2.0 million compared to £6.6 million for the year ended 31 July 2013. This increase of £4.6 million was primarily due to ordinary course repayments during the year ended 31 July 2013 compared to full repayment (from the proceeds of new borrowings under the Existing Debt Facilities) of existing indebtedness in the year ended 31 July 2012, receipt of £1.3 million less compensation from bondholders in the year ended 31 July 2013 and receipt of £2.1 million proceeds from issue of new shares in the year ended 31 July 2012, partially offset by the £4.2 million higher issuing costs of new borrowings incurred in the year ended 31 July 2012. The events described in this paragraph which took place during the year ended 31 July 2012 were all connected with the Volution Acquisition.

For the year ended 31 July 2011, net cash outflow from financing activities was £13.9 million compared to £2.0 million for the year ended 31 July 2012. This decrease of £11.9 million was primarily due to £14.1 million of additional repayments of bank indebtedness in the year ended 31 July 2011, partially offset by the £4.4 million issuing costs of new borrowings incurred in the year ended 31 July 2012 (in connection with the Volution Acquisition).

### 9.3 *Capitalisation and indebtedness*

The table below sets out our capitalisation and indebtedness as at 28 February 2014. The figures have been extracted from our historical financial information as at 28 February 2014, which is contained in Part XI (*Historical financial information*).

| (£ in thousands) | As at 28 February 2014 |
|---|---|
| **TOTAL CURRENT DEBT** | |
| Guaranteed/secured(1) | (4,650) |
| **Total current debt** | **(4,650)** |
| **TOTAL NON-CURRENT DEBT** | |
| Guaranteed/secured(1) | (105,003) |
| Unguaranteed/unsecured(2) | (81,722) |
| **Total non-current debt (excluding current portion of long-term debt)** | **(186,725)** |
| **SHAREHOLDERS' EQUITY** | |
| Share capital | 3 |
| Share premium | 2,098 |
| Foreign currency translation reserve | 254 |
| **Total equity (excluding retained reserves)** | **(2,355)** |
| **Total capitalisation** | **(189,080)** |

(1) Comprises the Existing Debt Facilities (which are secured by debentures with fixed and floating charges over the shares and assets of our material subsidiaries, all of which have also provided cross guarantees of each other's obligations under the Existing Debt Facilities). On 2 April 2014, we drew down £10.4 million under the Existing Debt Facilities to finance the acquisition of inVENTer. On 30 April 2014, we repaid £2.3 million of the Existing Debt Facilities. We will repay £61.9 million of the Existing Debt Facilities out of the net proceeds of the Offer (at which time the amendment of the Existing Debt Facilities into the New Debt Facilities will become effective).

(2) Comprises loan notes held by the TowerBrook Shareholder and certain of our other shareholders and directors (which are unsecured and unguaranteed). On 2 April 2014, we drew down £8.0 million of new loan notes to finance the acquisition of inVENTer. As part of the Reorganisation, all such loan notes will be exchanged for Ordinary Shares (such that we will have no loans from related parties).

Save for the changes set forth in the notes to the foregoing table, there have been no material changes in the capitalisation and indebtedness of the Group since 28 February 2014.

The table below sets out our net indebtedness as at 25 April 2014. The figures (which are unaudited) have been extracted from management accounts that have prepared using policies that are consistent with those used in the preparation of our historical financial information as at and for the seven months ended 28 February 2014, as set out in Part XI (*Historical financial information*).

| (£ in thousands) | As at 25 April 2014 |
|---|---|
| **LIQUIDITY** | |
| Cash | 11,994 |
| **Liquidity** | 11,994 |
| **CURRENT FINANCIAL DEBT** | |
| Current bank loans(1) | (4,650) |
| **Current financial debt** | (4,650) |
| Net current financial indebtedness | 7,344 |
| **NON-CURRENT FINANCIAL INDEBTEDNESS** | |
| Non-current bank loans(1) | (114,758) |
| Bonds issued(2) | (90,850) |
| **Non-current financial indebtedness** | (205,608) |
| **Net financial indebtedness** | (198,264) |

(1) Comprises the Existing Debt Facilities. On 30 April 2014, we repaid £2.3 million of the Existing Debt Facilities. We will repay £61.9 million of the Existing Debt Facilities out of the net proceeds of the Offer (at which time the amendment of the Existing Debt Facilities into the New Debt Facilities will become effective). Immediately following such repayment, we will have £55.2 million of outstanding indebtedness under the New Debt Facilities.

(2) Comprises loan notes held by the TowerBrook Shareholder and certain of our other shareholders and directors. As part of the Reorganisation, all such loan notes will be exchanged for Ordinary Shares (such that we will have no loans from related parties).

### 9.4 *Existing Debt Facilities*

The Existing Debt Facilities are secured by debentures with fixed and floating charges over the shares and assets of our material subsidiaries, all of which have also provided cross guarantees of each other's obligations under the Existing Debt Facilities.

The Existing Debt Facilities comprise £135.6 million of term loans (£20 million of which is an acquisition facility) and a £5.0 million revolving credit facility. The Existing Debt Facilities are on customary terms for a leveraged loan to a private equity-backed company, including as to covenants, representations and financial covenants. As of 28 February 2014, £109.7 million was outstanding under the Existing Debt Facilities.

During the year ended 31 July 2013, we repaid £3.4 million of the amounts outstanding the Existing Debt Facilities, all of which were mandatory repayments. During the seven months ended 28 February 2014, we repaid £1.9 million of the amounts outstanding under the Existing Debt Facilities, all of which was a mandatory prepayment. On 30 April 2014, we repaid £2.3 million of the Existing Debt Facilities.

In December 2013, the Existing Debt Facilities were extended by £41.1 million which we drew down to repay certain of the loan notes held by the TowerBrook Shareholder and certain of our other shareholders and directors on a pro rata basis (£40.0 million of which were repaid using a combination of these new borrowings (net of fees) and £2.8 million of cash on balance sheet). On 2 April 2014, we drew down £10.4 million under the Existing Debt Facilities to finance the acquisition of inVENTer.

Borrowings under the Existing Debt Facilities bear interest at LIBOR, EURIBOR or STIBOR according to the currency of the relevant borrowing, plus a margin and mandatory costs (if any). Subject to certain conditions, the standard margins applicable to the term loans and the revolving credit facility can be reduced or increased, depending on whether certain leverage thresholds have been met in the previous twelve months. These leverage thresholds are tested on a quarterly basis following the mandatory delivery of quarterly financial statements.

The Existing Debt Facilities contain the following financial covenants:

- Cashflow Cover (calculated as the ratio of Cashflow to Net Debt Service, as such terms are defined in the Existing Debt Facilities) must not be less than 1:1;
- Interest Cover (calculated as the ratio of Consolidated EBITDA to Consolidated Net Interest, as such terms are defined in the Existing Debt Facility) must not be less than certain ratios, which vary from 2.83:1 to 3.50:1 during the life of the Existing Debt Facilities;
- Adjusted Leverage (calculated as the ratio of Total Gross Debt to Adjusted EBITDA, as such terms are defined in the Existing Debt Facilities) must not exceed certain ratios, which vary from 5.25:1 to 2.50:1 during the remaining life of the Existing Debt Facilities; and
- Capital Expenditure (as defined in the Existing Debt Facilities) per financial year in the aggregate, must not exceed certain thresholds, which range from approximately £6.6 million to approximately £4.9 million during the life of the Existing Debt Facilities, with up to 75% of any Unused Amount (as defined in the Existing Debt Facilities) per financial year being available to be carried forward to the next financial year, subject to certain limitations.

These financial covenants are tested on a quarterly basis (in each case by reference to the immediately preceding twelve months, subject to certain exceptions). For the purpose of the financial covenants:

- Cashflow means consolidated EBITDA for the relevant period adjusted for certain items, including changes in working capital, tax payments and receipts, capital expenditures, realised exchange gains or losses relating to hedging contracts, cash cost of permitted acquisitions (whether actually made or aborted) and joint venture investments, cash receipts of loan repayment or return of cash from non-group entities (including joint ventures) to the extent not included in consolidated EBITDA, cash distributions paid to shareholders and cash cost of pensions to the extent not included in consolidated EBITDA.
- Consolidated EBITDA means consolidated operating profit for the relevant period adjusted for certain items, including depreciation and amortisation or impairment, goodwill or intangible assets from acquisitions, finance income, business interruption insurance proceeds, dividends or profit distributions, tax, exceptional items, acquisition costs, management and consulting fees, pension items, foreign exchange gains or losses, and non-executive director fees.

- Adjusted EBITDA means Consolidated EBITDA for the relevant period adjusted for certain items in relation to acquisitions and dispositions.

The Existing Debt Facilities contain certain additional restrictive covenants, including restrictions relating to mergers, acquisitions, joint ventures, the nature and scope of business activities, the granting of security over or disposal of assets, the incurrence of financial indebtedness, guarantees and indemnities and the funding of pension schemes.

No dividends or other distributions may be paid unless such payment qualifies as a Permitted Distribution or a Permitted Payment.

Borrowings are required to be pre-paid under the Existing Debt Facilities with respect to each financial year if the Consolidated Leverage ratio is equal to or greater than 2.00:1, in the amount equal to 50% of the amount of Excess Cashflow for such financial year. Excess Cashflow is calculated as Cashflow for any financial year less the aggregate of Net Debt Service, voluntary prepayments of the Existing Term Facilities, net cash proceeds from Equity Contributions, any Permitted Carried Forward Amount for that financial year and £1,000,000, and adding back any Permitted Carry Forward Amount from the previous financial year not spent on Capital Expenditure.

The Existing Debt Facilities contain other prepayment provisions, including:

- the mandatory prepayment of all borrowings under, and the cancellation of all commitments under, the Existing Debt Facilities upon a change of control in relation to TowerBrook Capital Partners (UK) LLP, which, for the purpose of the Existing Debt Facilities, will occur in relation to TowerBrook Capital Partners (UK) LLP if they no longer (amongst others) hold beneficially more than 50% of the issued share capital of Windmill Cleanco, have the power to control (directly or indirectly) the casting of more than 50% of the maximum number of votes that might be cast at a general meeting of Windmill Cleanco, or if Windmill Cleanco ceases to own legally and beneficially 100% of the issued share capital and voting rights of Windmill Bidco; and
- the prepayment of the proceeds of disposals, insurance, acquisition or report claims and any IPO of shares of any member of the Group.

These prepayment provisions will be triggered by the Offer, although as noted elsewhere in this Prospectus the lenders have agreed to amend and restate the Existing Debt Facilities into the New Debt Facilities conditional on Admission and our repayment of £61.9 million of the Existing Debt Facilities out of the proceeds of the Offer. For more information on the partial repayment of the Existing Debt Facilities, please see Part VI (*Details of the Offer*).

As of 30 April 2014, the Group's Consolidated Leverage ratio for purposes of the Existing Debt Facilities was 4.02:1.

The Existing Debt Facilities contain customary events of default.

### 9.5 *New Debt Facilities*

As of 30 April 2014 the amount of our outstanding indebtedness under the Existing Debt Facilities was £117.1 million. Simultaneously with Admission (and our repayment of £61.9 million of the Existing Debt Facilities out of the proceeds of the Offer), the amendment and restatement of the Existing Debt Facilities into the New Debt Facilities will become effective.

The New Debt Facilities comprise a £55.2 million term loan maturing in January 2019, a £20.0 million acquisition facility maturing in December 2019, and a £13.0 million revolving credit facility available until January 2018.

On Admission, we expect to have approximately £30.0 million of unused commitments which are available in cash under the New Debt Facilities (consisting of the £20.0 million acquisition facility and £10.0 million of the £13.0 million revolving credit facility available to us thereunder). On Admission, we will have £55.2 million of outstanding indebtedness under the New Debt Facilities, denominated in a mix of sterling, SEK and euros. The acquisition facility and revolving credit facility can also be drawn in sterling, SEK and euros.

Borrowings under the New Debt Facilities bear interest at LIBOR, EURIBOR or STIBOR according to the currency of the relevant borrowing, plus a margin and mandatory costs (if any).

The £20.0 million acquisition facility that forms part of the New Debt Facilities is a term loan which is available for drawing for a 3 year period. If amounts are drawn under the acquisition facility and we elect to prepay those amounts or a portion of them, we are not able to re-borrow the loans that have been prepaid.

The £13.0 million revolving credit facility is capable of being repaid and re-borrowed. Amounts borrowed under the revolving credit facility may be applied only towards general corporate and working capital purposes but may not be applied towards: (i) acquisitions of companies, businesses or undertakings; (ii) capital expenditure; or (iii) the payment of interest on, or the repayment or prepayment of, any term loans under the New Debt Facilities. £10.0 million of the revolving credit facility is available in cash, with the remaining £3.0 million ancillary facility available as letters of credit, guarantees and foreign exchange. Once per financial year, we must ensure that utilisations under the revolving credit facility, as reduced by any amounts of cash that are available to the Group, do not exceed £9.0 million for a period of not less than 5 business days.

The New Debt Facilities contain the following financial covenants:

- Interest Cover (calculated as the ratio of Consolidated EBITDA to Consolidated Net Interest, as such terms are defined in the New Debt Facilities) must not be less than 4.00:1 during the life of the New Debt Facilities; and
- Adjusted Leverage (calculated as the ratio of Total Gross Debt to Adjusted EBITDA, as such terms are defined in the New Debt Facilities) must not exceed certain ratios, which vary from 3.00:1 to 2.50:1 during the life of the New Debt Facilities.

These financial covenants are tested on a quarterly basis (in each case by reference to the immediately preceding twelve months, subject to certain exceptions). For the purpose of the financial covenants:

- Consolidated EBITDA means consolidated operating profit for the relevant period adjusted for certain items, including depreciation and amortisation or impairment, goodwill or intangible assets from acquisitions, finance income, business interruption insurance proceeds, dividends or profit distributions, tax, exceptional items, acquisition costs, management and consulting fees, pension items, foreign exchange gains or losses, and non-executive director fees.
- Adjusted EBITDA means Consolidated EBITDA for the relevant period adjusted for certain items in relation to acquisitions and dispositions.

Following the receipt and application of the net proceeds of the Offer and Admission, it is anticipated that: (a) the Group will in the medium term target an Adjusted Leverage Ratio of approximately 1.5x; and (b) initially the Interest Cover Ratio will exceed 10.0x.

The New Debt Facilities contain certain additional restrictive covenants, including restrictions relating to mergers, acquisitions, joint ventures, the nature and scope of business activities, the granting of security over or disposal of assets, the incurrence of financial indebtedness, guarantees and indemnities and the funding of pension schemes.

No dividends or other distributions may be paid whilst certain material events of default are continuing.

The New Debt Facilities contain prepayment provisions including the mandatory prepayment of all borrowings under, and the cancellation of all commitments under, the New Debt Facilities upon a change of control, will occur if any person (other than TowerBrook Capital Partners (UK) LLP) holds beneficially more than 50% of the issued voting share capital of Windmill Cleanco or has the power appoint or remove the majority of the board of directors or to give directions with respect to the operating and financial policies of the Company with which the directors are obliged to comply.

The New Debt Facilities contain customary events of default.

Under the New Debt Facilities, the Group is required to hedge interest rate exposure up until 31 December 2015 in respect of at least two-thirds of the term loans (other than the Acquisition Facility), which are based on LIBOR, EURIBOR and STIBOR according to the currency of the relevant term loans. On or following Admission, we will therefore reduce our current LIBOR hedging cover (as it is based on the sterling loans under Existing Debt Facilities, which are larger than those under the New Debt Facilities) and purchase the applicable EURIBOR cover (STIBOR cover will remain as is as the amount of krona loans under the New Debt Facilities is the same as under the Existing Debt Facilities). As at 16 June 2014, it would have cost approximately £155,000 to effect such hedging changes.

### 9.6 *Capital expenditures*

Capital expenditures relate mainly to the ongoing maintenance and replacement of our buildings and capital equipment. It also includes the costs for new projects either as part of our production consolidation (for example during the re-shoring of our UK production capacity described above) or for new production processes and procedures.

The following table sets out our capital expenditures for the periods under review.

| (£ in thousands) | Year Ended 31 July 2011 | Year Ended 31 July 2012 | Year Ended 31 July 2013 | Seven months ended 28 February 2014 |
|---|---|---|---|---|
| Freehold buildings | 28 | 183 | 122 | 18 |
| Plant and machinery | 474 | 210 | 666 | 230 |
| Fixtures, fittings, tools, equipment and vehicles | 894 | 1,010 | 970 | 481 |
| **Property, plant and equipment** | **1,396** | **1,403** | **1,758** | **729** |
| Development costs | 53 | 102 | 291 | 507 |
| Software costs | 92 | 22 | 559 | 721 |
| **Payments to acquire intangible assets** | **145** | **124** | **850** | **1,228** |
| **Capital expenditure** | **1,541** | **1,527** | **2,608** | **1,957** |

We expect to invest approximately £3.8 million in capital expenditures during the year ending 31 July 2014, which is higher than our typical and anticipated future steady-state capital expenditures and will include the acquisition and improvement of property, plant and equipment, new product development, the implementation of a new enterprise resource planning system, the fitting out of a new leasehold manufacturing facility for Torin-Sifan and the final fit-out of, and completion of the external groundwork at, inVENTer's new factory in Löberschütz. As of 28 February 2014, our outstanding capital expenditure commitments were £0.4 million. Since 28 February 2014, we have entered into a lease, commencing on 10 March 2014, for a period of 12 years at an annual rent of £0.1 million with a rent free period of 15 months.

Some of the major capital expenditures that have been incurred during the periods under review include those relating to:

- the re-shoring of our UK production capacity described above (incurred in the year ended 31 July 2013);
- the implementation of a new enterprise resource planning system (first incurred during the year ended 31 July 2013 and expected to continue into the year ending 31 July 2016);
- the acquisition and improvement of property, plant and equipment (incurred during all periods under review and expected to continue);
- new product development (incurred during all periods under review and expected to continue); and
- the fitting out of a new leasehold manufacturing facility for Torin-Sifan (first incurred during the year ending 31 July 2014 and expected to continue into the year ending 31 July 2015).

## 10 Off-balance sheet arrangements

As of 28 February 2014, we had no off-balance sheet arrangements.

## 11 Contractual obligations

The following table sets out, as of 28 February 2014, our key contractual obligations and commercial commitments, based upon the period in which payments are due.

| | Contractual Obligations | | | |
|---|---|---|---|---|
| **(£ in thousands)** | **Within 1 year** | **1-5 years** | **Over 5 years** | **Total** |
| Operating lease obligations(1) | 427 | 1,535 | 4,894 | 6,856 |
| Interest bearing loans and borrowings(2) | 11,109 | 87,842 | 180,216 | 279,167 |
| Forward foreign currency exchange outflow | 12,233 | — | — | 12,233 |
| Forward foreign currency exchange inflow | (11,470) | — | — | (11,470) |
| Interest rate swaps | 399 | — | — | 399 |
| Trade and other payables | 9,025 | — | — | 9,025 |
| **Total** | **21,723** | **89,377** | **185,110** | **296,210** |

(1) The contractual obligations set out in the table above as "Operating lease obligations" reflect mainly those agreements and obligations that in the ordinary course of our operations are customary and necessary in light of the activities in which we engage. Since 28 February 2014, we have entered into a lease, commencing on 10 March 2014, for a period of 12 years at an annual rent of £0.1 million with a rent free period of 15 months.

(2) Comprises the Existing Debt Facilities and loan notes held by certain of our other shareholders and directors. On 2 April 2014, we drew down £10.4 million under the Existing Debt Facilities and £8.0 million of new loan notes to finance the acquisition of inVENTer. On 30 April 2014, we repaid £2.3 million of the Existing Debt Facilities. We will repay £61.9 million of the Existing Debt Facilities out of the net proceeds of the Offer (at which time the amendment of the Existing Debt Facilities into the New Debt Facilities will become effective). Immediately following such repayment, we will have £55.2 million of outstanding indebtedness under the New Debt Facilities. As part of the Reorganisation, all such loan notes will be exchanged for Ordinary Shares (such that we will have no loans from related parties).

## 12 Contingent liabilities

Certain of our subsidiaries are guarantors of the Existing Debt Facilities, and will be guarantors of the New Debt Facilities, but are not and will not be borrowers thereunder. Accordingly, they may become liable to make repayments of such facilities should the borrower (Windmill Bidco) fail to do so.

## 13 Quantitative and qualitative disclosures on market risk

Each reporting segment is responsible for identifying the key risks within its jurisdiction and ensuring these risks are managed and mitigated. From a financial point we have a formalised audit committee which assesses risk and adjusts the audit as appropriate.

### 13.1 *Interest rate risk*

At 28 February 2014 we had an interest rate hedging product in place covering 66.6% of the Existing Debt Facilities. Historically, we have been exposed to interest rate risk because we have borrowed funds with a floating interest rate. Such risk relating to floating interest rates has been managed by fixing such interest through the use of forward contracts. The fair value of the interest rate swap as at 28 February 2014 was a liability of £399,000. Taking into account our interest rate hedge, the Directors estimate that a movement in the applicable base rates of 0.25% would have resulted in an impact on finance costs for the year ended 31 July 2013 of £61,000.

Under the New Debt Facilities, the Group is required to hedge interest rate exposure up until 31 December 2015 in respect of at least two-thirds of the term loans (other than the Acquisition Facility), which are based on LIBOR, EURIBOR and STIBOR according to the currency of the relevant term loans. On or following Admission, we will therefore reduce our current LIBOR hedging cover (as it is based on the sterling loans under Existing Debt Facilities, which are larger than those under the New Debt Facilities) and purchase the applicable EURIBOR cover (STIBOR cover will remain as is as the amount of krona loans under the New Debt Facilities is the same as under the Existing Debt Facilities). As at 16 June 2014, it would have cost approximately £155,000 to effect such hedging changes.

### 13.2 *Foreign currency*

For the purpose of presenting our consolidated financial statements, the assets and liabilities of the Group's foreign operations are expressed in sterling using exchange rates prevailing at the end of the reporting period, and therefore we are subject to translational risk. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising are classified as other comprehensive income and transferred to our foreign currency translation reserve. We have hedged against the translation risk of Fresh and PAX by means of redenominating £20.5 million of the Existing Debt Facilities to SEK, over time. Under the New Debt Facilities, we will have access to sterling, SEK and euro facilities, which are the functional currencies of each member of the Group.

In preparing the financial statements of our individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing at the dates of the transactions. At each end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. In these instances we incur transactional exchange differences that fluctuate as both the selling and buying currencies strengthen or deteriorate over time.

Our policy is to hedge transactional exposures to foreign currency risk on the U.S. Dollar, and we generally forecast our U.S. Dollar requirements on an annual basis, and hedge 80-90% of those forecast requirements. We monitor foreign exchange rates to assess the potential impact on our profits if exchange rates move significantly. The currencies giving rise to these risks are primarily euro, Swedish krona, Norwegian krone and the U.S. Dollar. See paragraph 8 (*Currencies and exchange rate information*) of Part V (*Presentation of information*).

We have put hedges in place to mitigate transactional currency exposure on certain currencies, arising from expenses paid in a currency other than sterling. As of 28 February 2014, we had forward cover until 31 July 2015 on the U.S. Dollar. The net fair value of this hedge as of 28 February 2014 was £(0.7) million. In total, the Directors estimate that a 5% swing in the GBP:USD FX rate would (taking into account our U.S. Dollar hedge) have resulted in an impact on profit/(loss) before tax for the year ended 31 July 2013 of £97,000.

### 13.3 *Commodity price risk*

While we are not generally directly exposed to commoditised raw material price fluctuations, we are exposed to general increases in the cost of certain electronic components (because they incorporate commoditised materials, such as PVC and copper). However, historically we have been able to recover such input cost increases through price improvement of our products with customers.

## 14 Critical accounting policies and judgements, estimates and assumptions

In the application of our accounting policies, which are described in Note 2 to our consolidated historical financial information in Part XI (*Historical financial information*), we are required to make judgements, estimates and assumptions, the most critical of which are described in Note 3 to our consolidated historical financial information in Part XI (*Historical financial information*). We make such judgements, estimates and assumptions based on historical experience and other factors that we consider to be relevant. Actual results may differ from these estimates given the uncertainty surround the assumptions and conditions on which they are based.

### (a) *Revenue recognition*

We measure revenue at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Revenue is stated net of settlement discounts, VAT, other sales taxes and duties.

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

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

Revenue from the provision of services is recognised by reference to the stage of completion. Stage of completion is measured by reference to specific milestones as agreed at the beginning of the contract. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of expenses recognised that are recoverable.

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

**(b)** *Intangible assets acquired in a business combination*

We identify intangible assets acquired in a business combination and recognise them separately from goodwill where they satisfy the definition of an intangible asset under IFRS and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

The fair value of identifiable brands, trademarks, and customer lists acquired and recognised as part of a business combination are determined using the multi-period excess earnings method.

We amortise intangible assets with a definite life on a straight-line basis over their estimated useful lives as follows:

- Trademarks: 20 - 25 years;
- Customer base: 7 - 11 years;
- Development: 10 years; and
- Software: 5 years.

We review the estimated useful life and amortisation method at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

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

**(c)** *Development costs*

We have only recently prepared financial statements in accordance with IFRS. However we have been unable to capitalise development costs in full for historical periods because retrospective application of IFRS does not permit the use of hindsight to conclude whether development costs recognition and measurement criteria were met in historical periods. In order to retrospectively apply IFRS and capitalise development costs for the historical periods presented, we would have had to revisit the research and development costs incurred and reconstruct a development cost that would be compliant with IFRS criteria, as the current records do not separate research and development costs based on the IFRS criteria. For example, staff costs incurred are not divided between specific projects. We have therefore determined that most of the development costs relating to staff have been expensed as incurred for the periods presented in the financial statements included elsewhere in this Prospectus. We have now put a procedure in place to monitor all future development spending and staff costs to assess whether the criteria are met.

Development costs are capitalised using our assessment of the likelihood of a successful outcome for each product being released to market, based on our judgement that technological and economic feasibility has been met.

**(d)** *Impairment of tangible and intangible assets excluding goodwill*

At each reporting period, we review the carrying amounts of our tangible and intangible assets 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 Directors estimate the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the income statement.

**(e)** *Impairment of goodwill*

Our impairment test for goodwill is based on a value in use calculation using a discounted cash flow model. The cash flows are derived from the budget for the following five years. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. We test annually whether goodwill has suffered any impairment.

**(f)** *Rebates payable and receivable*

We have a number of customer and supplier rebate agreements, with the amounts payable and receivable often being subject to negotiation after the balance sheet date. At the balance sheet date, the Directors make judgements on the amount of rebate that will become both payable and due to us under these agreements based upon prices, volumes and product mix.

**(g)** *Taxation*

We establish provisions, based on reasonable estimates, for possible consequences of audits by tax authorities of the countries in which we operate. The amounts of such provisions are based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible authority. Judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded.

**15 Recent accounting pronouncements**

IFRS 13, "Fair Value Measurement", which was effective from the period beginning 1 August 2013, establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS. IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, we have included the fair value measurement policy set out in Note 2 to our consolidated historical financial information set out in Part XI (Historical financial information), which is applicable for the period commencing 1 August 2013.

The following standards and interpretations have an effective date after the date of our consolidated historical financial information set out in Part XI (*Historical financial information*). We have not early adopted them and plan to adopt them from the effective dates adopted by the EU, and we do not foresee any material impact.

| Standard or interpretation | Title | Effective for account periods beginning on or after |
|---|---|---|
| IAS 27 | Separate Financial Statements (as revised 2011) | 1 January 2014 |
| IAS 32 | Amendments to IAS 32 | 1 January 2014 |
| IFRS 9 | Financial Instruments: Classification and Measurement | 1 January 2018 |
| IFRS 10 | Consolidated Financial Statements | 1 January 2014 |
| IFRS 12 | Disclosure of Interests in Other Entities | 1 January 2014 |

## PART XI

## HISTORICAL FINANCIAL INFORMATION

### Section A: Accountant's report on the historical financial information of the Group

The Directors
Volution Group plc
Fleming Way
Crawley
West Sussex
RH10 9YZ

18 June 2014

Dear Sirs

**The Windmill Business, being the business now carried out by Windmill Topco Limited and its subsidiaries**

We report on the consolidated financial information of the Windmill Business for the years ended 31 July 2011, 2012 and 2013 and the seven months ended 28 February 2014, as set out in Section B of this Part XI (*Historical Financial Information*) (the "**Historical Financial Information**"). The Windmill Business is defined in Note 2 to the Historical Financial Information. The Historical Financial Information has been prepared for inclusion in the prospectus dated 18 June 2014 of Volution Group plc (the "**Company**") on the basis of the accounting policies set out in Note 2 to the Historical Financial Information. This report is required by item 20.1 of Annex I of Commission Regulation (EC) 809/2004 and is given for the purpose of complying with that item and for no other purpose.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex I to Commission Regulation (EC) 809/2004, consenting to its inclusion in the prospectus.

We have not audited or reviewed the financial information for the seven months ended 28 February 2013 and accordingly do not express an opinion thereon.

**Responsibilities**

The Directors of the Company are responsible for preparing the Historical Financial Information on the basis of preparation set out in Note 2 to the Historical Financial Information.

It is our responsibility to form an opinion on the Historical Financial Information and to report our opinion to you.

**Basis of opinion**

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the Historical Financial Information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the Historical Financial Information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work 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 Historical Financial Information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

**Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the prospectus dated 18 June 2014, a true and fair view of the state of affairs of the Windmill Business at the dates stated and of its profits, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation set out in Note 2 to the Historical Financial Information.

**Declaration**

For the purposes of Prospectus Rule 5.5.3R (2)(f) we are responsible for this report as part of the prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the prospectus in compliance with item 1.2 of Annex I of Commission Regulation (EC) 809/2004.

Yours faithfully

Ernst & Young LLP

## Section B: Historical financial information of the Group

### Consolidated statement of comprehensive income

| | Notes | Year ended 31 July | | | Seven months ended 28 February | |
|---|---|---|---|---|---|---|
| | | 2011 | 2012 | 2013 | Unaudited 2013 | 2014 |
| | | £000 | £000 | £000 | £000 | £000 |
| ***Revenue*** | 5 | 87,760 | 89,330 | 102,262 | 58,596 | 70,276 |
| Cost of sales | | (49,535) | (51,003) | (56,245) | (32,722) | (37,111) |
| ***Gross profit*** | | 38,225 | 38,327 | 46,017 | 25,874 | 33,165 |
| Distribution costs | | (10,866) | (10,586) | (12,380) | (7,052) | (9,080) |
| Administrative expenses | | (8,635) | (12,356) | (21,593) | (11,818) | (15,727) |
| Exceptional costs | 7 | — | (10,765) | (2,778) | (1,554) | (1,924) |
| ***Operating profit*** | | 18,724 | 4,620 | 9,266 | 5,450 | 6,434 |
| Finance revenue | 8 | 679 | 23 | 630 | 14 | 7 |
| Finance costs | 8 | (14,115) | (16,394) | (14,099) | (7,988) | (16,236) |
| ***Profit/(loss) before tax*** | | 5,288 | (11,751) | (4,203) | (2,524) | (9,795) |
| Income tax (expense)/credit | 13 | (3,711) | (2,145) | 2,139 | (166) | 934 |
| ***Profit/(loss) for the period*** | | 1,577 | (13,896) | (2,064) | (2,690) | (8,861) |
| ***Other comprehensive income/(expense):*** | | | | | | |
| *Items that may subsequently be reclassified to profit or loss:* | | | | | | |
| Exchange differences arising on translation of foreign operations | | — | — | 138 | — | (283) |
| Gain/(loss) on hedge of net investment in foreign operation | | — | — | 444 | — | (45) |
| ***Other comprehensive income/(expense) for the period*** | | — | — | 582 | — | (328) |
| ***Total comprehensive income/(expense) for the period*** | | 1,577 | (13,896) | (1,482) | (2,690) | (9,189) |
| ***Earnings/(loss) per share (pence per share):*** | | | | | | |
| Basic and diluted, pence per share | 26 | 52.6p | (552.8)p | (103.2)p | (134.5)p | (442.8)p |

## Consolidated statement of financial position

| | Notes | At 31 July 2011 | 2012 | 2013 | At 28 February 2014 |
|---|---|---|---|---|---|
| | | £000 | £000 | £000 | £000 |
| ***Non-current assets*** | | | | | |
| Property, plant and equipment | 14 | 10,232 | 10,192 | 10,793 | 11,218 |
| Intangible assets—goodwill | 15 | 84,872 | 45,668 | 46,374 | 48,275 |
| Intangible assets—others | 16 | 161 | 111,340 | 108,392 | 109,194 |
| Deferred tax assets | 13 | 549 | 464 | 99 | 1,403 |
| | | 95,814 | 167,664 | 165,658 | 170,090 |
| ***Current assets*** | | | | | |
| Inventories | 19 | 12,538 | 12,597 | 12,751 | 14,792 |
| Trade and other receivables | 20 | 20,102 | 19,192 | 21,326 | 23,660 |
| Other current financial assets | 23 | 19 | — | 68 | — |
| Cash and short term deposits | 21 | 10,537 | 14,957 | 15,943 | 6,536 |
| | | 43,196 | 46,746 | 50,088 | 44,988 |
| ***Total assets*** | | 139,010 | 214,410 | 215,746 | 215,078 |
| ***Current liabilities*** | | | | | |
| Trade and other payables | 22 | (17,796) | (18,097) | (19,888) | (21,247) |
| Other current financial liabilities | 23 | (21) | (104) | — | (318) |
| Current tax liabilities | | (1,621) | (1,173) | (934) | (649) |
| Interest bearing loans and borrowings | 24 | (3,173) | (2,746) | (3,540) | (4,650) |
| Provisions | 25 | (562) | (793) | (719) | (892) |
| | | (23,173) | (22,913) | (25,081) | (27,756) |
| ***Non-current liabilities*** | | | | | |
| Interest bearing loans and borrowings | 24 | (142,523) | (176,512) | (181,482) | (186,725) |
| Other non-current financial liabilities | 23 | — | (913) | (494) | (782) |
| Provisions | 25 | (550) | (550) | (550) | (550) |
| Deferred tax liabilities | 13 | (18) | (25,588) | (21,687) | (22,002) |
| | | (143,091) | (203,563) | (204,213) | (210,059) |
| ***Total liabilities*** | | (166,264) | (226,476) | (229,294) | (237,815) |
| ***Net liabilities*** | | (27,254) | (12,066) | (13,548) | (22,737) |
| ***Capital and reserves*** | | | | | |
| Share capital | 27 | 787 | 3 | 3 | 3 |
| Share premium | | 2,223 | 2,098 | 2,098 | 2,098 |
| Foreign currency translation reserve | | — | — | 582 | 254 |
| Retained earnings | | (30,264) | (14,167) | (16,231) | (25,092) |
| ***Total equity*** | | (27,254) | (12,066) | (13,548) | (22,737) |

## Consolidated statement of changes in equity

| | Share capital | Share premium | Foreign currency translation reserve | Retained earnings | Total |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| ***At 1 August 2010*** | 787 | 2,223 | — | (31,841) | (28,831) |
| Profit for the year | — | — | — | 1,577 | 1,577 |
| ***At 31 July 2011*** | 787 | 2,223 | — | (30,264) | (27,254) |
| Loss for the year | — | — | — | (13,896) | (13,896) |
| Net adjustment to reserves arising from change in ownership | (787) | (2,223) | — | 29,993 | 26,983 |
| Issue of share capital | 3 | 2,098 | — | — | 2,101 |
| ***At 31 July 2012*** | 3 | 2,098 | — | (14,167) | (12,066) |
| Loss for the period (unaudited) from 1 August 2012 to 28 February 2013 | — | — | — | (2,690) | (2,690) |
| ***At 28 February 2013 (unaudited)*** | 3 | 2,098 | | (16,857) | (14,756) |
| Profit for the period from 1 March 2013 to 31 July 2013 | — | — | — | 626 | 626 |
| Other comprehensive income | — | — | 582 | — | 582 |
| Total comprehensive income | — | — | 582 | 626 | 1,208 |
| ***At 31 July 2013*** | 3 | 2,098 | 582 | (16,231) | (13,548) |
| Loss for the year | — | — | — | (8,861) | (8,861) |
| Other comprehensive expense | — | — | (328) | — | (328) |
| Total comprehensive expense | — | — | (328) | (8,861) | (9,189) |
| ***At 28 February 2014*** | 3 | 2,098 | 254 | (25,092) | (22,737) |

***Foreign currency translation reserve***

Exchange differences arising on translation of the Group's foreign subsidiaries into GBP are included in the foreign currency translation reserve. The Group hedges its exposure to its net investment in foreign operations, foreign exchange gains and losses relating to the effective portion of the net investment hedge are accounted for by entries made directly to the foreign currency translation reserve. No ineffectiveness has been recognised in the statement of comprehensive income for any of the periods presented.

These two items are the only items in other comprehensive income, therefore no disaggregation of changes in other comprehensive income by each type of reserve has been presented.

## Consolidated statement of cash flows

| | Notes | Year ended 31 July 2011 £'000 | Year ended 31 July 2012 £'000 | Year ended 31 July 2013 £'000 | Seven months ended 28 February 2013 (unaudited) £,000 | Seven months ended 28 February 2014 £'000 |
|---|---|---|---|---|---|---|
| ***Operating activities*** | | | | | | |
| Profit/(loss) for the period | | 1,577 | (13,896) | (2,064) | (2,690) | (8,861) |
| ***Adjustments to reconcile profit/(loss) for the period to net cash flow from operating activities*** | | | | | | |
| Tax charge/ (credit) for the period | | 3,711 | 2,145 | (2,139) | 166 | (934) |
| Gain on disposal of property, plant and equipment | | (33) | (62) | (48) | (32) | (37) |
| Exceptional costs | 7 | — | 10,765 | 2,778 | 1,554 | 1,924 |
| Cash flows relating to exceptional costs | | — | (5,357) | (1,354) | (629) | (1,357) |
| Finance revenue | 8 | (679) | (23) | (630) | (14) | (7) |
| Finance costs | 8 | 14,115 | 16,394 | 14,099 | 7,988 | 16,236 |
| Depreciation of property, plant and equipment | 14 | 1,425 | 1,403 | 1,588 | 879 | 998 |
| Amortisation of intangible assets | 16 | 81 | 4,845 | 10,186 | 5,850 | 7,651 |
| ***Working capital adjustments:*** | | | | | | |
| Decrease/(increase) in trade receivables and other assets | | (249) | 910 | (1,415) | (2,409) | (2,047) |
| Decrease/(increase) in inventories | | (1,473) | (59) | 1,097 | 870 | (955) |
| Exceptional costs: fair value of inventories | | — | (5,408) | (845) | (845) | (102) |
| Increase/(decrease) in trade payables and other payables | | 1,312 | (87) | 18 | (731) | (340) |
| Increase/(decrease) in provisions | | (170) | 231 | (74) | 26 | 173 |
| Withholding tax paid on loan note interest | | — | (275) | — | — | — |
| UK income tax paid | | (3,807) | (3,695) | (2,883) | (2,028) | (1,925) |
| Overseas income tax paid | | — | — | (276) | (147) | (320) |
| ***Net cash flow from operating activities*** | | 15,810 | 7,831 | 18,038 | 7,808 | 10,097 |
| ***Investing activities*** | | | | | | |
| Payments to acquire intangible assets | 16 | (145) | (124) | (850) | (313) | (1,228) |
| Purchase of property, plant and equipment | 14 | (1,396) | (1,403) | (1,758) | (1,079) | (729) |
| Proceeds from disposal of property, plant and equipment | | 49 | 102 | 109 | 118 | 65 |
| Acquisition of subsidiary, net of cash acquired[1] | 18 | — | — | (7,955) | (7,955) | (10,632) |
| Interest received | | 48 | 23 | 40 | 14 | 7 |
| ***Net cash flow used in investing activities*** | | (1,444) | (1,402) | (10,414) | (9,215) | (12,517) |
| ***Financing activities*** | | | | | | |
| Repayment of interest bearing loans and borrowings[1] | | (14,121) | (178,528) | (3,375) | (1,500) | (41,881) |
| Proceeds from new borrowings | | — | 179,263 | — | — | 41,050 |
| Receipt of compensation from bondholders | | 2,733 | 2,929 | 1,653 | 1,653 | — |
| Issue costs of new borrowings | | — | (4,405) | (182) | (182) | (3,756) |
| Interest paid | | (2,538) | (3,369) | (4,736) | (2,461) | (2,363) |
| Proceeds from issue of new shares | | 10 | 2,101 | — | — | — |
| ***Net cash flow used in financing activities*** | | (13,916) | (2,009) | (6,640) | (2,490) | (6,950) |
| Net increase/(decrease) in cash and cash equivalents | | 450 | 4,420 | 984 | (3,897) | (9,370) |
| Cash and cash equivalents at the start of the period | | 10,087 | 10,537 | 14,957 | 14,957 | 15,943 |
| Effect of exchange rates on cash and cash equivalents | | — | — | 2 | 21 | (37) |
| ***Cash and cash equivalents at the end of the period*** | 21 | 10,537 | 14,957 | 15,943 | 11,081 | 6,536 |

[1] The financial information in the consolidated statement of cash flows for the year ended 31 July 2012 does not include disclosure of the acquisition of Volution by Windmill (as these amounts were already included in the combined financial information prepared for the period prior to acquisition date).

## Notes to the historical financial information

### 1. General information

The historical financial information comprises the results of Windmill Topco Limited (the 'Company') and its subsidiaries (collectively referred to as 'the Group'). The company was incorporated in the United Kingdom on 21 December 2011. The Company is domiciled in the United Kingdom and its registered office is Fleming Way, Crawley, West Sussex RH10 9YX. From a trading perspective, the Group is engaged in the following:

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

A list of subsidiaries and their countries of incorporation is presented in note 30.

Volution Group plc was incorporated on 15 May 2014 to serve as the holding company for the purposes of listing on the London Stock Exchange.

### 2. Principal accounting policies

The basis of preparation and accounting policies used in preparing the financial information in respect of the Windmill Business, being the business now carried on by Windmill Topco Limited and its subsidiaries, for the years ended 31 July 2011, 31 July 2012 and 31 July 2013 and the seven months to 28 February 2013 (unaudited) and 28 February 2014 are set out below. These accounting policies have been consistently applied in all material respects to all the periods presented unless otherwise stated.

***Basis of preparation***

Windmill Topco Limited ('Windmill') was incorporated on 21 December 2011 for the purpose of enacting the acquisition of Volution Group Limited ('Volution'). On 3 February 2012, Windmill acquired control of Volution and became the UK parent company of the group. Prior to 3 February 2012, Windmill did not control Volution and consequently Windmill is not permitted under IAS 27 *Consolidated and Separate Financial Statements* ('IAS 27') to present consolidated financial information for all of the periods presented.

Accordingly, for the year ended 31 July 2011, the financial information presented is that of the consolidated Volution group. For the year ended 31 July 2012, the financial information presented is the consolidated financial information of Volution combined with Windmill and relevant intermediate holding companies from their date of incorporation[2] until the date of Windmill's acquisition of Volution and is thereafter that of the consolidated Windmill group. The statement of financial position at 31 July 2012 is the consolidated balance sheet of Windmill at that date. Windmill and Volution apply the acquisition method of accounting as defined by IFRS 3 *Business Combinations* ('IFRS 3') from the date of acquiring their subsidiaries, which is also the date from which those subsidiaries are consolidated'(except for business combinations before 1 August 2010 for which IFRS 3 was not applied in full as an IFRS 1 exemption was taken, refer to note 32 for details). Details of Windmill's application of IFRS 3 to the acquisition of Volution on 3 February 2012 are included in note 18.

The financial information has been prepared for inclusion in the prospectus of the Company dated 18 June 2014 in compliance with item 20.1 of Annex I to the Commission Regulation (EC) 809/2004, the UK Listing Rules and in accordance with this basis of preparation. The basis of preparation describes how the financial information has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ('IFRS') except as described below.

- The financial information does not constitute a set of general purpose financial statements under paragraph 2 of IAS 1 *Presentation of financial statements* ('IAS 1') and consequently Windmill does not make an explicit and unreserved statement of compliance with IFRS as required by paragraph 16 of IAS 1.

---

[2] The 'relevant intermediate holding companies' are Windmill Cleanco Limited (incorporated 21 December 2011), Windmill Bidco Limited (incorporated 22 December 2011) and Windmill Midco Limited (incorporated 22 December 2011).

**2. Principal accounting policies (Continued)**

- Paragraph 38 of IAS 1 requires disclosure of comparative information in respect of the previous period of all amounts reported in the financial statements except where IFRSs permit or require otherwise. As explained above, the comparative financial information for the years ended 31 July 2011 and 31 July 2012 are not directly comparable to the financial information presented for the Group for the year ended 31 July 2013 as a result of the departure from the application of IAS 27.
- A company is only permitted to apply the first-time adoption rules of IFRS 1 *First Time Adoption of International Reporting Standards* ('IFRS 1') in its first set of financial statements where such an unreserved statement of compliance with IFRS has been made. Although such a statement has not been made, the financial information has been prepared as if the date of transition to IFRS is 1 August 2010, the opening balance sheet date of this financial information. Please refer to Note 32 for details of IFRS 1 exemptions applied by the Group.

As a result of the basis of preparation adopted, the financial information for the years ended 31 July 2011, 2012 and 2013 are not directly comparable to each other in the following respects:

- The change in the capital structure resulting from the acquisition of Volution has not been reflected in the financial information for the periods from 1 August 2010 to 3 February 2012 and therefore financing costs may not be comparable.
- The accounting for the acquisition of Volution by Windmill in accordance with IFRS 3 at 3 February 2012 results in the recognition of fair value adjustments, including the recognition of goodwill and intangible assets as set out in note 18. Therefore, the measurement of assets and liabilities of the Volution group are not directly comparable subsequent to this date. In addition, amortisation charges in relation to intangible assets and other charges are not comparable.

As a result of the basis of preparation adopted, except for acquisition adjustments in relation to deferred tax and intangible assets, the financial information in the statement of financial position reconciliation notes for the year ended 31 July 2012 do not include disclosure of the assets and liabilities acquired when Windmill acquired control of Volution (as these amounts were already included in the combined financial information prepared for the period prior to acquisition date). These acquired assets and liabilities are only disclosed in the business combinations note (note 18).

The financial information is presented in GBP and all values are rounded to the nearest thousand (£000), except as otherwise indicated.

The principal accounting policies adopted in the preparation of this financial information are set out below. These policies have been consistently applied for all periods presented.

***Basis of consolidation***

The financial information includes all controlled subsidiaries as set out above. The results of subsidiaries are included from the date on which effective control was acquired up to the date control ceased to exist.

Subsidiaries are those enterprises controlled by the parent (in each relevant period) regardless of the amount of shares owned. Control exists when the parent has the power, either directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. Subsidiaries are consolidated from the date on which control is transferred and cease to be consolidated from the date on which control is transferred to a third party. The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. On acquisition of a subsidiary, the purchase consideration is allocated to the assets and liabilities acquired on the basis of their fair value at the date of acquisition. The excess cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

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

Business combinations are accounted for using the acquisition method. The cost of any acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value. There

**2. Principal accounting policies (Continued)**

have been no non-controlling interests in the business combinations to date. Acquisition costs incurred are expensed and included in administrative expenses.

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

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

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

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

Acquisitions made during the periods covered by the historical financial information are set out in note 18.

***Going concern***

In most of the periods presented, the Group has generated a loss, and has net liabilities, which mainly arise from the cost of servicing non-current interest-bearing loans and borrowings. As set out in note 24, the loans are substantially payable at least 12 months from the reporting date, interest on loan notes is not payable until the maturity date and therefore neither cause an immediate constraint to cash resources.

A cash flow forecast indicates the Group will be able to meet its liabilities as and when they fall due for the foreseeable future. The Group is in compliance with loan covenants at each period-end and is expected to continue to be so for the foreseeable future.

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

***Revenue recognition***

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

*Sale of goods*

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

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

**2. Principal accounting policies (Continued)**

*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 costs incurred to date as a percentage of total expected cost for each contract. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of expenses recognised that are recoverable.

*Finance revenue*

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

***Segmental analysis***

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

***Foreign currencies***

The individual financial statements of each subsidiary are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the Group financial statements, the results and financial position of each entity are expressed in Pounds Sterling ('£000'), which is the functional currency of the Company and the presentation currency for the consolidated financial information.

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

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

For the purpose of presenting consolidated financial information, the assets and liabilities of the Group's foreign operations are expressed in Pounds Sterling (GBP) using exchange rates prevailing at the end of the reporting period. Income and expenses are translated at the average exchange rate for the period. Exchange differences arising are classified as other comprehensive income and are transferred to the foreign currency translation reserve. All other translation differences are taken to profit or loss with the exception of differences on foreign currency borrowings to the extent that they are used to finance or provide a hedge against group equity investments in foreign operations, in which case they are taken directly to reserves together with the exchange difference on the net investment in these operations.

***Income taxes***

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

- Where the temporary differences arise from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

**2. Principal accounting policies (Continued)**

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

Deferred 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.

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

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

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

| | | |
|---|---|---|
| Freehold buildings | — | 50 years |
| Plant and machinery | — | 5-10 years |
| Fixtures, fittings, tools, equipment and vehicles | — | 4-10 years |

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income.

***Intangible assets***

*Intangible assets acquired in a business combination*

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

Fair value of identifiable brands, trademarks, and customer lists acquired and recognised as part of a business combination are determined using the multi-period excess earnings method.

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

**2. Principal accounting policies (Continued)**

*Research and development costs*

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

*Development costs*

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

*Subsequent measurement of intangible assets*

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

| | | |
|---|---|---|
| Development costs | — | 10 years |
| Software costs | — | 5 years |
| Customer base | — | 7 - 11 years |
| Trademarks | — | 20 - 25 years |

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

*Impairment of tangible and intangible assets excluding goodwill*

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

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

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

**2. Principal accounting policies (Continued)**

***Cash generating units***

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

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

***Goodwill***

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

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

***Inventories***

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

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

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

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

***Trade and other receivables***

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

***Cash and cash equivalents***

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

***Provisions***

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

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

**2. Principal accounting policies (Continued)**

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

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

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

***Exceptional items***

The Group discloses exceptional items by virtue of their nature, size or incidence to allow a better understanding of the underlying trading performance of the Group. Exceptional items include costs associated with the reduction of shares held by the majority shareholder.

***Financial liabilities***

*Interest bearing loans and borrowings*

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

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

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

***Derivative financial instruments***

The Group enters into derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts and interest rate swaps. Further details of derivative financial instruments are included in notes 23 and 28 of the historical financial information.

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

The fair value of derivatives is classified as a non-current asset or a non-current liability if the remaining maturity of the relationship is more than 12 months and as a current asset or a current liability if the remaining maturity of the relationship is less than 12 months.

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

***Hedge of net investment***

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

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

**2. Principal accounting policies (Continued)**

***Fair value measurement—policy effective from 1 August 2013 (refer to note 29 below)***

The Group measures certain financial instruments, such as, derivatives, at fair value at each reporting date. The Group also measures assets and liabilities (for example intangible assets) acquired in a business combination at fair value on initial recognition. The fair values of financial instruments measured at amortised cost are disclosed in note 28.

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

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

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

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

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

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

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

- Level 1—Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2—Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3—Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

***Fair value measurement***

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

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

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

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

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

## 2. Principal accounting policies (Continued)

***Leasing commitments***

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

Payments under operating leases are charged to the statement of comprehensive income on a straight line basis over the term of the lease.

***Pensions***

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

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

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

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

***Judgements***

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

*Development costs*

Development costs are capitalised using management's assessment of the likelihood of a successful outcome for each product being released to market, based on management's judgement that technological and economic feasibility has been met.

***Estimates and assumptions***

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when these financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

*Impairment of goodwill*

The Group's impairment test for goodwill is based on a value in use calculation using a discounted cash flow model. The cash flows are derived from the budget for the following five years. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. The key assumptions used to determine the recoverable amount for the different cash generating units are explained further in note 17.

**3. Critical accounting judgements and key sources of estimation uncertainty (Continued)**

*Impairment of other intangible assets*

The Group's accounting policy for impairment of other intangible assets is set out in note 2. The Group records all assets and liabilities acquired in business acquisitions, at fair value. Intangible assets are reviewed for impairment annually if events or changes in circumstances indicate that the carrying amount may not be recoverable. Further details are included in note 16.

*Taxation*

The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by tax authorities of the respective countries in which it operates. The amount of such provisions are based on various factors, such as experience with previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible authority.

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies. A breakdown of the deferred tax asset is included in note 13. Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded.

*Carrying value of property, plant and equipment*

The Group's accounting policy for property, plant and equipment assets is set out in note 2. Estimated useful economic lives of property, plant and equipment are based on management's judgement and experience. When management identifies that actual useful lives differ materially, from the estimates used to calculate depreciation, that charge is adjusted prospectively. Variations between actual and estimated useful lives could impact operating results both positively and negatively. Asset lives and residual values are reviewed annually and historically changes to remaining estimates of useful lives have been amended. Further details are included in note 14.

*Provisions*

Using information available at the reporting date including third party advice when available, the Directors make judgements based on experience on the level of provision required to satisfy all dilapidation commitments and service guarantees. Further details of provisions are included in note 25.

*Rebates payable and receivable*

The Group has a number of customer and supplier rebate agreements, with the amounts payable and receivable often being subject to negotiation after the reporting date. At the reporting date, the Directors make estimates of the amount of rebate that will become both payable and due to the Group under these agreements based upon prices, volumes and product mix. At 28 February 2014 the carrying value was £3,937,000 (£7,607,000 31 July 2013, £4,575,000 28 February 2013, £6,978,000 31 July 2012, £5,807,000 31 July 2011)

*Valuation of inventory*

The Group reviews its inventory on a regular basis and where appropriate makes provisions for slow moving and obsolete inventory, based on the usage of the inventory. Further details of inventory are included in note 19.

**4. New standards and interpretations**

The following new standard was effective from the period beginning 1 August 2013:

***IFRS 13 Fair Value Measurement***

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value. IFRS 13 defines fair value as an exit price. As a result of the guidance in IFRS 13, the group has included the fair value measurement policy in note 2 above, which is applicable for the period commencing 1 August 2013.

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

| Standard or interpretation | Title | Effective for accounting periods beginning on or after |
|---|---|---|
| IAS 27 | Separate Financial Statements (as revised 2011) | 1 January 2014 |
| IAS 32 | Offsetting Financial Assets and Financial Liabilities—Amendments to IAS 32 | 1 January 2014 |
| IFRS 9 | Financial Instruments: Classification and Measurement | 1 January 2018 |
| IFRS 10 | Consolidated Financial Statements | 1 January 2014 |
| IFRS 12 | Disclosure of Interests in Other Entities | 1 January 2014 |

**5. Revenue**

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

| | Year ended 31 July | | | Seven months ended 28 February | |
|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | Unaudited 2013 | 2014 |
| | £000 | £000 | £000 | £000 | £000 |
| Sale of goods | 87,758 | 89,327 | 102,259 | 58,594 | 70,274 |
| Rendering of services | 2 | 3 | 3 | 2 | 2 |
| Total revenue | 87,760 | 89,330 | 102,262 | 58,596 | 70,276 |

## 5. Revenue (Continued)

| | Year ended 31 July | | | Seven months ended 28 February | |
|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | Unaudited 2013 | 2014 |
| | £000 | £000 | £000 | £000 | £000 |
| **Market Sectors** | | | | | |
| *Ventilation Group* | | | | | |
| UK Residential RMI | 36,762 | 40,132 | 42,230 | 24,591 | 24,561 |
| UK Residential New Build | 13,640 | 13,031 | 14,210 | 7,555 | 8,278 |
| UK Commercial | 17,818 | 18,470 | 17,194 | 10,142 | 10,133 |
| UK Export | 6,950 | 7,738 | 6,883 | 4,153 | 4,160 |
| Nordics | — | — | 10,907 | 5,331 | 14,930 |
| IFRS sales adjustments | (7,304) | (8,787) | (9,153) | (5,670) | (4,401) |
| Total Ventilation Group | 67,866 | 70,584 | 82,271 | 46,102 | 57,661 |
| *OEM* | | | | | |
| OEM | 19,951 | 18,866 | 20,027 | 12,601 | 12,489 |
| IFRS sales adjustments | (57) | (120) | (36) | (107) | 126 |
| Total OEM | 19,894 | 18,746 | 19,991 | 12,494 | 12,615 |
| Total revenue | 87,760 | 89,330 | 102,262 | 58,596 | 70,276 |

## 6. Segmental analysis

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

Certain operating segments have been aggregated into a single operating segment where these operating segments have similar economic characteristics, and the operating segments are similar in relation to the nature of products, services, production processes, type of customer, method for distribution and regulatory environment.

The measure of revenue reported to the chief operating decision maker to assess performance is total revenue for each operating segment. The measure of profit reported to the chief operating decision maker to assess performance is EBITDA for each operating segment. Gross profit and the analysis below segment profit is additional voluntary information and not 'segment information' prepared in accordance with IFRS 8.

Finance revenue and costs are not allocated to individual operating segments as the underlying instruments are managed on a group basis.

Total assets and liabilities are not disclosed as this information is not provided by operating segment to the chief operating decision maker on a regular basis.

**6. Segmental analysis (Continued)**

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

| Year ended 31 July 2011 | Ventilation Group | OEM | Unallocated | Total | IFRS adjustments and eliminations | Consolidated |
|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| ***Revenue*** | | | | | | |
| External customers | 75,170 | 19,951 | — | 95,121 | (7,361) | 87,760 |
| Inter-segment | 2,796 | 500 | — | 3,296 | (3,296) | — |
| **Total revenue** | 77,966 | 20,451 | — | 98,417 | (10,657) | 87,760 |
| **Gross profit** | 33,928 | 5,762 | — | 39,690 | (1,465) | 38,225 |
| **Results** | | | | | | |
| **Segment profit/(loss)** | 17,409 | 3,555 | (6,976) | 13,988 | 6,242 | 20,230 |
| Depreciation & Amortisation | 1,153 | 171 | — | 1,324 | 182 | 1,506 |
| **Operating profit/(loss)** | 16,256 | 3,384 | (6,976) | 12,664 | 6,060 | 18,724 |
| Unallocated expenses: | | | | | | |
| Net finance cost | — | — | (13,436) | (13,436) | — | (13,436) |
| Profit/(loss) before tax | 16,256 | 3,384 | (20,412) | (772) | 6,060 | 5,288 |

| Year ended 31 July 2012 | Ventilation Group | OEM | Unallocated | Total | IFRS adjustments and eliminations | Consolidated |
|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| ***Revenue*** | | | | | | |
| External customers | 79,371 | 18,866 | — | 98,237 | (8,907) | 89,330 |
| Inter-segment | 2,723 | 905 | — | 3,628 | (3,628) | — |
| **Total revenue** | 82,094 | 19,771 | — | 101,865 | (12,535) | 89,330 |
| **Gross profit** | 35,455 | 4,752 | — | 40,207 | (1,880) | 38,327 |
| **Results** | | | | | | |
| **Segment profit/(loss)** | 28,601 | 3,228 | (14,830) | 16,999 | 4,634 | 21,633 |
| Depreciation & Amortisation | 5,452 | 899 | — | 6,351 | (103) | 6,248 |
| Exceptional costs | 5,357 | — | — | 5,357 | 5,408 | 10,765 |
| **Operating profit/(loss)** | 17,792 | 2,329 | (14,830) | 5,291 | (671) | 4,620 |
| Unallocated expenses: | | | | | | |
| Net finance cost | — | — | (16,371) | (16,371) | — | (16,371) |
| Profit/(loss) before tax | 17,792 | 2,329 | (31,201) | (11,080) | (671) | (11,751) |

## 6. Segmental analysis (Continued)

| Year ended 31 July 2013 | Ventilation Group | OEM | Unallocated | Total | IFRS adjustments and eliminations | Consolidated |
|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| *Revenue* | | | | | | |
| External customers | 91,424 | 20,027 | — | 111,451 | (9,189) | 102,262 |
| Inter-segment | 4,910 | 915 | — | 5,825 | (5,825) | — |
| **Total revenue** | 96,334 | 20,942 | — | 117,276 | (15,014) | 102,262 |
| **Gross profit** | 41,432 | 6,142 | — | 47,574 | (1,557) | 46,017 |
| **Results** | | | | | | |
| **Segment profit/(loss)** | 30,362 | 4,829 | (10,645) | 24,546 | (728) | 23,818 |
| Depreciation & Amortisation | 10,753 | 1,527 | — | 12,280 | (506) | 11,774 |
| Exceptional costs | 1,292 | — | 641 | 1,933 | 845 | 2,778 |
| **Operating profit/(loss)** | 18,317 | 3,302 | (11,286) | 10,333 | (1,067) | 9,266 |
| Unallocated expenses: | | | | | | |
| Net finance cost | — | — | (13,469) | (13,469) | — | (13,469) |
| Profit/(loss) before tax | 18,317 | 3,302 | (24,755) | (3,136) | (1,067) | (4,203) |

| Seven months ended 28 February 2013 (unaudited) | Ventilation Group | OEM | Unallocated | Total | IFRS adjustments and eliminations | Consolidated |
|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| *Revenue* | | | | | | |
| External customers | 51,772 | 12,601 | — | 64,373 | (5,777) | 58,596 |
| Inter-segment | 2,476 | 381 | — | 2,857 | (2,857) | — |
| **Total revenue** | 54,248 | 12,982 | — | 67,230 | (8,634) | 58,596 |
| **Gross profit** | 23,029 | 3,859 | — | 26,888 | (1,014) | 25,874 |
| **Results** | | | | | | |
| **Segment profit/(loss)** | 17,001 | 3,175 | (5,513) | 14,663 | (930) | 13,733 |
| Depreciation & Amortisation | 6,013 | 1,011 | — | 7,024 | (295) | 6,729 |
| Exceptional costs | 523 | — | 186 | 709 | 845 | 1,554 |
| **Operating profit/(loss)** | 10,465 | 2,164 | (5,699) | 6,930 | (1,480) | 5,450 |
| Unallocated expenses: | | | | | | |
| Net finance cost | — | — | (7,974) | (7,974) | — | (7,974) |
| Profit/(loss) before tax | 10,465 | 2,164 | (13,673) | (1,044) | (1,480) | (2,524) |

## 6. Segmental analysis (Continued)

| Seven months ended 28 February 2014 | Ventilation Group | OEM | Unallocated | Total | IFRS adjustments and eliminations | Consolidated |
|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| ***Revenue*** | | | | | | |
| External customers | 62,062 | 12,489 | — | 74,551 | (4,275) | 70,276 |
| Inter-segment | 3,157 | 745 | — | 3,902 | (3,902) | — |
| **Total revenue** | 65,219 | 13,234 | — | 78,453 | (8,177) | 70,276 |
| **Gross profit** | 29,443 | 4,356 | — | 33,799 | (634) | 33,165 |
| **Results** | | | | | | |
| **Segment profit/(loss)** | 21,065 | 3,216 | (5,946) | 18,335 | (1,328) | 17,007 |
| Depreciation & Amortisation | 8,092 | 873 | — | 8,965 | (316) | 8,649 |
| Exceptional cost | 543 | — | 1,280 | 1,823 | 101 | 1,924 |
| **Operating profit/(loss)** | 12,430 | 2,343 | (7,226) | 7,547 | (1,113) | 6,434 |
| Unallocated expenses: | | | | | | |
| Net finance cost | — | — | (16,229) | (16,229) | — | (16,229) |
| Profit/(loss) before tax | 12,430 | 2,343 | (23,455) | (8,682) | (1,113) | (9,795) |

Included in total revenue for the seven months ended 28 February 2014 of the Ventilation Group is £9,081,000 (31 July 2013: £10,907,000, 28 February 2013: £5,331,000) in respect of Fresh AB and its subsidiaries and £5,849,000 relating to Pax AB & Pax Norge AS (nothing is included in any other period). Included in segment profit for the seven months ended 28 February 2014 of the Ventilation Group is £4,228,000 (31 July 2013: £4,708,000, 28 February 2013: £2,396,000) relating to Fresh AB and its subsidiaries and £3,219,000 relating to Pax AB & Pax Norge AS (nothing is included in any other period).

### *IFRS adjustments and eliminations*

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

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

Inter-segment revenues are eliminated on consolidation.

| Geographic information | Year ended 31 July | | | Seven months ended 28 February | |
|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | Unaudited 2013 | 2014 |
| | £000 | £000 | £000 | £000 | £000 |
| Revenue from external customers: | | | | | |
| United Kingdom | 71,188 | 72,904 | 75,066 | 43,349 | 44,699 |
| Europe (excluding United Kingdom & Nordics) | 13,038 | 13,485 | 15,112 | 9,111 | 9,452 |
| Nordics | 760 | 706 | 9,831 | 4,866 | 15,226 |
| Rest of the world | 2,774 | 2,235 | 2,253 | 1,270 | 899 |
| ***Total revenue*** | 87,760 | 89,330 | 102,262 | 58,596 | 70,276 |

**6. Segmental analysis (Continued)**

| | At 31 July 2011 | At 31 July 2012 | At 31 July 2013 | At February 2014 |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **Non-Current operating assets:** | | | | |
| United Kingdom | 95,265 | 167,200 | 156,813 | 151,471 |
| Nordics | — | — | 8,592 | 17,566 |
| Rest of the world | — | — | 326 | 49 |
| ***Total*** | 95,265 | 167,200 | 165,731 | 169,086 |

Non-current operating assets consist of non-current assets excluding deferred tax.

***Information about major customers:***

Annual revenue from one customer in the Ventilation Group segment accounts for more than 10% of Group revenue. In 2014, revenue from this customer was £5,371,762 (28 February 2013: £6,133,019, 31 July 2013: £10,246,038, 2012: £10,053,846, 2011: £7,886,578).

**7. Exceptional costs**

The Group discloses exceptional costs by virtue of their nature, size or incidence to allow a better understanding of the underlying trading performance of the Group. Exceptional costs are summarised below:

| | | Year ended 31 July 2011 | Year ended 31 July 2012 | Year ended 31 July 2013 | Seven months ended 28 February 2013 | Seven months ended 28 February 2014 |
|---|---|---|---|---|---|---|
| | | £000 | £000 | £000 | £000 | £000 |
| Inventory fair value adjustment | (a) | — | 5,408 | 845 | 845 | 102 |
| Acquisition costs | (b) | — | 5,357 | 1,071 | 523 | 215 |
| Restructuring / acquisition integration | (c) | — | — | 369 | — | 618 |
| Other | (d) | — | — | 493 | 186 | 25 |
| Costs associated with the reduction of shares held by the majority shareholder | (e) | — | — | — | — | 964 |
| | | — | 10,765 | 2,778 | 1,554 | 1,924 |
| Total tax charge/(credit) for the year/period | | — | — | (204) | (45) | (250) |
| | | — | 10,765 | 2,574 | 1,509 | 1,674 |

(a) As set-out in note 18, inventory acquired on acquisition was recognised at fair value, which is based on selling price less costs of disposal and a profit allowance for selling efforts. In line with the Group's definition of exceptional costs, inclusion of the inventory fair value adjustment within trading results would not be reflective of ongoing business performance. The inventory fair value adjustment has therefore been presented separately.

The fair value adjustment in the year ended 31 July 2012 relates to the acquisition of Volution Group Limited, the year ended 31 July 2013 relates to the acquisition of Fresh AB and the 28 February 2014 adjustment relates to the acquisitions of Pax AB and Pax Norge AS.

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

**7. Exceptional costs (Continued)**

(b) Acquisition costs substantially relate to professional fees incurred in respect of the business combinations disclosed in notes 18 and 33, and are set-out below:

| | | Year ended 31 July | | | Seven months ended 28 February | |
|---|---|---|---|---|---|---|
| | | 2011 | 2012 | 2013 | 2013 | 2014 |
| | | £000 | £000 | £000 | £000 | £000 |
| Volution Group Limited | | — | 5,357 | 165 | 165 | 72 |
| Fresh AB | | — | — | 388 | 358 | — |
| PAX AB and PAX Norge AS | | — | — | 499 | — | 39 |
| InVENTer | | — | — | 19 | — | 48 |
| Others | (i) | — | — | — | — | 56 |
| | | — | 5,357 | 1,071 | 523 | 215 |

(i) An additional £56,000 was incurred in the seven months ended 28 February 2014 in respect of prospective future business combinations.

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

During the seven months ended 28 February 2014, a further £28,000 was incurred in simplifying the corporate structure and £384,000 was incurred in restructuring the Group's Nordic operations. UK restructuring costs of £206,000 were also incurred.

(d) The Group undertook a strategic review of its UK operations and its prospective future international footprint. All costs incurred were in respect of professional services.

(e) Comprises advisory and legal costs accrued in connection with the Offer.

**8. Finance revenue and costs**

| | Year ended 31 July | | | Seven months ended 28 February | |
|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | Unaudited 2013 | 2014 |
| | £000 | £000 | £000 | £000 | £000 |
| ***Finance revenue:*** | | | | | |
| Net gain on financial instruments at fair value | 19 | — | 590 | — | — |
| Interest received | 48 | 23 | 40 | 14 | 7 |
| Gain on discharge of loan | 612 | — | — | — | — |
| ***Total finance revenue*** | 679 | 23 | 630 | 14 | 7 |
| ***Finance costs:*** | | | | | |
| Interest payable on bank overdrafts and bank loans | (3,629) | (3,957) | (4,764) | (2,786) | (3,244) |
| Interest on loan notes | (10,044) | (9,984) | (8,267) | (4,069) | (4,376) |
| Amortisation of finance costs | (442) | (1,634) | (641) | (365) | (7,516) |
| ***Total interest expense*** | (14,115) | (15,575) | (13,672) | (7,220) | (15,136) |
| Net loss on financial instruments at fair value | — | (819) | (427) | (768) | (1,100) |
| ***Total finance costs*** | (14,115) | (16,394) | (14,099) | (7,988) | (16,236) |
| ***Net finance costs*** | (13,436) | (16,371) | (13,469) | (7,974) | (16,229) |

The charge for amortisation of finance costs in 2014 includes £7,005,140 of unamortised finance costs written off upon refinancing of debt.

## 9. Adjusted earnings / Adjusted EBITDA

| | Year ended 31 July | | | Seven months ended 28 February | |
|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | Unaudited 2013 | 2014 |
| | £000 | £000 | £000 | £000 | £000 |
| Profit/(loss) before tax | 5,288 | (11,751) | (4,203) | (2,524) | (9,795) |
| ***Add back:*** | | | | | |
| Amortisation of intangible assets | 81 | 4,845 | 10,186 | 5,850 | 7,651 |
| Finance revenue | (679) | (23) | (630) | (14) | (7) |
| Finance costs | 14,115 | 16,394 | 14,099 | 7,988 | 16,236 |
| Exceptional costs | — | 10,765 | 2,778 | 1,554 | 1,924 |
| Adjusted EBITA | 18,805 | 20,230 | 22,230 | 12,854 | 16,009 |
| ***Add back:*** | | | | | |
| Depreciation of property, plant and equipment | 1,425 | 1,403 | 1,588 | 879 | 998 |
| **Adjusted earnings / Adjusted EBITDA** | 20,230 | 21,633 | 23,818 | 13,733 | 17,007 |

Adjusted EBITA is defined as earnings before exceptional costs, interest, taxation and amortisation.

Adjusted EBITDA is defined as earnings before exceptional costs, interest, taxation, depreciation and amortisation.

## 10. Staff costs

| | Year ended 31 July | | | Seven months ended 28 February | |
|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | Unaudited 2013 | 2014 |
| | £000 | £000 | £000 | £000 | £000 |
| Wages and salaries | 16,187 | 15,906 | 19,109 | 9,790 | 11,128 |
| Social security costs | 1,551 | 1,523 | 2,234 | 917 | 1,026 |
| Other pension costs | 562 | 584 | 883 | 344 | 397 |
| | 18,300 | 18,013 | 22,226 | 11,051 | 12,551 |

A proportion of staff costs are included within research and development.

Other pension costs relate to the Group's contribution to defined contribution pension plans.

*Average monthly number of employees in the period*

| | Year ended 31 July | | | Seven months ended 28 February | |
|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | Unaudited 2013 | 2014 |
| | No. | No. | No. | No. | No. |
| Production | 421 | 405 | 403 | 441 | 499 |
| Sales and administration | 336 | 313 | 357 | 366 | 385 |
| | 757 | 718 | 760 | 807 | 884 |

**10. Staff costs (Continued)**

*Directors' remuneration*

| | Year ended 31 July | | | Seven months ended 28 February | |
|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | Unaudited 2013 | 2014 |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Amounts paid in respect of qualifying services: | | | | | |
| Aggregate directors' emoluments | 1,333 | 579 | 680 | 468 | 835 |
| Aggregate directors' pension scheme contributions | 82 | 51 | 29 | 14 | 18 |
| In respect of the highest paid director: | | | | | |
| Aggregate directors' emoluments | 392 | 285 | 390 | 268 | 381 |
| Aggregate directors' pension scheme contributions | 28 | 17 | 20 | 12 | 12 |

The number of directors accruing benefits under Group money purchase pension arrangements was 1 (Seven months ended 28 February 2013—1, 2013—1, 2012—1, 2011—3).

The Group incurred costs of £146,000 (Seven months ended 28 February 2013—£146,000, 2013—£294,000, 2012—£120,000, 2011—£0) from M Klepfisch, A Barden and C Lebeer for their services as non-executive directors.

The Group also incurred costs of (£26,000 in 2012 and £51,000 in 2011) for the services as directors of A. Moye and P Southwell.

## 11. Other operating expenses

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

| | Year ended 31 July | | | Seven months ended 28 February | |
|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | Unaudited 2013 | 2014 |
| | £000 | £000 | £000 | £000 | £000 |
| ***Included in cost of sales:*** | | | | | |
| Materials | 36,684 | 38,067 | 40,409 | 22,959 | 25,365 |
| Direct labour | 6,719 | 6,606 | 8,238 | 4,602 | 5,519 |
| Direct overheads | 4,194 | 4,151 | 5,057 | 2,944 | 3,375 |
| Costs of inventories recognised as an expenses | 47,597 | 48,824 | 53,704 | 30,505 | 34,259 |
| Other fixed costs | 1,178 | 1,484 | 1,696 | 1,740 | 2,238 |
| Depreciation of property, plant and equipment | 760 | 695 | 845 | 477 | 614 |
| Total cost of sales | 49,535 | 51,003 | 56,245 | 32,722 | 37,111 |
| ***Included in distribution costs:*** | | | | | |
| Indirect payroll | 5,918 | 5,744 | 6,166 | 3,577 | 4,382 |
| Freight out | 2,835 | 2681 | 3,019 | 1,750 | 1,925 |
| Depreciation of property, plant and equipment | 271 | 273 | 333 | 194 | 214 |
| Other | 1,842 | 1,888 | 2,862 | 1,531 | 2,559 |
| Total distribution costs | 10,866 | 10,586 | 12,380 | 7,052 | 9,080 |
| ***Included in administrative expenses:*** | | | | | |
| Indirect payroll | 3,910 | 3,175 | 4,984 | 2,912 | 4,332 |
| Property & occupation | 488 | 524 | 547 | 320 | 349 |
| Research and development costs | 1,202 | 1,322 | 1,406 | 599 | 869 |
| Legal and professional fees | 960 | 751 | 1,019 | 518 | 724 |
| Repairs | | | | | |
| Depreciation of property, plant and equipment | 394 | 435 | 410 | 208 | 170 |
| Amortisation of intangible assets | 81 | 4,845 | 10,186 | 5,850 | 7,651 |
| Operating lease expense | 31 | 29 | 107 | 58 | 31 |
| Net foreign exchange differences | (53) | 115 | (48) | (27) | 36 |
| Profit on disposal of property, plant and equipment | (33) | (62) | (48) | (32) | (37) |
| Other | 1,655 | 1,222 | 3,030 | 1,412 | 1,602 |
| Total administrative costs | 8,635 | 12,356 | 21,593 | 11,818 | 15,727 |

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

**12. Auditors' remuneration**

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

| | Year ended 31 July | | | Seven months ended 28 February | |
|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | Unaudited 2013 | 2014 |
| | £000 | £000 | £000 | £000 | £000 |
| Fees payable for the audit of the parent and Group financial statements | 9 | 35 | 29 | — | — |
| Fees payable for statutory audits of subsidiaries | 79 | 79 | 65 | — | — |
| Taxation services—advisory services | — | — | — | — | 72 |
| Other fees associated with the reduction of shares held by the majority shareholder | — | — | — | — | 536 |
| Other | 7 | 7 | 14 | — | 179 |
| | 95 | 121 | 108 | — | 787 |

In 2014, other relates to transaction advisory services in connection with refinancing of bank debt.

**13. Income taxes**

(a) Income tax recognised in profit or loss:

| | Year ended 31 July | | | Seven months ended 28 February | |
|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | Unaudited 2013 | 2014 |
| | £000 | £000 | £000 | £000 | £000 |
| ***Current income tax:*** | | | | | |
| Current income tax expense | 3,713 | 2,924 | 2,889 | 1,685 | 1,681 |
| Foreign income taxes | — | — | 80 | 46 | 340 |
| Tax expense/(credit) relating to the prior year | 140 | 223 | (201) | (117) | (62) |
| ***Total current tax*** | 3,853 | 3,147 | 2,768 | 1,614 | 1,959 |
| ***Deferred tax:*** | | | | | |
| Origination and reversal of temporary differences | (190) | (1,150) | (2,020) | (1,511) | (3,338) |
| Effect of changes in the tax rate | 48 | 148 | (2,963) | 63 | 445 |
| Tax expense relating to prior years | — | — | 76 | — | — |
| Total deferred tax | (142) | (1,002) | (4,907) | (1,448) | (2,893) |
| ***Total tax expense/(credit)*** | 3,711 | 2,145 | (2,139) | 166 | (934) |

**13. Income taxes (Continued)**

(b) Reconciliation of total tax expense

| | Year ended 31 July | | | Seven months ended 28 February | |
|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | Unaudited 2013 | 2014 |
| | £000 | £000 | £000 | £000 | £000 |
| Profit/(loss) before tax | 5,288 | (11,751) | (4,203) | (2,524) | (9,795) |
| Profit/ (loss) before tax multiplied by the standard rate of corporation tax in the UK of 23% (Seven months ended 28 February 2013—24%, 2013—23.67%, 2012—25.33%, 2011—27.33%) | 1,445 | (2,977) | (995) | (606) | (2,252) |
| Adjustment in respect of previous years | 140 | 223 | (125) | (117) | (62) |
| Expenses not deductible for tax purposes | 2,078 | 4,751 | 1,955 | 897 | 1,028 |
| Effect of difference in tax rates | 48 | 148 | (2,964) | 63 | 445 |
| Utilisation of previously unrecognised tax losses | — | — | (22) | (14) | (50) |
| Unrelieved tax losses | — | — | 88 | (13) | — |
| Additional relief for research and development | — | — | (76) | (44) | (43) |
| Total tax expense reported in the consolidated income statement | 3,711 | 2,145 | (2,139) | 166 | (934) |

(c) Unrecognised deferred tax assets

At July 2011, the Group had an unrecognised deferred tax asset of £1,000, which was not recognised on the grounds of insufficient evidence the asset will be recoverable. At 28 February 2014, the Group had an unrecognised deferred tax asset of £52,000 arising in overseas entities. There were no unrecognised deferred tax assets in any other period.

(d) Deferred tax balances

Deferred tax assets and liabilities arise from the following:

| 2011 | 1 August 2010 | (Charged)/ credited to income | Translation difference | 31 July 2011 |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| ***Temporary differences:*** | | | | |
| Depreciation in advance of capital allowances | 314 | (46) | — | 268 |
| Fair value movements of derivative financial instruments | 99 | (112) | — | (13) |
| Temporary differences | (24) | 300 | — | 276 |
| | 389 | 142 | — | 531 |
| Deferred tax asset | 413 | 136 | — | 549 |
| Deferred tax liability | (24) | 6 | | (18) |
| | 389 | 142 | — | 531 |

## 13. Income taxes (Continued)

| 2012 | 1 August 2011 | (Charged)/ credited to income | Translation difference | On Acquisition | 31 July 2012 |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| ***Temporary differences:*** | | | | | |
| Depreciation in advance of capital allowances | 268 | (79) | — | — | 189 |
| Fair value movements of derivative financial instruments | (13) | 234 | — | — | 221 |
| Customer base and trademark | — | 1,104 | — | (26,657) | (25,553) |
| Temporary differences | 276 | (257) | — | — | 19 |
| | 531 | 1,002 | — | (26,657) | (25,124) |
| Deferred tax asset | 549 | (85) | — | — | 464 |
| Deferred tax liability | (18) | 1,087 | — | (26,657) | (25,588) |
| | 531 | 1,002 | — | (26,657) | (25,124) |

| 2013 | 1 August 2012 | (Charged)/ credited to income | Translation difference | On Acquisition | 31 July 2013 |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| ***Temporary differences:*** | | | | | |
| Depreciation in advance of capital allowances | 189 | (265) | — | — | (76) |
| Fair value movements of derivative financial instruments | 221 | (148) | — | — | 73 |
| Customer base and trademark | (25,553) | 5,358 | — | (1,140) | (21,335) |
| Temporary differences | 19 | (38) | (16) | (215) | (250) |
| | (25,124) | 4,907 | (16) | (1,355) | (21,588) |
| Deferred tax asset | 464 | (365) | — | — | 99 |
| Deferred tax liability | (25,588) | 5,272 | (16) | (1,355) | (21,687) |
| | (25,124) | 4,907 | (16) | (1,355) | (21,588) |

| February 2014 | 1 August 2013 | (Charged)/ credited to income | Translation difference | On Acquisition | 28 February 2014 |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| ***Temporary differences:*** | | | | | |
| Depreciation in advance of capital allowances | (76) | (17) | — | — | (93) |
| Fair value movements of derivative financial instruments | 73 | 147 | — | — | 220 |
| Customer Base and trademark | (21,335) | 1,520 | — | (1,608) | (21,423) |
| Temporary differences (including loan issue costs) | (250) | 1,243 | 44 | (340) | 697 |
| | (21,588) | 2,893 | 44 | (1,948) | (20,599) |
| Deferred tax asset | 99 | 1,304 | — | — | 1,403 |
| Deferred tax liability | (21,687) | 1,589 | 44 | (1,948) | (22,002) |
| | (21,588) | 2,893 | 44 | (1,948) | (20,599) |

## 13. Income taxes (Continued)

| Deferred tax: | Customer base | Trademark | Total |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| At 31 July 2011 | — | — | — |
| Volution Group Limited and its subsidiaries | 18,432 | 7,121 | 25,553 |
| At 31 July 2012 | 18,432 | 7,121 | 25,553 |
| Volution Group Limited and its subsidiaries | 14,363 | 5,936 | 20,299 |
| Fresh AB and its subsidiaries | 651 | 385 | 1,036 |
| At 31 July 2013 | 15,014 | 6,321 | 21,335 |
| Volution Group Limited and its subsidiaries | 13,393 | 5,787 | 19,180 |
| Fresh AB and its subsidiaries | 589 | 373 | 962 |
| Pax AB and Pax Norge AS | 832 | 449 | 1,281 |
| At 28 February 2014 | 14,814 | 6,609 | 21,423 |

The deferred tax asset has been split between the different intangible assets that have been identified to clearly show the relationship between the deferred tax and the relevant intangible assets.

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

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

## 14. Property, plant and equipment

| 2011 | Freehold buildings | Plant and machinery | Fixtures, fittings, tools, equipment and vehicles | Total |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| ***Cost:*** | | | | |
| At 1 August 2010 | 7,793 | 1,660 | 2,443 | 11,896 |
| Additions | 28 | 474 | 894 | 1,396 |
| Disposals | — | (484) | (782) | (1,266) |
| At 31 July 2011 | 7,821 | 1,650 | 2,555 | 12,026 |
| ***Depreciation:*** | | | | |
| At 1 August 2010 | 902 | 147 | 571 | 1,620 |
| Charge for the year | 255 | 494 | 676 | 1,425 |
| Disposals | — | (480) | (771) | (1,251) |
| At 31 July 2011 | 1,157 | 161 | 476 | 1,794 |
| ***Net book value:*** | | | | |
| At 31 July 2011 | 6,664 | 1,489 | 2,079 | 10,232 |

## 14. Property, plant and equipment (Continued)

| 2012 | Freehold buildings | Plant and machinery | Fixtures, fittings, tools, equipment and vehicles | Total |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| ***Cost:*** | | | | |
| At 1 August 2011 | 7,821 | 1,650 | 2,555 | 12,026 |
| Additions | 183 | 210 | 1,010 | 1,403 |
| Disposals | — | (195) | (678) | (873) |
| At 31 July 2012 | 8,004 | 1,665 | 2,887 | 12,556 |
| ***Depreciation:*** | | | | |
| At 1 August 2011 | 1,157 | 161 | 476 | 1,794 |
| Charge for the year | 263 | 419 | 721 | 1,403 |
| Disposals | — | (193) | (640) | (833) |
| At 31 July 2012 | 1,420 | 387 | 557 | 2,364 |
| ***Net book value:*** | | | | |
| At 31 July 2012 | 6,584 | 1,278 | 2,330 | 10,192 |

| 2013 | Freehold buildings | Plant and machinery | Fixtures, fittings, tools, equipment and vehicles | Total |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| ***Cost:*** | | | | |
| At 1 August 2012 | 8,004 | 1,665 | 2,887 | 12,556 |
| On acquisition (note 18) | 128 | 200 | 136 | 464 |
| Additions | 122 | 666 | 970 | 1,758 |
| Disposals | — | (28) | (69) | (97) |
| Net foreign currency exchange differences | — | — | 30 | 30 |
| At 31 July 2013 | 8,254 | 2,503 | 3,954 | 14,711 |
| ***Depreciation:*** | | | | |
| At 1 August 2012 | 1,420 | 387 | 557 | 2,364 |
| Charge for the year | 309 | 398 | 881 | 1,588 |
| Disposals | — | (9) | (27) | (36) |
| Net foreign currency exchange differences | — | — | 2 | 2 |
| At 31 July 2013 | 1,729 | 776 | 1,413 | 3,918 |
| ***Net book value:*** | | | | |
| At 31 July 2013 | 6,525 | 1,727 | 2,541 | 10,793 |

## 14. Property, plant and equipment (Continued)

| 2014 | Freehold buildings | Plant and machinery | Fixtures, fittings, tools, equipment and vehicles | Total |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| ***Cost:*** | | | | |
| At 1 August 2013 | 8,254 | 2,503 | 3,954 | 14,711 |
| On acquisition (note 18) | 326 | 169 | 294 | 789 |
| Additions | 18 | 230 | 481 | 729 |
| Disposals | — | (101) | (171) | (272) |
| Net foreign currency exchange differences | — | — | (73) | (73) |
| At 28 February 2014 | 8,598 | 2,801 | 4,485 | 15,884 |
| ***Depreciation:*** | | | | |
| At 1 August 2013 | 1,729 | 776 | 1,413 | 3,918 |
| Charge for the period | 171 | 183 | 644 | 998 |
| Disposals | — | (92) | (151) | (243) |
| Net foreign currency exchange differences | — | — | (7) | (7) |
| At 28 February 2014 | 1,900 | 867 | 1,899 | 4,666 |
| ***Net book value:*** | | | | |
| At 28 February 2014 | 6,698 | 1,934 | 2,586 | 11,218 |

## 15. Intangible assets—goodwill

| | £000 |
|---|---|
| ***Cost and net book value*** | |
| At 1 August 2010 and 31 July 2011 | 84,872 |
| Disposal arising from change in ownership(i) | (84,872) |
| Arising on acquisition of Volution Group by Windmill Topco Limited(i) | 45,668 |
| At 31 July 2012 | 45,668 |
| On acquisition of Fresh AB (note 18) | 651 |
| Net foreign currency exchange differences | 55 |
| At 28 Feb 2013 and 31 July 2013 | 46,374 |
| Adjustment to goodwill arising on of Fresh AB (note 18) | 15 |
| On acquisition of PAX AB & PAX AS (note 18) | 2,050 |
| Net foreign currency exchange differences | (164) |
| At 28 February 2014 | 48,275 |

(i) As explained in the basis of preparation in note 2, the balance sheet presented at July 2011 is that of Volution Group and from July 2012 onwards is that of Windmill Topco. On acquisition of Volution Group by Windmill Topco in February 2012, the goodwill balance previously recognised within Volution Group was derecognized and replaced with the goodwill balance arising on acquisition of Volution Group by Windmill Topco.

## 16. Intangible assets—other

| 2011 | Development costs | Software costs | Customer base | Trademark | Total |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| ***Cost:*** | | | | | |
| At 1 August 2010 | — | 1,460 | — | — | 1,460 |
| Additions | 53 | 92 | — | — | 145 |
| At 31 July 2011 | 53 | 1,552 | — | — | 1,605 |
| ***Amortisation:*** | | | | | |
| At 1 August 2010 | — | 1,363 | — | — | 1,363 |
| Charge for the year | — | 81 | — | — | 81 |
| At 31 July 2011 | — | 1,444 | — | — | 1,444 |
| ***Net book value:*** | | | | | |
| At 31 July 2011 | 53 | 108 | — | — | 161 |

| 2012 | Development costs | Software costs | Customer base | Trademark | Total |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| ***Cost:*** | | | | | |
| At 1 August 2011 | 53 | 1,552 | — | — | 1,605 |
| Additions | 102 | 22 | — | — | 124 |
| On acquistion (note 18) | — | — | 84,300 | 31,600 | 115,900 |
| At 31 July 2012 | 155 | 1,574 | 84,300 | 31,600 | 117,629 |
| ***Amortisation:*** | | | | | |
| At 1 August 2011 | — | 1,444 | — | — | 1,444 |
| Charge for the year | 3 | 41 | 4,161 | 640 | 4,845 |
| At 31 July 2012 | 3 | 1,485 | 4,161 | 640 | 6,289 |
| ***Net book value:*** | | | | | |
| At 31 July 2012 | 152 | 89 | 80,139 | 30,960 | 111,340 |

| 2013 | Development costs | Software costs | Customer base | Trademark | Total |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| ***Cost:*** | | | | | |
| At 1 August 2012 | 155 | 1,574 | 84,300 | 31,600 | 117,629 |
| Additions | 291 | 559 | — | — | 850 |
| On acquisition (note 18) | — | — | 3,693 | 2,186 | 5,879 |
| Net foreign currency exchange differences | — | — | 321 | 175 | 496 |
| At 31 July 2013 | 446 | 2,133 | 88,314 | 33,961 | 124,854 |
| ***Amortisation:*** | | | | | |
| At 1 August 2012 | 3 | 1,485 | 4,161 | 640 | 6,289 |
| Charge for the year | 6 | 35 | 8,762 | 1,383 | 10,186 |
| Net foreign currency exchange differences | — | — | (11) | (2) | (13) |
| At 31 July 2013 | 9 | 1,520 | 12,912 | 2,021 | 16,462 |
| ***Net Book Value:*** | | | | | |
| At 31 July 2013 | 437 | 613 | 75,402 | 31,940 | 108,392 |

## 16. Intangible assets—other (Continued)

| February 2014 | Development costs | Software costs | Customer base | Trademark | Total |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| ***Cost:*** | | | | | |
| At 1 August 2013 | 446 | 2,133 | 88,314 | 33,961 | 124,854 |
| Additions | 507 | 721 | — | — | 1,228 |
| On acquisition (note 18) | — | — | 5,547 | 2,493 | 8,040 |
| Net foreign currency exchange differences | — | — | (617) | (307) | (924) |
| At 28 February 2014 | 953 | 2,854 | 93,244 | 36,147 | 133,198 |
| ***Amortisation:*** | | | | | |
| At 1 August 2013 | 9 | 1,520 | 12,912 | 2,021 | 16,462 |
| Charge for the period | 11 | 36 | 6,549 | 1,055 | 7,651 |
| Net foreign currency exchange differences | — | — | (92) | (17) | (109) |
| At 28 February 2014 | 20 | 1,556 | 19,369 | 3,059 | 24,004 |
| ***Net book value:*** | | | | | |
| At 28 February 2014 | 933 | 1,298 | 73,875 | 33,088 | 109,194 |

| Net book value: | Customer base | Trademark | Total |
|---|---|---|---|
| | £'000 | £'000 | £'000 |
| At 31 July 2011 | — | — | — |
| Volution Group Limited and its subsidiaries | 80,139 | 30,960 | 111,099 |
| At 31 July 2012 | 80,139 | 30,960 | 111,099 |
| Volution Group Limited and its subsidiaries | 71,817 | 29,680 | 101,497 |
| Fresh | 3,585 | 2,260 | 5,845 |
| At 31 July 2013 | 75,402 | 31,940 | 107,342 |
| Volution Group Limited and its subsidiaries | 66,962 | 28,933 | 95,895 |
| Fresh AB and its subsidiaries | 2,978 | 2,033 | 5,011 |
| Pax AB and Pax Norge AS | 3,935 | 2,122 | 6,057 |
| At 28 February 2014 | 73,875 | 33,088 | 106,963 |

The remaining amortisation periods for these intangible assets at 28 February 2014 are as follows:

| | Customer base | Trademark |
|---|---|---|
| Volution Group Limited and its subsidiaries | 8 years | 23 years |
| Fresh AB and its subsidiaries | 5 years | 18 years |
| Pax AB and Pax Norge AS | 7 years | 19 years |

## 17. Impairment assessment of goodwill

Goodwill acquired through business combinations has been allocated for impairment testing purposes to cash-generating units. These represent the lowest level within the Group at which goodwill is monitored for internal management purposes.

| 31 July 2011 | Residential RMI | Residential New Build | Commercial | UK Export | OEM | Nordics Residential | Total |
|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Carrying value of goodwill | 38,121 | 13,101 | 17,146 | 6,911 | 9,593 | — | 84,872 |
| Value in use headroom | 23,836 | 8,844 | 11,552 | 4,506 | 16,507 | — | 65,245 |

### 17. Impairment assessment of goodwill (Continued)

| 31 July 2012 | Residential RMI | Residential New Build | Commercial | UK Export | OEM | Nordics Residential | Total |
|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Carrying value of goodwill | 20,863 | 6,899 | 9,038 | 3,706 | 5,162 | — | 45,668 |
| Value in use headroom | 12,950 | 4,205 | 5,960 | 2,497 | 4,473 | — | 30,085 |

| 31 July 2013 | Residential RMI | Residential New Build | Commercial | UK Export | OEM | Nordics Residential | Total |
|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Carrying value of goodwill | 20,759 | 6,377 | 8,562 | 3,506 | 4,996 | 2,174 | 46,374 |
| Value in use headroom | 1,784 | 600 | 726 | 291 | 3,772 | 499 | 7,672 |

| 28 February 2014 | Residential RMI | Residential New Build | Commercial | UK Export | OEM | Nordics Residential | Total |
|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Carrying value of goodwill | 19,925 | 6,715 | 8,220 | 3,375 | 4,872 | 5,168 | 48,275 |
| Value in use headroom | 7,830 | 2,639 | 3,230 | 1,326 | 7,066 | 1,775 | 23,866 |

***Impairment review***

Under IAS 36 '*Impairment of assets*', the Group is required to complete a full impairment review of goodwill which has been achieved using a value-in-use calculation. A discounted cash flow ('DCF') model was used, taking a period of 5 years, which has been established using a discount rate between 12% and 14% over that period. In all periods it was concluded that the carrying amount did not exceed the value in use.

***Key assumptions in the Value-in-use calculation***

The calculation of value-in-use for all CGU's is most sensitive to the following assumptions:

- Price inflation—small annual percentage increases are assumed in all markets based on historic data.
- Growth in the ventilation market—assumed to be static in all markets and is based on recent historic trends with a 2% inflationary increase.
- Discount rates—rates reflect the current market assessment of the risks specific to each operation. The discount rate was estimated between 12% and 14%.
- Raw material cost—assumed to be at the industry average of sales price.
- Excise duty—no future duty changes have been used in projections.
- No growth rate has been used to extrapolate cash flows beyond the forecast period other than the 2% rate of inflation.

The value in use headroom for each cash generating unit where these sensitivities would be applicable has been set out above. No reasonably possible change in the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable value.

### 18. Business combinations

**Acquisition in the seven months ended 28 February 2014**

***Pax AB and Pax Norge AS***

On 22 August 2013, Volution Holdings Sweden AB acquired the entire issued share capital of PAX AB and PAX AS. The transaction was funded by surplus cash.

Total consideration for the transaction was split as follows

- Up-front cash consideration of SEK115,536,000 (£11,384,000), and
- Contingent consideration of SEK828,000 (£78,000). Prior to the balance sheet date of 28 February 2014, the performance criteria for payment of the contingent consideration were met. This payment was made in January 2014.

**18. Business combinations (Continued)**

Transaction costs of £499,000 were expensed in the statement of comprehensive income during the year ended 31 July 2013. During the seven months to 28 February 2014 the Group incurred an additional £39,000, which was expensed in the statement of comprehensive income. At 28 February 2014, the Group was in the process of finalising fair values on acquisition. The provisional fair value of the net assets acquired at 28 February 2014 is set out below:

| | Book value | Fair value adjustments | Provisional fair value |
|---|---|---|---|
| | £000 | £000 | £000 |
| ***Assets*** | | | |
| Intangible assets (note 16) | — | 8,040 | 8,040 |
| Property, plant and equipment (note 14) | 789 | — | 789 |
| Inventory | 1,086 | 102 | 1,188 |
| Trade and other receivables | 1,797 | — | 1,797 |
| Cash and cash equivalents | 1,037 | — | 1,037 |
| | 4,709 | 8,142 | 12,851 |
| ***Liabilities*** | | | |
| Trade and other payables | (1,378) | — | (1,378) |
| Provisions | (113) | — | (113) |
| Deferred tax | (340) | (1,608) | (1,948) |
| | (1,831) | (1,608) | (3,439) |
| Total identifiable net assets | 2,878 | 6,534 | 9,412 |
| Goodwill on acquisition (note 15) | | | 2,050 |
| Purchase consideration transferred | | | 11,462 |
| Discharged by: | | | |
| Consideration satisfied in cash | | | 11,384 |
| Contingent consideration | | | 78 |
| Total consideration | | | 11,462 |

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

PAX generated revenue of £6,009,000 and generated a profit after tax of £693,000 in the period from acquisition to 28 February 2014 that is included in the consolidated statement of comprehensive income for this reporting period.

If the combination had taken place as at 1 August 2013, the Group's revenue from continuing operations would have been £70,971,000 and the loss before tax from continuing operations would have been £10,181,000.

**Acquisition in the year ended 31 July 2013**

***Fresh AB and its subsidiaries***

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

**18. Business combinations (Continued)**

Total consideration for the transaction was split as follows

- Up-front cash consideration of SEK 77,967,000 (£7,252,000), and
- Earn-out consideration of a maximum of SEK 9,000,000 (£837,000). At the balance sheet date of 31 July 2013, the performance criteria for SEK 2,213,000 (£192,000) was met and a liability was recorded. During the seven months ended 28 February 2014, the Group incurred an additional £15,000 relating to the earn-out consideration that was paid in December 2013.

Transaction costs associated with the transaction of £388,000 were expensed in the statement of comprehensive income for the year ended 31 July 2013. At 31 July 2013, the Group was in the process of finalising fair values on acquisition. At 28 February 2014 the Group had finalised its assessment of fair values. The fair value of the net assets acquired is set out below:

| | Book value | Fair value adjustments | Fair value |
|---|---|---|---|
| | £000 | £000 | £000 |
| ***Assets*** | | | |
| Intangible assets (note 16) | 177 | 5,702 | 5,879 |
| Property, plant and equipment (note 14) | 363 | 101 | 464 |
| Inventory | 1,703 | 526 | 2,229 |
| Trade and other receivables | 2,372 | — | 2,372 |
| Cash and cash equivalents | 520 | — | 520 |
| | 5,135 | 6,329 | 11,464 |
| ***Liabilities*** | | | |
| Trade and other payables | (3,216) | (101) | (3,316) |
| Deferred tax (note 13) | (215) | (1,140) | (1,355) |
| | (3,430) | (1,241) | (4,671) |
| ***Total identifiable net assets*** | 1,705 | 5,088 | 6,793 |
| Goodwill on acquisition (note 15) | | | 651 |
| Adjustment to goodwill on acquisition (note 15) | | | 15 |
| | | | 7,459 |
| ***Discharged by:*** | | | |
| Consideration satisfied in cash | | | 7,252 |
| Deferred consideration recognised in the year ended 31 July 2013 | | | 192 |
| Deferred consideration recognised in the period ended 28 February 2014 | | | 15 |
| ***Total consideration*** | | | 7,459 |

The fair value adjustments arose in aligning Fresh accounting policies to those of the Group and the recognition of intangible assets, net of the associated deferred tax liability Goodwill of £822,000 represents certain intangible assets that cannot be individually separated and reliably measured due to their nature. These items include the value of expected synergies and the experience and skill of the workforce arising from the acquisition. The fair value of the acquired trademarks and customer base was identified and included in intangible assets (refer to Note 16).

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

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

**18. Business combinations (Continued)**

***Acquisition in the year ended 31 July 2012***

***Volution Group Limited and its subsidiary undertakings***

During the year ended 31 July 2012, the Group acquired the entire issued share capital of Volution Group Limited. The transaction was funded by senior term debt raised through GE Corporate Finance Bank SAS, London Branch, unsecured loan notes provided by an intermediate parent undertaking, Windmill Holding BV, and unsecured loan notes provided by Management.

Total consideration for the transaction was split as follows

- Up-front cash consideration of £172,394,000, and
- Deferred consideration of £1,223,000 in respect of compensation receivable from a previous bondholder.

Transaction costs of £5,357,000 were expensed in the statement of comprehensive income in 2012. At 31 July 2013, a further £85,000 was paid and £80,000 was included in accruals. During the period to 28 February 2014 the Group incurred an additional £72,000, which was expensed in the statement of comprehensive income. No amendments were required to the provisional fair value of the net assets and liabilities acquired, the book values and fair values included in the table below were those included in the year ended 31 July 2012 and are final.

The book value and fair value of the net assets acquired is set out below:

| | Book value | Fair value adjustments | Fair value |
|---|---|---|---|
| | £000 | £000 | £000 |
| ***Assets*** | | | |
| Property, plant and equipment | 10,090 | — | 10,090 |
| Intangible assets (note 16) | — | 115,900 | 115,900 |
| Cash and cash equivalents | 8,688 | — | 8,688 |
| Inventory | 11,424 | 5,408 | 16,832 |
| Trade and other receivables | 19,585 | — | 19,585 |
| Deferred tax asset (note 13) | 220 | — | 220 |
| | 50,007 | 121,308 | 171,315 |
| ***Liabilities*** | | | |
| Current liabilities | (15,542) | — | (15,542) |
| Deferred tax liability (note 13) | — | (26,657) | (26,657) |
| Provisions for liabilities | (1,167) | — | (1,167) |
| | (16,709) | (26,657) | (43,366) |
| ***Total identifiable net assets*** | 33,298 | 94,651 | 127,949 |
| Goodwill on acquisition (note 15) | | | 45,668 |
| | | | 173,617 |
| ***Discharged by*** | | | |
| Consideration satisfied in cash | | | 172,394 |
| Deferred consideration | | | 1,223 |
| ***Total consideration*** | | | 173,617 |

**18. Business combinations (Continued)**

The fair value adjustments arose due to the recognition of intangible assets net of the associated deferred tax liability and an increase in the fair value of inventory to allow a profit allowance for manufacturing. Goodwill represents certain intangible assets that cannot be individually separated and reliably measured from the acquire due to their nature. These items include the value of expected synergies and the experience and skill of the workforce arising from the acquisition. The fair value of the acquired trademarks and customer base was identified and included in Intangible assets.

**19. Inventories**

| | At 31 July | | | At February 2014 |
|---|---|---|---|---|
| | 2011 | 2012 | 2013 | |
| | £000 | £000 | £000 | £000 |
| Raw materials and consumables | 6,740 | 6,399 | 6,600 | 8,154 |
| Work in progress | 935 | 936 | 905 | 865 |
| Finished goods and goods for resale | 4,863 | 5,262 | 5,246 | 5,773 |
| | 12,538 | 12,597 | 12,751 | 14,792 |

**20. Trade and other receivables**

| | At 31 July | | | At 28 February 2014 |
|---|---|---|---|---|
| | 2011 | 2012 | 2013 | |
| | £000 | £000 | £000 | £000 |
| Trade receivables | 17,351 | 17,774 | 20,744 | 23,609 |
| Allowance for doubtful debts | (937) | (874) | (903) | (806) |
| | 16,414 | 16,900 | 19,841 | 22,803 |
| Other debtors | 3,073 | 1,878 | 303 | 56 |
| Prepayments | 615 | 414 | 1,182 | 801 |
| | 20,102 | 19,192 | 21,326 | 23,660 |

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

| | At 31 July | | | At 28 February 2014 |
|---|---|---|---|---|
| | 2011 | 2012 | 2013 | |
| | £000 | £000 | £000 | £000 |
| At start of the period | (801) | (937) | (874) | (903) |
| Charge for the period | (138) | 11 | (213) | (156) |
| Amounts utilised | 2 | 52 | 184 | 245 |
| Foreign currency adjustment | — | — | — | 8 |
| At end of the period | (937) | (874) | (903) | (806) |

Gross trade receivables are denominated in the following currencies:

| | At 31 July | | | At 28 February 2014 |
|---|---|---|---|---|
| | 2011 | 2012 | 2013 | |
| | £000 | £000 | £000 | £000 |
| Sterling | 15,978 | 16,291 | 17,005 | 17,574 |
| US Dollar | 117 | 126 | 111 | 126 |
| Euro | 1,256 | 1,357 | 1,785 | 1,900 |
| Swedish Kroner | — | — | 1,741 | 3,550 |
| Other | — | — | 102 | 459 |
| | 17,351 | 17,774 | 20,744 | 23,609 |

### 20. Trade and other receivables (Continued)

Trade receivables are aged as follows:

| | At 31 July | | | At 28 February |
|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2014 |
| | £000 | £000 | £000 | £000 |
| ***Neither past due nor impaired*** | 14,919 | 15,082 | 17,972 | 20,476 |
| ***Past due but not impaired:*** | | | | |
| Overdue 0 - 30 days | 1,013 | 1,384 | 1,351 | 1,620 |
| Overdue more than 30 days | 482 | 434 | 518 | 707 |
| | 16,414 | 16,900 | 19,841 | 22,803 |

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

### 21. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows is equal to the related items in the statement of financial position as follows:

| | At 31 July | | | At 28 February |
|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2014 |
| | £000 | £000 | £000 | £000 |
| Cash and short term deposits | 10,537 | 14,957 | 15,943 | 6,536 |

Cash and cash equivalents are denominated in the following currencies:

| | At 31 July | | | At 28 February |
|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2014 |
| | £000 | £000 | £000 | £000 |
| Sterling | 8,701 | 13,144 | 14,610 | 4,497 |
| Euro | 1,540 | 1,594 | 662 | 776 |
| US Dollar | 294 | 216 | 260 | 424 |
| Swedish Kroner | — | — | 217 | 677 |
| Other | 2 | 3 | 194 | 162 |
| Total | 10,537 | 14,957 | 15,943 | 6,536 |

### 22. Trade and other payables

| | At 31 July | | | At 28 February |
|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 2014 |
| | £000 | £000 | £000 | £000 |
| Trade payables | 8,465 | 7,767 | 7,662 | 9,025 |
| Social security and staff welfare costs | 1,566 | 1,447 | 2,042 | 1,508 |
| Deferred consideration | — | 1,223 | 192 | — |
| Accrued expenses | 7,765 | 7,660 | 9,992 | 10,714 |
| | 17,796 | 18,097 | 19,888 | 21,247 |

## 23. Other financial assets & liabilities

| | Current 2011 | Non-current 2011 | Current 2012 | Non-current 2012 | Current 2013 | Non-current 2013 | Current 2014 | Non-current 2014 |
|---|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| ***Financial assets*** | | | | | | | | |
| *Derivative financial instruments* | | | | | | | | |
| FX forward contracts | 19 | — | — | — | 68 | — | — | — |
| | 19 | — | — | — | 68 | — | — | — |
| ***Financial liabilities*** | | | | | | | | |
| *Derivative financial instruments* | | | | | | | | |
| Interest rate swap | (21) | — | — | (913) | — | (494) | — | (399) |
| FX forward contracts | — | — | (104) | — | — | — | (318) | (383) |
| | (21) | — | (104) | (913) | — | (494) | (318) | (782) |

## 24. Interest bearing loans and borrowings

| | Current 2011 | Non-current 2011 | Current 2012 | Non-current 2012 | Current 2013 | Non-current 2013 | Current 2014 | Non-current 2014 |
|---|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| ***Unsecured—at amortised cost*** | | | | | | | | |
| Loans from related parties(1) | — | — | — | 108,354 | — | 117,048 | — | 81,722 |
| PIK notes(2) | — | 95,176 | — | — | — | — | — | — |
| Non QCB loan notes(2) | — | 6,736 | — | — | — | — | — | — |
| ***Secured—at amortised cost*** | | | | | | | | |
| GE Corporate Finance Bank loan(3) | 3,615 | 41,496 | 3,375 | 71,625 | 4,200 | 67,411 | 4,650 | 105,003 |
| Cost of arranging bank loan(4) | (442) | (885) | (629) | (3,467) | (660) | (2,977) | | |
| | 3,173 | 142,523 | 2,746 | 176,512 | 3,540 | 181,482 | 4,650 | 186,725 |

(1) At 28 February 2014: Related party loan notes have a principal value of £69,635,000 (see note 29) and represent amounts due to Windmill Holdings BV, R George (director of Windmill Topco Limited), A Barden, C Lebeer & M Klepfisch (non-executive directors of Windmill Topco Limited). During the period, £34,628,000 of the loan notes were repaid. At 31 July 2013 Related party loan notes have a principal value of £104,263,000 (2012: £104,263,000) and represent amounts due to Windmill Holdings BV, R George (director of Windmill Topco Limited), A Barden, C Lebeer & M Klepfisch (non-executive directors of Windmill Topco Limited) The loan notes are unsecured, are repayable in 2021 and carry interest at 8% per annum compounded annually at 31 December. Interest on the loan notes is rolled up and payable in 2021.

(2) The PIK notes and non QCB loan notes were unsecured and were repayable in one instalment in 2016. The PIK notes had a principal value of £65,098,000, and the non QCB loan notes had a principal value of £3,337,000. Both loans carried interest at 14.24% per annum compounded quarterly. Both loans were repaid on 3 February 2012 as part of the Acquisition of Volution by the Group.

(3) These bank loans comprise a facility from GE Corporate Finance Bank SAS, London Branch and are governed by a facilities agreement. The outstanding loans as at 28 February 2014 are set-out in the table below.

(4) The cost of arranging bank loans is amortised over the life of the loan and charged to the consolidated statement of comprehensive income.

**24. Interest bearing loans and borrowings (Continued)**

***GE Corporate Finance Bank Loan—seven months ended 28 February 2014***

| Element | Principal | Amount outstanding | Repayment dates | Repayment frequency | rate |
|---|---|---|---|---|---|
| | £000 | £000 | | | % |
| Term A | 30,000 | 24,750 | 2012 - 2018 | Twice yearly | LIBOR + 4.75% |
| Term B | 45,000 | 24,500 | 2019 | One payment | LIBOR + 5.25% |
| Term B1 | 20,500 | 19,353 | 2019 | One payment | SEK LIBOR + 6% |
| Term C | 41,050 | 41,050 | 2019 | One payment | LIBOR + 5.50% |

***GE Corporate Finance Bank Loan—year ended 31 July 2013***

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

***GE Corporate Finance Bank Loan—year ended 31 July 2012***

| Element | Principal | Amount outstanding | Repayment dates | Repayment frequency | Rate |
|---|---|---|---|---|---|
| | £000 | £000 | | | % |
| Term A | 30,000 | 30,000 | 2012 - 2018 | Twice yearly | LIBOR + 4.75% |
| Term B | 45,000 | 45,000 | 2019 | One payment | LIBOR + 5.25% |

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

During the period ended 28 February 2014, £11,500,000 of the term B loan was converted into a SEK loan and £41,050,000 of the term C loan was added to the Facility.

During the year ended 31 July 2013, £9,000,000 of the term B loan was converted into a SEK loan.

***Year ended 31 July 2011***

These bank loans comprised a facility from the Royal Bank of Scotland plc (RBS) and are governed by a facilities agreement and a mezzanine loan agreement dated 6 July 2006 between the Group and Royal Bank of Scotland plc. The outstanding loans as at 31 July 2011 comprised four elements:

| Element | Principal | Amount outstanding | Repayment dates | Repayment frequency | Rate |
|---|---|---|---|---|---|
| | £000 | £000 | | | % |
| A | 28,000 | 6,127 | 2011 - 2013 | Twice yearly | LIBOR + 1 25% |
| B | 60,000 | 3,124 | 2014 | Two payments | LIBOR + 2 25% |
| C | 17,000 | 13,400 | 2015 | One payment | LIBOR + 5 00% |
| D | 17,500 | 22,460 | 2016 | One payment | LIBOR + 9 00% |

The facilities agreement and mezzanine loan gave the 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 group.

These arrangements were all repaid on 3 February 2012 and were all denominated in pounds sterling. The fair value of each financial liability does not materially differ from the carrying value.

## 25. Provisions

| | Service guarantees £000 | Property dilapidations £000 | Total £000 |
|---|---|---|---|
| *2011* | | | |
| At 1 August 2010 | 732 | 550 | 1,282 |
| Arising during the year | 255 | — | 255 |
| Utilised | (425) | — | (425) |
| At 31 July 2011 | 562 | 550 | 1,112 |
| *Analysis of the provision:* | | | |
| Current | 562 | — | 562 |
| Non-current | — | 550 | 550 |
| | 562 | 550 | 1,112 |

| | Service guarantees £000 | Property dilapidations £000 | Total £000 |
|---|---|---|---|
| *2012* | | | |
| At 1 August 2011 | 562 | 550 | 1,112 |
| Arising during the year | 581 | — | 581 |
| Utilised | (350) | — | (350) |
| At 31 July 2012 | 793 | 550 | 1,343 |
| *Analysis of the provision:* | | | |
| Current | 793 | — | 793 |
| Non-current | — | 550 | 550 |
| | 793 | 550 | 1,343 |

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

**25. Provisions (Continued)**

| | Service guarantees | Property dilapidations | Total |
|---|---|---|---|
| | £000 | £000 | £000 |
| *2014* | | | |
| At 1 August 2013 | 719 | 550 | 1,269 |
| Arising during the period | 293 | — | 293 |
| On acquisition | 113 | — | 113 |
| Utilised | (233) | — | (233) |
| At 28 February 2014 | 892 | 550 | 1,442 |
| *Analysis of the provision:* | | | |
| Current | 892 | — | 892 |
| Non-current | — | 550 | 550 |
| | 892 | 550 | 1,442 |

***Service guarantees***

A provision is recognised for expected service guarantees on products sold during the year and in prior years. The service guarantees are generally for two years but can range from between 1 to 5 years.

***Dilapidations***

A provision has been recognised for dilapidations relating to obligations under a lease for a leasehold building and will be payable at the end of the lease term in 2022.

**26. Earnings per share (EPS)**

Basic earnings per share is calculated by dividing the net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of any dilutive potential ordinary shares into ordinary shares. There are no dilutive potential ordinary shares for the years ended 31 July 2013, 2012 and 2011 and periods ended 28 February 2014, 2013.

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

| | Year ended 31 July | | | Seven months ended 28 February | |
|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | Unaudited 2013 | 2014 |
| | £000 | £000 | £000 | £000 | £000 |
| Profit attributable to ordinary equity holders of the parent | 1,577 | (13,896) | (2,064) | (2,690) | (8,861) |
| | No. | No. | No. | No. | No. |
| Weighted average number of ordinary shares for basic earnings per share and diluted earnings per share | 3,002,000 | 2,513,841 | 2,001,000 | 2,001,000 | 2,001,000 |
| Earnings per share | | | | | |
| Basic | 52.6p | (552.8)p | (103.2)p | (134.5)p | (442.8)p |

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

- Year ended 31 July 2011—Volution Group Limited

**26. Earnings per share (EPS) (Continued)**

- Year ended 31 July 2012—Windmill Topco Limited (weighted average from the date of acquisition of Volution Group Limited of 3 February 2012)
- Year ended 31 July 2013, period ended 28 February 2013 and period ended 28 February 2014—Windmill Topco Limited

**27. Authorised and issued share capital and reserves**

Movements in issued share capital are set out below:

Volution Group Limited

| Nominal value | Ordinary | A cumulative participating Ordinary | B cumulative participating Ordinary | C cumulative participating Ordinary | Total Number of shares |
|---|---|---|---|---|---|
| | £1 | £0.01 | £0.01 | £0.01 | |
| *Allotted, called up and fully paid* | No. | No. | No. | No. | No. |
| At 1 August 2010 | 765,000 | 2,087,300 | 147,700 | — | 3,000,000 |
| Issued in the year | — | — | — | 2,000 | 2,000 |
| At 31 July 2011 | 765,000 | 2,087,300 | 147,700 | 2,000 | 3,002,000 |
| Movement arising on acquisition of Volution by Windmill | (765,000) | (2,087,300) | (147,700) | (2,000) | (3,002,000) |
| At 31 July 2012 | — | — | — | — | — |

| Nominal value | Ordinary | A cumulative participating Ordinary | B cumulative participating Ordinary | C cumulative participating Ordinary | Total |
|---|---|---|---|---|---|
| | £1 | £0.01 | £0.01 | £0.01 | |
| *Allotted, called up and fully paid* | £000 | £000 | £000 | £000 | £000 |
| At 1 August 2010 and at 31 July 2011 | 765 | 21 | 1 | — | 787 |
| Movement arising on acquisition of Volution by Windmill | (765) | (21) | (1) | — | 787 |
| At 31 July 2012 | — | — | — | — | — |

A and B cumulative participating ordinary shares are entitled to dividends from 2011 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.

During the year ended 31 July 2011, the company allotted 2,000 Ordinary 'C' shares with a nominal value of 1p each. These were fully paid in cash at a premium of £9,980.

On 3 February 2012, Windmill TopCo Limited acquired the entire issued share capital of Volution Group Limited.

Windmill Topco Limited: Years ended 31 July 2012 and 2013 and seven months ended 28 February 2014.

| Nominal value | A cumulative participating Ordinary | B cumulative participating Ordinary | E cumulative participating Ordinary | Total Number of shares |
|---|---|---|---|---|
| | £0.001 | £0.001 | £200 | |
| *Allotted, called up and fully paid* | No. | No. | No. | No. |
| At 31 July 2011 | — | — | — | — |
| Issued in the year | 1,801,000 | 199,996 | 4 | 2,001,000 |
| At 31 July 2012, 31 July 2013 and 28 February 2014 | 1,801,000 | 199,996 | 4 | 2,001,000 |

**27. Authorised and issued share capital and reserves (Continued)**

| Nominal value | A cumulative participating Ordinary | B cumulative participating Ordinary | E cumulative participating Ordinary | Total |
|---|---|---|---|---|
| | £0.001 | £0.001 | £200 | |
| *Allotted, called up and fully paid* | £000 | £000 | £000 | £000 |
| At 31 July 2011 | — | — | — | — |
| Issued in the year | 2 | — | 1 | 3 |
| At 31 July 2012, 31 July 2013 and 28 February 2014 | 2 | — | 1 | 3 |

On incorporation, the Company had an authorised share capital of 1 ordinary share of £1 each issued at par. During the year ended 31 July 2012, the share capital was amended by the creation of new share classes of 'A' ordinary shares of £0 001, 'B' ordinary shares of £0 001 and 'E' ordinary shares of £200. The existing 1 ordinary share of £1 was converted into 1,000 'A' ordinary shares.

On 3 February 2012, l,800,000 'A' ordinary shares of £0 001 were issued for £l each, 199,996 'B' ordinary shares of £0 001 were issued for £1.50 each and 4 'E' ordinary shares were issued for £200 each. This generated a total share premium of £2,098,000. The entire share capital was fully paid in cash.

In all respects, all classes of shares rank pari passu with each other, and all classes carry restricted rights in respect of transfer and sale.

**28. Risk management**

The Group is exposed to market risk, credit risk, foreign exchange risk and liquidity risk. The Group's principal financial instruments are

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

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

***Derivative financial instruments***

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

***Forward foreign currency contracts***

The Group's purchases in foreign currencies, net of Group sales in those currencies, represents approximately 16% (2012: 15%, 2011: 18%) of total material and component purchases. Annually, typically between May and July, the Group enters into forward exchange contracts for the purchase of the budgeted monthly net expenditure in US Dollars, for the financial year commencing on the following 1 August. Hedge accounting is not applied for these derivatives.

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

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

**28. Risk management (Continued)**

***Interest rate swaps***

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

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

***Categories of financial instruments***

Long term bank loans and borrowings from related parties as set-out in note 24 are recognised at amortised cost.

***Market risk***

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

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

On 15 September 2010, the Group entered into an interest rate swap agreement with Royal Bank of Scotland plc. Under this agreement, which matured on 31 October 2011, an amount equivalent to approximately 89% of the outstanding RBS loan was subject to a fixed rate with 1.035% replacing LIBOR. The fair value of the interest rate swaps in existence at 31 July 2011 was a liability of £21,000.

On 3 May 2012, the Group entered into an interest rate swap agreement with Royal Bank of Scotland plc and Bank of Ireland. Under this agreement, which matures on 30 April 2015, approximately 88% of the outstanding bank loan with GE Corporate Finance Bank SAS, London Branch is subject to a fixed rate of 1.2550% replacing LIBOR. The fair value of the interest rate swap at 28 February 2014 is a liability of £399,000 (31 July 2013 is a liability of £494,000, 2012 a liability of £913,000).

At 31 July 2013, the Group had a number of commitments under forward foreign exchange contracts with varying settlement dates to 6 May 2014.

***Sensitivity analysis***

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

(a) What would be reasonably possible changes in the risk variables at the end of the reporting period and

(b) The effects on profit or loss and equity if such changes in the risk variables were to occur.

***Interest rate risk***

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on the Group's floating rate loans and borrowings which at the relevant reporting dates are not hedged. With all

**28. Risk management (Continued)**

other variables being constant the Group's profit before tax is affected through the impact on floating rate borrowings as follows. There is only an immaterial impact on the Group's equity.

| | Increase in basis points | Effect on (profit/ (loss) before tax |
|---|---|---|
| | | £000 |
| **31-Jul-11** | | |
| GBP | +25 | 37 |
| **31-Jul-12** | | |
| GBP | +25 | 45 |
| **31-Jul-13** | | |
| GBP | +25 | (1) |
| SEK | +25 | 1 |
| **28-Feb-13** | | |
| GBP | +25 | 18 |
| SEK | +25 | — |
| **28-Feb-14** | | |
| GBP | +25 | 105 |
| SEK | +25 | (12) |

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

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

***Foreign currency risk***

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

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

| | Change in GBP vs. USD/SEK/EUR rate | Effect on profit before tax | | | |
|---|---|---|---|---|---|
| | | 2011 | 2012 | 2013 | 2014 |
| | | £000 | £000 | £000 | £000 |
| SEK | 5% | — | — | 4 | 120 |
| USD $ | 5% | 86 | 102 | 97 | 52 |
| Euro € | 5% | (76) | (190) | (146) | (16) |

| | Change in GBP vs. SEK rate | Effect on equity | | | |
|---|---|---|---|---|---|
| | | 2011 | 2012 | 2013 | 2014 |
| | | £000 | £000 | £000 | £000 |
| SEK | 5% | — | — | 28 | 26 |

## 28. Risk management (Continued)

***Liquidity risk***

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

The table below summarises the maturity profile of the Group's significant undiscounted financial liabilities at 28 February 2014 and 31 July 2011, 2012 and 2013.

***At 31 July 2011***

| | On demand | Less than one year | Between two and five years | More than five years | Total |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| *Financial liabilities* | | | | | |
| Interest bearing loans and borrowings | — | 3,723 | 261,467 | — | 265,190 |
| Costs of arranging loans | — | (442) | (885) | — | (1,327) |
| | | 3,281 | 260,582 | — | 263,863 |
| Forward foreign currency exchange outflow | — | 6,924 | — | — | 6,924 |
| Forward foreign currency exchange inflow | — | (7,012) | — | — | (7,012) |
| Interest rate swaps | — | 21 | — | — | 21 |
| Trade and other payables (note 22) | — | 8,465 | — | — | 8,465 |
| | — | 11,679 | 260,582 | — | 272,261 |

***At 31 July 2012***

| | On demand | Less than one year | Between two and five years | More than five years | Total |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| *Financial liabilities* | | | | | |
| Interest bearing loans and borrowings | — | 7,814 | 34,468 | 265,105 | 307,387 |
| Costs of arranging loans | — | (629) | (2,516) | (951) | (4,096) |
| | — | 7,815 | 31,952 | 164,154 | 303,291 |
| Forward foreign currency exchange outflow | — | 8,477 | — | — | 8,477 |
| Forward foreign currency exchange inflow | — | (8,385) | — | — | (8,385) |
| Interest rate swaps | — | 446 | 533 | — | 979 |
| Trade and other payables | — | 7,767 | — | — | 7,767 |
| Deferred consideration | — | 1,223 | — | — | 1,223 |
| | — | 16,713 | 32,485 | 264,154 | 313,352 |

**28. Risk management (Continued)**

***At 31 July 2013***

| | On demand | Less than one year | Between two and five years | More than five years | Total |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| *Financial liabilities* | | | | | |
| Interest bearing loans and borrowings | — | 8,220 | 35,576 | 255,032 | 298,828 |
| Costs of arranging loans | — | (660) | (2,642) | (335) | (3,637) |
| | — | 7,560 | 32,934 | 254,697 | 295,191 |
| Forward foreign currency exchange outflow | — | — | 9,788 | — | 9,788 |
| Forward foreign currency exchange inflow | — | — | (9,856) | — | (9,856) |
| Interest rate swaps | — | 349 | 193 | — | 542 |
| Trade and other payables | — | 7,662 | — | — | 7,662 |
| Deferred consideration | — | 192 | — | — | 192 |
| | — | 15,763 | 33,059 | 254,697 | 303,519 |

***At 28 February 2014***

| | On demand | Less than one year | Between two and five years | More than five years | Total |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| *Financial liabilities* | | | | | |
| Interest bearing loans and borrowings | — | 11,109 | 87,842 | 180,216 | 279,167 |
| Forward foreign currency exchange outflow | — | 12,223 | — | — | 12,223 |
| Forward foreign currency exchange inflow | — | (11,470) | — | — | (11,470) |
| Interest rate swaps | — | 399 | — | — | 399 |
| Trade and other payables | — | 9,025 | — | — | 9,025 |
| | — | 21,286 | 87,842 | 180,216 | 289,344 |

The Group has a further £20,000,000 of undrawn facilities available to it under the terms of acquisition facility.

***Fair values of financial assets and financial liabilities***

Set out below is a comparison of the carrying amounts and fair values of the Group's financial instruments that are carried in the financial statements.

## 28. Risk management (Continued)

*At 31 July 2011*

| | Cash and receivables | Derivatives | Amortised cost | Total book value | Fair value |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| Financial assets: | | | | | |
| Cash | 10,537 | — | — | 10,537 | 10,537 |
| Trade and other receivables | 20,102 | — | — | 20,102 | 20,102 |
| Derivative financial instruments | | | | | |
| —Interest rate swaps and forward contracts | — | 19 | — | 19 | 19 |
| | 30,639 | 19 | — | 30,658 | 30,658 |
| Financial liabilities: | | | | | |
| Interest-bearing loans and borrowings: | | | | | |
| (i) Floating rate borrowings—banks | (45,111) | — | 1,327 | (43,784) | (43,784) |
| (ii) Fixed rate borrowings | (101,912) | — | — | (101,912) | (101,912) |
| Derivative financial instruments | | | | | |
| —Interest rate swaps and forward contracts | — | (21) | — | (21) | (21) |
| Trade payables | (8,465) | — | — | (8,465) | (8,465) |
| | (124,849) | (2) | 1,327 | (123,524) | (123,524) |

*At 31 July 2012*

| | Cash and receivables | Derivatives | Amortised cost | Total book value | Fair value |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| Financial assets: | | | | | |
| Cash | 14,957 | — | — | 14,957 | 14,957 |
| Trade and other receivables | 19,192 | — | — | 19,192 | 19,192 |
| | 34,149 | — | — | 34,149 | 34,149 |
| Financial liabilities: | | | | | |
| Interest-bearing loans and borrowings: | | | | | |
| (i) Floating rate borrowings—banks | (75,000) | — | 4,096 | (70,904) | (70,904) |
| (ii) Fixed rate borrowings | (108,354) | — | — | (108,354) | (108,354) |
| Derivative financial instruments | — | (1,017) | — | (1,017) | (1,017) |
| —Interest rate swaps and forward contracts* | | | | | |
| Trade payables | (7,767) | — | — | (7,767) | (7,767) |
| | (156,972) | (1,017) | 4,096 | (153,893) | (153,893) |

### 28. Risk management (Continued)

***At 31 July 2013***

| | Cash and receivables | Derivatives | Amortised cost | Total book value | Fair value |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| Financial assets: | | | | | |
| Cash | 15,943 | — | — | 15,943 | 15,943 |
| Trade and other receivables | 21,326 | — | — | 21,326 | 21,326 |
| Derivative financial instruments | | | | | |
| —Interest rate swaps and forward contracts* | — | 68 | — | 68 | 68 |
| | 37,269 | 68 | — | 37,337 | 37,337 |
| Financial liabilities: | | | | | |
| Interest-bearing loans and borrowings: | | | | | |
| (i) Floating rate borrowings—banks | (71,611) | — | — | (71,611) | (71,611) |
| (ii) Fixed rate borrowings | (117,048) | — | — | (117,048) | (117,048) |
| Derivative financial instruments | — | (494) | — | (494) | (494) |
| —Interest rate swaps and forward contracts* | | | | | |
| Trade payables | (7,662) | — | — | (7,662) | (7,662) |
| | (159,052) | (426) | — | (159,478) | (159,478) |

***At 28 February 2014***

| | Cash and receivables | Derivatives | Total book value | Fair value |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Financial assets: | | | | |
| Cash | 6,536 | — | 6,536 | 6,536 |
| Trade and other receivables | 23,660 | — | 23,660 | 23,660 |
| | 30,196 | — | 30,196 | 30,196 |
| Financial liabilities: | | | | |
| Interest-bearing loans and borrowings: | | | | |
| (i) Floating rate borrowings—banks | (109,653) | — | (109,653) | (109,653) |
| (ii) Fixed rate borrowings | (81,722) | — | (81,722) | (81,722) |
| Derivative financial instruments | — | (1,100) | (1,100) | (1,100) |
| —Interest rate swaps and forward contracts* | | | | |
| Trade payables | (9,025) | — | (9,025) | (9,025) |
| | (170,204) | (1,100) | (171,304) | (171,304) |

* Derivative financial instruments have all been valued using other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly

***Credit risk***

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

**28. Risk management (Continued)**

*Trade receivables*

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

Refer to note 20 for the table of the age of accounts receivable that are past due.

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

Management does not believe the Group is subject to any significant credit risk in view of the Group's large and diversified client base which is located in several jurisdictions.

***Financial instruments and cash deposits***

Credit risk from balances with banks and financial institutions is managed in accordance with the Group's policy. The Group deposits cash with reputable financial institutions, from which management believes the possibilities of loss to be remote. The Group's maximum exposure to credit risk for the components of the statement of financial position at 28 February 2014 and 31 July 2013, 2012 and 2011 is the carrying amount. The Group's maximum exposure for financial derivative instruments are noted in either note 23 or in the liquidity table above, respectively.

***Capital risk management***

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

***Fair value hierarchy***

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly;
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Financial instruments carried at fair value solely comprises the financial instruments in note 23. For hierarchy purposes all these instruments are deemed to be level 2. External valuers are involved for the valuation of these derivatives contracts. Their fair value is measured using valuation techniques including

## 28. Risk management (Continued)

the DCF model. Inputs to this calculation include the expected cash flows in relation to these derivatives contracts and relevant discount rates.

## 29. Related party transactions

The immediate parent of the Group is Windmill Holding BV ('the Parent'). Transactions between the Parent and its subsidiaries and transactions between subsidiaries, are eliminated on consolidation and are not disclosed in this note. A breakdown of transactions between the Group and its related parties are disclosed below. Details on the terms of the below are included in note 24.

***31 July 2011***

| Parties | Loan | Deposit | Interest | Amounts owed by related parties | Amounts owed to related parties |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| AAC Capital NEBO Fund 1 LP. | 65,098 | — | 30,078 | — | 95,176 |
| K Sargeant | 1,608 | — | 1,639 | — | 3,247 |
| L F Rutter | 1,126 | — | 1,145 | — | 2,271 |
| S J Diamond | 603 | — | 615 | — | 1,218 |
| Total | 68,435 | — | 33,477 | — | 101,912 |

***31 July 2012***

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

***31 July 2013***

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

## 29. Related party transactions (Continued)

*28 February 2014*

| Parties | Loan | Deposit | Interest | Amounts owed by related parties | Amounts owed to related parties |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| Windmill Holding BV | 69,028 | — | 11,981 | — | 81,009 |
| A Barden | 49 | — | 9 | — | 58 |
| M Klepfisch | 33 | — | 6 | — | 39 |
| C Lebeer | 328 | — | 57 | — | 385 |
| R George | 197 | — | 34 | — | 231 |
| Windmill Holdings BV | — | 10 | — | 10 | — |
| Windmill Holdings Cooperatief U A | — | 10 | — | 10 | — |
| Total | 69,635 | 20 | 12,087 | 20 | 81,722 |

The amounts disclosed above represents the historic carrying value of loan amounts owed to related parties. In December 2013, the group repaid £40,006,000 of the loan notes back to the holders principle £34,628,000 and interest of £5,378,000.

The terms and conditions of the loans notes are disclosed in note 24. The Deposits are held by Windmill Holdings BV and Windmill Holdings Cooperatief UA and do not carry any repayment terms.

Other transactions with related parties include the following:

- The Group incurred costs of £77,000 (2013: £114,000, 2012: £84,000, 2011: £nil) from Windmill Holdings BV (the direct controlling party) and Windmill Cooperatief U A (an intermediate parent undertaking) for management services;
- The Group incurred costs of £146,000 (2013: £294,000, 2012: £120,000, 2011: £nil) from M Klepfisch, A Barden, C Lebeer for their services as non-executive directors.
- The Group incurred costs of £3,036,000 in the year ended 31 July 2012 only, to Towerbrook Capital Partners LP, an entity in a position to exercise significant influence over the Group, for intermediary services in connection with the acquisition of the Volution Group Limited, these costs have been expensed in the statement of comprehensive income.
- The Group paid £51,000 to AAC Capital Partners (a former shareholder) for the services as directors of A Moye and P Southwell in the year ended 31 July 2011 only.

*Compensation of key management personnel*

| | Year ended 31 July | | | Seven months ended 28 February | |
|---|---|---|---|---|---|
| | 2011 | 2012 | 2013 | Unaudited 2013 | 2014 |
| | £000 | £000 | £000 | £000 | £000 |
| Short term employee benefits | 1,415 | 630 | 709 | 482 | 650 |
| Termination benefits | — | — | — | — | 203 |
| | 1,415 | 630 | 709 | 482 | 853 |

Key management personnel comprise directors.

### 30. Group structure and acquisition details

During the year end 31 July, 2011, Volution held 100% voting shares of the following subsidiaries:

***2011***

| Group company | Country of Incorporation |
|---|---|
| ***Direct*** | |
| Darwin Mezzanine Limited | England |
| ***Indirect*** | |
| Volution Group Limited | England |
| Volution Holdings Limited | England |
| Volution Limited | England |
| Vent-Axia Group Limited | England |
| Torin Sifan Limited | England |
| Manrose Manufacturing Limited | England |
| Anda Products Limited | England |
| Axia Fans Limited | England |
| NCA Manufacturing Limited | England |
| Roof Units Limited | England |
| Sifan Systems Limited | England |
| Torin Limited | England |
| Torin Holdings Limited | England |
| Tradewinds Ventilation Limited | England |
| Vent-Axia Limited | England |
| Vent-Axia Air Conditioning Limited | England |
| Vent-Axia Clean Air Systems Limited | England |
| Vent-Axia Ventilation Limited | England |
| Willow Plastics Limited | England |
| Volution Finance (UK) Limited | England |

**30. Group structure and acquisition details (Continued)**

During the year end 31 July, 2012, Windmill held 100% voting shares of the following subsidiaries:

***2012***

| Group company | Country of Incorporation |
|---|---|
| ***Direct:*** | |
| Windmill Midco Limited | England |
| ***Indirect:*** | |
| Windmill Cleanco Limited | England |
| Windmill Bidco Limited | England |
| Volution Group Limited | England |
| Darwin Mezzanine Limited | England |
| Volution Finance (UK) Limited | England |
| Manrose Manufacturing Limited | England |
| Volution Holdings Limited | England |
| Darwin Bond Limited | England |
| Volution Limited | England |
| Willow Plastics Limited | England |
| Torin Sifan Limited | England |
| Anda Products Limited | England |
| Axia Fans Limited | England |
| NCA Manufacturing Limited | England |
| Roof Units Limited | England |
| Sifan Systems Limited | England |
| Torin Limited | England |
| Torin Holdings Limited | England |
| Tradewinds Ventilation Limited | England |
| Vent-Axia Limited | England |
| Vent-Axia Air Conditioning Limited | England |
| Vent-Axia Clean Air Systems Limited | England |
| Vent-Axia Group Limited | England |
| Vent-Axia Ventiation Limited | England |

**30. Group structure and acquisition details (Continued)**

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

***2013***

| Group company | Country of Incorporation |
|---|---|
| ***Direct:*** | |
| Windmill Midco Limited | England |
| ***Indirect:*** | |
| Windmill Cleanco Limited | England |
| Windmill Bidco Limited | England |
| Manrose Manufacturing Limited | England |
| Volution Holdings Limited | England |
| Volution Ventilation Group Limited (formerly Volution Limited) | England |
| Torin Sifan Limited | England |
| Anda Products Limited | England |
| Axia Fans Limited | England |
| Roof Units Limited | England |
| Torin Limited | England |
| Vent-Axia Limited | England |
| Vent-Axia Clean Air Systems Limited | England |
| Vent-Axia Group Limited | England |

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

| Group company | Country of Incorporation |
|---|---|
| Volution Holdings Sweden AB | Sweden |
| Fresh AB | Sweden |
| Fresh Norge AS | Norway |
| Fresh Shanghai Limited | China |

During the year ended 31 July 2013 Windmill liquidated the following subsidiaries:

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

### 30. Group structure and acquisition details (Continued)

During the period ended 28 February 2014, Windmill held 100% shareholdings in the following companies:

***28 February 2014***

| Group company | Country of Incorporation |
|---|---|
| ***Direct:*** | |
| Windmill Midco Limited | England |
| ***Indirect:*** | |
| Windmill Cleanco Limited | England |
| Windmill Bidco Limited | England |
| Manrose Manufacturing Limited | England |
| Volution Holdings Limited | England |
| Volution Ventilation Group Limited (formerly Volution Limited) | England |
| Torin Sifan Limited | England |
| Anda Products Limited | England |
| Axia Fans Limited | England |
| Roof Units Limited | England |
| Torin Limited | England |
| Vent-Axia Limited | England |
| Vent-Axia Clean Air Systems Limited | England |
| Vent-Axia Group Limited | England |
| Volution Holdings Sweden AB | Sweden |
| Fresh AB | Sweden |
| Fresh Norge AS | Norway |
| Fresh Shanghai Limited | China |

During the period ended 28 February 2014, the Group acquired 100% shareholdings in the following companies:

| Group company | Country of Incorporation |
|---|---|
| Pax AB | Sweden |
| Pax Norge AS | Norway |

There were no other changes to the group structure in the period ended 28 February 2014.

### 31. Commitments and contingencies

***Operating lease commitments***

The Group has entered into commercial leases of certain items of land and building and others. These leases have an average life of between 5 and 15 years with no renewal option included in the contracts. There are no restrictions placed upon the Group by entering into these contracts.

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

| | As at 31 July | | | As at |
|---|---|---|---|---|
| | 2011 | 2012 | 2013 | 28-Feb-14 |
| | £000 | £000 | £000 | £000 |
| Within one year | 32 | 17 | 429 | 427 |
| After one year but not more than five years | 74 | 99 | 1,615 | 1,535 |
| More than five years | 5,552 | 5,011 | 5,427 | 4,894 |
| | 5,658 | 5,127 | 7,471 | 6,856 |

## 31. Commitments and contingencies (Continued)

***Commitments for capital expenditure***

Commitments for the acquisition of property, plant and equipment as of 28 February 2014 are £362,000 (2013: £80,000, 2012: £524,000, 2011: £323,000).

Subsequent to 28 February 2014, the Group entered into a lease commencing on 10 March 2014, for a period of 12 years, incorporating a 6 year breakout option with termination notice of 6 months. Annual rent for the property is £119,715 with a rent free period of 15 months.

***Contingencies***

The Group has ongoing discussions with the UK tax authorities in relation to the tax implications relating to the transaction costs for the acquisition of the Volution Group Limited by Windmill Topco Limited and the acquisition of Fresh AB and its subsidiaries. The amounts exposed range from nil to £311k.

## 32. Opening balance sheet

As explained in the basis of preparation in note 2, a company is permitted to apply IFRS 1 in its first set of financial statements in which an unreserved statement of compliance with IFRS has been made. Although such a statement has not been made, the financial information has been prepared as if the date of transition to IFRS is 1 August 2010. The opening balance sheet for Volution Group Limited at 1 August 2010 is set out below:

| | IFRS As at 1-Aug-10 |
|---|---|
| | £000 |
| ***Non-current assets*** | |
| Property, plant and equipment | 10,276 |
| Intangible assets—goodwill | 84,872 |
| Intangible assets—others | 97 |
| Deferred tax assets | 389 |
| | 95,634 |
| ***Current assets*** | |
| Inventories | 11,104 |
| Trade and other receivables | 19,655 |
| Cash and cash equivalents | 10,087 |
| | 40,846 |
| ***Total assets*** | 136,480 |
| ***Current liabilities*** | |
| Trade and other payables | (16,520) |
| Other current financial liabilities | (355) |
| Income Tax payable | (1,575) |
| Interest-bearing loans and borrowings | (1,825) |
| Provisions | (732) |
| | (21,007) |
| ***Non-Current liabilities*** | |
| Interest-bearing loans and borrowings | (143,763) |
| Provisions | (550) |
| | (144,313) |
| ***Total Liabilities*** | (165,320) |
| ***Net Liabilities*** | (28,840) |

**32. Opening balance sheet (Continued)**

| | IFRS As at 1-Aug-10 |
|---|---|
| | £000 |
| ***Equity*** | |
| Share capital | 787 |
| Share Premium | 2,213 |
| Retained earnings | (31,840) |
| ***Total Equity*** | (28,840) |

***Exemptions applied***

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS. The Group has applied the following exemptions in preparing the combined opening balance sheet under IFRS:

***IFRS 3 Business Combinations*** has not been applied to acquisitions of subsidiaries that are considered businesses for IFRS, or of interests in associates and joint ventures that occurred before 1 August 2010.

Use of this exemption means that the local GAAP carrying amounts of assets and liabilities that are required to be recognised under IFRS is their deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with IFRS. Assets and liabilities that do not qualify for recognition under IFRS are excluded from the opening IFRS statement of financial position. The Group did not recognise or exclude any previously recognised amounts as a result of IFRS recognition requirements.

IFRS 1 also requires that the local GAAP carrying amount of goodwill must be used in the opening IFRS statement of financial position (apart from adjustments for goodwill impairment and recognition or derecognition of intangible assets that would have been recognised in the acquiree's financial statements under IFRS). In accordance with IFRS 1, the Group has tested goodwill for impairment at the date of transition to IFRS. Goodwill was not impaired at 1 August 2010.

***Estimates***

The estimates at 1 August 2010 and at 31 July 2011 are consistent with those made for the same dates in accordance with local GAAP (after adjustments to reflect any differences in accounting policies).

**33. Events after the balance sheet date**

Subsequent to the year-end, the group completed its purchase of the entire share capital of InVENTer on 17 April 2014 and Volution Holdings Germany was incorporated as a holding company on 5 December 2013. Two further companies were incorporated as subsidiaries of Volution Holdings Germany, being Volution Ventilation Germany, the trading company, and Volution Ventilation Property Germany, the property investment company. The transaction was funded by debt.

Total consideration for the transaction was split as follows:

- Up-front cash consideration of €17,140,000 (£14,126,000), and
- Earn-out consideration of a maximum of €2,000,000 (£1,649,000);

**33. Events after the balance sheet date (Continued)**

Estimated transaction costs associated with the transaction are £505,000. At the date of approving the historical financial information, the Group was in the process of finalising fair values on acquisition. The estimated fair value of the net assets acquired is set out below:

| | Book value | Fair value adjustments | Provisional fair value |
|---|---|---|---|
| | £000 | £000 | £000 |
| ***Assets*** | | | |
| Intangible assets | 231 | 10,384 | 10,615 |
| Property, plant and equipment | 636 | — | 636 |
| Inventory | 2,065 | 194 | 2,259 |
| Trade and other receivables | 455 | — | 455 |
| Deferred tax asset | 29 | — | 29 |
| Deferred tax liability | — | (2,076) | (2,076) |
| ***Total identifiable net assets*** | 3,416 | 8,502 | 11,918 |
| Goodwill on acquisition | | | 3,856 |
| | | | 15,774 |
| ***Discharged*** | | | |
| Consideration satisfied in cash | | | 14,125 |
| Deferred consideration | | | 1,649 |
| ***Total consideration*** | | | 15,774 |

Goodwill of £3,857,000 represents certain intangible assets that cannot be individually separated and reliably measured due to their nature. These items include the value of expected synergies and the experience and skill of the workforce arising from the acquisition.

The Group also purchased a property at fair value in a separate transaction for cash consideration of €3,760,000 (£3,099,000).

## PART XII

## UNAUDITED PRO FORMA FINANCIAL INFORMATION

### Section A: Accountant's report on the unaudited pro forma financial information of the Group

18 June 2014

The Directors
Volution Group plc
Fleming Way
Crawley
West Sussex
RH10 9YX

Dear Sirs

Volution Group plc (the "**Company**")

We report on the pro forma financial information (the "**Pro Forma Financial Information**") set out in Part XII of the Prospectus dated 18 June 2014, which has been prepared on the basis described, for illustrative purposes only, to provide information about how the Offer and the use of the net proceeds to repay part of the Existing Debt Facilities (and the related amendment and restatement into the New Debt Facilities), the Reorganisation, the capital reduction and the acquisitions of Fresh, PAX and inVENTer might have affected the financial information presented on the basis of the accounting policies adopted by the Company in preparing the historical financial information for the seven months ended 28 February 2014. This report is required by item 7 of Annex II of Commission Regulation (EC) No 809/2004 and is given for the purpose of complying with that item and for no other purpose.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 23.1 of Annex I to Commission Regulation (EC) No 809/2004, consenting to its inclusion in the Prospectus.

**Responsibilities**

It is the responsibility of the directors of the Company to prepare the Pro Forma Financial Information in accordance with items 1 to 6 of Annex II of Commission Regulation (EC) No 809/2004.

It is our responsibility to form an opinion, as required by item 7 of Annex II of the Commission Regulation (EC) No 809/2004, as to the proper compilation of the Pro Forma Financial Information and to report that opinion to you.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro Forma Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

**Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro Forma Financial Information with the directors of the Company.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro Forma Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in other jurisdictions and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

**Opinion**

In our opinion:

- the Pro Forma Financial Information has been properly compiled on the basis stated; and
- such basis is consistent with the accounting policies of the Company.

**Declaration**

For the purposes of Prospectus Rule 5.5.3R (2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex I of Commission Regulation (EC) No 809/2004.

Yours faithfully

Ernst & Young LLP

**Section B: Unaudited pro forma financial information of the Group**

The unaudited pro forma statement of financial position set out below has been presented to illustrate the effect of the use of the net proceeds of the Offer (to repay £61.9 million of the Existing Debt Facilities and the related amendment and restatement into the New Debt Facilities, with the balance of such net proceeds being retained for general corporate purposes), the Reorganisation, the reduction of capital of the Company and the acquisition of inVENTer on the Group's statement of financial position as if they had taken place on 28 February 2014, and the unaudited pro forma statements of income for the year ended 31 July 2013 and for the seven month ended 28 February 2014 have been set out below to illustrate the effects of the net proceeds of the Offer (to repay £61.9 million of the Existing Debt Facilities and the related amendment and restatement into New Debt Facilities, with the balance of such net proceeds being retained for general corporate purposes), the Reorganisation and the acquisitions of Fresh, PAX and inVENTer as if they had taken place on 1 August 2012. This unaudited pro forma financial information is prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and therefore does not represent the actual financial position or results of the Group, nor is it indicative of results that may or may not be achieved in the future. The unaudited pro forma financial information is compiled on the basis set out below in accordance with the accounting policies of the Group as set out in Part XI (*Historical financial information*) and in accordance with Annex II to the PD Regulation. Other than the adjustments detailed above no other adjustments have been made for the events occurring after 28 February 2014.

### Unaudited pro forma statement of financial position—as of 28 February 2014

| | Windmill Group (Note 1) | Adjustments: Acquisition of inVENTer (Note 2(a)) | Reorganisation —loan notes (Note 5) | Reorganisation —share exchange (Note 5) | IPO net proceeds and refinancing (Note 6) | Reduction of capital (Note 7) | Pro forma |
|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| ***Non-current assets*** | | | | | | | |
| Property, plant and equipment | 11,218 | 3,735 | — | — | — | — | 14,953 |
| Intangible assets—goodwill | 48,275 | 3,856 | — | — | — | — | 52,131 |
| Intangible assets—others | 109,194 | 10,615 | — | — | — | — | 119,809 |
| Deferred tax asset | 1,403 | 29 | — | — | — | — | 1,432 |
| | 170,090 | 18,235 | — | — | — | — | 188,325 |
| ***Current assets*** | | | | | | | |
| Inventories | 14,792 | 2,259 | — | — | — | — | 17,051 |
| Trade and other receivables | 23,660 | 455 | — | — | — | — | 24,115 |
| Cash and short term deposits | 6,536 | (439) | (26) | — | 875 | — | 6,946 |
| | 44,988 | 2,275 | (26) | — | 875 | — | 48,112 |
| ***Total assets*** | 215,078 | 20,510 | (26) | — | 875 | — | 236,437 |
| ***Current liabilities*** | | | | | | | |
| Trade and other payables | (21,247) | — | — | — | 964 | — | (20,283) |
| Other current financial liabilities | (318) | — | — | — | — | — | (318) |
| Current tax liabilities | (649) | — | — | — | — | — | (649) |
| Interest bearing loans and borrowings: | | | | | | | |
| Loans from related parties | — | — | — | — | — | — | — |
| Bank loans | (4,650) | — | — | — | 4,650 | — | — |
| | (4,650) | — | — | — | 4,650 | — | — |
| Provisions | (892) | — | — | — | — | — | (892) |
| | (27,756) | — | — | — | 5,614 | — | (22,142) |
| ***Non-current liabilities*** | | | | | | | |
| Interest bearing loans and borrowings: | | | | | | | |
| Loans from related parties | (81,722) | (8,000) | 89,722 | — | — | — | — |
| Bank loans | (105,003) | (10,434) | — | — | 58,285 | — | (57,152) |
| | (186,725) | (18,434) | 89,722 | — | 58,285 | — | (57,152) |
| Other non-current financial liabilities | (782) | — | — | — | — | — | (782) |
| Provisions | (550) | — | — | — | — | — | (550) |
| Deferred tax liabilities | (22,002) | (2,076) | — | — | — | — | (24,078) |
| | (210,059) | (20,510) | 89,722 | — | 58,285 | — | (82,562) |
| ***Total liabilities*** | (237,815) | (20,510) | 89,722 | — | 63,899 | — | (104,704) |
| ***Net (liabilities)/assets*** | (22,737) | — | 89,696 | — | 64,774 | — | 131,733 |
| Share capital | 3 | — | 612 | 905 | 480 | — | 2,000 |
| Share premium | 2,098 | — | 89,084 | (91,182) | 67,630 | (57,630) | 10,000 |
| Consolidation reserve | — | — | — | 90,277 | — | — | 90,277 |
| Foreign currency translation reserve | 254 | — | — | — | — | — | 254 |
| Retained earnings | (25,092) | — | — | — | (3,336) | 57,630 | 29,202 |
| ***Total equity*** | (22,737) | — | 89,696 | — | 64,774 | — | 131,733 |

**Unaudited pro forma consolidated income statement—for the twelve months ended 31 July 2013**

| | Windmill Group (Note 1) | Adjustments: Acquisition of inVENTer (Note 2(b)) | Acquisition of PAX (Note 3(a)) | Acquisition of Fresh (Note 4) | Reorganisation (Note 5) | IPO net proceeds and Refinancing (Note 6) | Pro forma |
|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| ***Revenue*** | 102,262 | 13,860 | 9,723 | 2,044 | — | — | 127,889 |
| Cost of sales | (56,245) | (5,783) | (4,493) | (1,107) | — | — | (67,628) |
| ***Gross profit*** | 46,017 | 8,077 | 5,230 | 937 | — | — | 60,261 |
| Distribution costs | (12,380) | (3,245) | (2,629) | (306) | — | — | (18,560) |
| Administrative expenses | (21,593) | (2,553) | (2,309) | (360) | — | — | (26,815) |
| Other operating income | — | 46 | — | — | — | — | 46 |
| Exceptional costs | (2,778) | (680) | (141) | — | — | (4,300) | (7,899) |
| ***Operating profit*** | 9,266 | 1,645 | 151 | 271 | — | (4,300) | 7,033 |
| Finance revenue | 630 | — | — | — | — | — | 630 |
| Finance costs: | | | | | | | |
| Interest payable on bank loans and overdrafts | (4,764) | (630) | (762) | (87) | — | 2,556 | (3,687) |
| Interest on loan notes | (8,267) | (640) | — | — | 7,178 | 1,729 | — |
| Amortisation of finance costs | (641) | — | — | — | — | (7,723) | (8,364) |
| Net loss on financial instruments at fair value | (427) | — | — | — | — | — | (427) |
| | (14,099) | (1,270) | (762) | (87) | 7,178 | (3,438) | (12,478) |
| ***Profit/(loss) before tax*** | (4,203) | 375 | (611) | 184 | 7,178 | (7,738) | (4,815) |
| Income tax (expense)/credit | 2,139 | (171) | 118 | (43) | (552) | 1,041 | 2,532 |
| ***Profit/(loss) for the period*** | (2,064) | 204 | (493) | 141 | 6,626 | (6,697) | (2,283) |

**Unaudited pro forma consolidated income statement—for the seven months ended 28 February 2014**

| | Windmill Group (Note 1) | Adjustments: Acquisition of inVENTer (Note 2(c)) | Acquisition of PAX (Note 3(b)) | Reorganisation (Note 5) | IPO net proceeds and refinancing (Note 6) | Pro forma |
|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| ***Revenue*** | 70,276 | 7,295 | 695 | — | — | 78,266 |
| Cost of sales | (37,111) | (3,265) | (457) | — | — | (40,833) |
| ***Gross profit*** | 33,165 | 4,030 | 238 | — | — | 37,433 |
| Distribution costs | (9,080) | (1,773) | (276) | — | — | (11,129) |
| Administrative expenses | (15,727) | (1,669) | (425) | — | — | (17,821) |
| Other operating income | — | 59 | — | — | — | 59 |
| Exceptional costs | (1,924) | 48 | 141 | — | 964 | (771) |
| ***Operating profit*** | 6,434 | 695 | (322) | — | 964 | 7,771 |
| Finance revenue | 7 | — | — | — | — | 7 |
| Finance costs: | | | | | | |
| Interest payable on bank loans and overdrafts | (3,244) | (364) | (64) | — | 2,006 | (1,666) |
| Interest on loan notes | (4,376) | (371) | — | 4,169 | 578 | — |
| Amortisation of finance costs | (7,516) | — | — | — | 7,396 | (120) |
| Net loss on financial instruments at fair value | (1,100) | — | — | — | — | (1,100) |
| | (16,236) | (735) | (64) | 4,169 | 9,980 | (2,886) |
| ***Profit/(loss) before tax*** | (9,795) | (40) | (386) | 4,169 | 10,944 | 4,892 |
| Income tax (expense)/credit | 934 | (41) | 84 | (312) | (2,298) | (1,633) |
| ***Profit/(loss) for the period*** | (8,861) | (81) | (302) | 3,857 | 8,646 | 3,259 |

Notes

1. The Windmill Group financial information has been extracted, without material adjustments from Part XI (*Historical financial information*).

2. Acquisition of inVENTer:

(a) The Group acquired inVENTter in April 2014. The pro forma statement of net assets gives effect to this acquisition as if it happened on 28 February 2014 as follows:

| | Unadjusted (German GAAP) (see (i)) | IFRS Adjustments (see (ii)) | inVENTer IFRS | Purchase price allocation adjustments and consideration (see (iii)) | Adjustment to Pro forma statement of financial position |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| ***Non-current assets*** | | | | | |
| Property, plant and equipment | 636 | — | 636 | 3,099 | 3,735 |
| Intangible assets—goodwill | — | — | — | 3,856 | 3,856 |
| Intangible assets—others | 231 | — | 231 | 10,384 | 10,615 |
| Deferred tax asset | — | 29 | 29 | — | 29 |
| | 867 | 29 | 896 | 17,339 | 18,235 |
| ***Current assets*** | | | | | |
| Inventories | 2,185 | (120) | 2,065 | 194 | 2,259 |
| Trade and other receivables | 470 | (15) | 455 | — | 455 |
| Cash and short term deposits | — | — | — | (439) | (439) |
| | 2,655 | (135) | 2,520 | (245) | 2,275 |
| ***Total assets*** | 3,522 | (106) | 3,416 | 17,094 | 20,510 |

| | Historical Unadjusted (German GAAP) (see (i)) | IFRS Adjustments (see (ii)) | inVENTer IFRS | Purchase price allocation and consideration adjustments (see (iii)) | Adjustment to Pro forma statement of financial position |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| ***Non-current liabilities*** | | | | | |
| Interest bearing loans and borrowings: | | | | | |
| Loans from related parties | — | — | — | (8,000) | (8,000) |
| Bank loans | — | — | — | (10,434) | (10,434) |
| | — | — | — | (18,434) | (18,434) |
| Deferred tax liabilities | — | — | — | (2,076) | (2,076) |
| | — | — | — | (20,510) | (20,510) |
| ***Total liabilities*** | — | — | — | (20,510) | (20,510) |
| ***Net assets*** | 3,522 | (106) | 3,416 | (3,416) | — |

(b) The pro forma income statement gives effect to the acquisition of inVENTer as if it happened on 1 August 2012 as follows:

inVENTer—for the twelve months ended 31 July 2013

| | Unadjusted (German GAAP) (see (i)) | IFRS adjustments (see (ii)) | inVENTer IFRS | Purchase price allocation and consideration adjustments (see (iii)) | Adjustment to pro forma income statement |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| ***Revenue*** | 13,858 | 2 | 13,860 | — | 13,860 |
| Cost of sales | (5,790) | 7 | (5,783) | — | (5,783) |
| ***Gross profit*** | 8,068 | 9 | 8,077 | — | 8,077 |
| Distribution costs | (3,245) | — | (3,245) | — | (3,245) |
| Administrative expenses | (1,721) | (1) | (1,722) | (831) | (2,553) |
| Other operating income | 46 | — | 46 | — | 46 |
| Exceptional costs | — | — | — | (680) | (680) |
| ***Operating profit*** | 3,148 | 8 | 3,156 | (1,511) | 1,645 |
| Finance costs | — | — | — | (1,270) | (1,270) |
| ***Profit/(loss) before tax*** | 3,148 | 8 | 3,156 | (2,781) | 375 |
| Income tax (expense)/credit | (852) | (2) | (854) | 683 | (171) |
| ***Profit/(loss) for the period*** | 2,296 | 6 | 2,302 | (2,098) | 204 |

(c) The pro forma income statement gives effect to the acquisition of inVENTer as if it happened on 1 August 2012 as follows:

inVENTer—for the seven months ended 28 February 2014

| | Unadjusted (German GAAP) (see (i)) | IFRS adjustments (see (ii)) | inVENTer IFRS | Purchase price allocation and consideration adjustments (see (iii)) | Adjustment to pro forma income statement |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| ***Revenue*** | 7,288 | 7 | 7,295 | — | 7,295 |
| Cost of sales | (3,242) | (23) | (3,265) | — | (3,265) |
| ***Gross profit*** | 4,046 | (16) | 4,030 | — | 4,030 |
| Distribution costs | (1,773) | — | (1,773) | — | (1,773) |
| Administrative expenses | (1,185) | 1 | (1,184) | (485) | (1,669) |
| Other operating income | 59 | — | 59 | — | 59 |
| Exceptional costs | — | — | — | 48 | 48 |
| ***Operating profit*** | 1,147 | (15) | 1,132 | (437) | 695 |
| Finance costs | — | — | — | (735) | (735) |
| ***Profit/(loss) before tax*** | 1,147 | (15) | 1,132 | (1,172) | (40) |
| Income tax (expense)/credit | (324) | 4 | (320) | 279 | (41) |
| ***Profit/(loss) for the period*** | 823 | (11) | 812 | (893) | (81) |

i. The unadjusted (German GAAP) amounts have been extracted from the unaudited management accounts of inVENTer for the seven months ended 28 February 2014 and for the twelve months ended 31 July 2013. Assets that were not acquired and liabilities not assumed have not been included (see (iii) below).

ii. IFRS adjustments in respect of the conversion from German GAAP to IFRS.

| | Note | as of 28 February 2014 | twelve months ended 31 July 2013 | seven months ended 28 February 2014 |
|---|---|---|---|---|
| | | £000 | £000 | £000 |
| Inventories | (1) | (120) | | |
| Trade and other receivables | (2) | (15) | | |
| Deferred tax asset | (3) | 29 | | |
| Revenue | (4) | | 2 | 7 |
| Cost of sales | (5) | | 7 | (23) |
| Administrative expenses | (6) | | (1) | 1 |
| Income tax (expense)/credit | (7) | | (2) | 4 |

(1) The adjustment of £120,000 represents reversal of capitalised administrative overheads included in inventory.

(2) The adjustment of £15,000 represents the provision for credit notes of £17,000 and reversal of a general bad debt provision (£2,000).

(3) The adjustment of £29,000 represents the deferred tax effect of the adjustments (1) and (2).

(4) The adjustments of £2,000 and £7,000 represent the provision for credit notes.

(5) The adjustments of £7,000 and (£23,000) represent the reversal of capitalised administrative overheads included in inventory.

(6) The adjustments of (£1,000) and £1,000 represent the reversal of a general bad debt provision.

(7) The adjustments of (£2,000) and £4,000 represents the tax effect of adjustments of (4) to (6).

(8) The amounts used for adjustments (1), (2), (4), (5) and (6) have been derived from the accounting records of inVENTer.

iii. Under the inVENTer Sale and Purchase Agreement (the "inVENTer SPA"), the Group acquired the business of inVENTer, consisting of all of the assets, contracts and rights owned or used and all of the liabilities other than all cash and short term deposits and certain assets and liabilities specified in the inVENTer SPA. In addition, as part of inVENTer acquisition, the Group acquired certain real estate property and certain IP rights relating to the inVENTer business directly from an owner of inVENTer for £3,099,000 and £8,241, respectively. Total consideration including the amount paid for the real estate property and IP rights from the owner amounted to £18,873,000. The acquisition was financed through additional interest bearing loans and borrowings of £18,434,000 and cash of £439,000.

The fair value of the assets acquired, liabilities assumed and related goodwill and the related purchase price adjustments were as follows:

| | inVENTer IFRS | Purchase price adjustments | |
|---|---|---|---|
| | £000 | £000 | £000 |
| Property, plant and equipment (including real estate property acquired directly from the owner) | 636 | 3,099 | 3,735 |
| Intangible assets—other (including IP rights acquired from owner) | 231 | 10,384 | 10,615 |
| Deferred tax asset | 29 | — | 29 |
| Inventories | 2,065 | 194 | 2,259 |
| Trade and other receivables | 455 | — | 455 |
| Deferred tax liabilities | — | (2,076) | (2,076) |
| Net assets acquired | 3,416 | | 15,017 |
| Consideration paid | | | 18,873 |
| Goodwill | | | 3,856 |

The fair value of other intangible assets is based on an independent appraisal. The fair value of property, plant and equipment acquired from an owner represents the price paid to the owner for the real estate property pursuant to the agreement with the owner. The inventory fair value adjustment is based on the selling price less cost of disposal and a profit allowance for selling efforts. The purchase prices allocation is preliminary. A further purchase price allocation study will be carried out as of the acquisition date for the purposes of preparing the subsequent financial information of the Group and this may differ from this initial purchase price allocation.

Adjustments to reflect the acquisition as if it happened on 1 August 2012 in the pro forma income statements are as follows:

| | twelve months ended 31 July 2013 | seven months ended 28 February 2014 |
|---|---|---|
| | £000 | £000 |
| Administrative expenses—Amortisation of intangible assets over useful lives of 12 and 20 years | 769 | 449 |
| Administrative expenses—Depreciation of property, plant and equipment over a useful life of 50 years | 62 | 36 |
| Exceptional costs—Transaction costs | 486 | (48) |
| Exceptional costs—Unwinding of fair value adjustment related to inventory | 194 | — |
| Finance costs—Interest on loans and borrowings used to finance the acquisition | 1,270 | 735 |
| Tax effect of above adjustments | (683) | (279) |

Total transaction costs of the acquisition amounted to £505,000 of which £19,000 was incurred as of 31 July 2013, £48,000 was incurred as of 28 February 2014 and £438,000 was incurred subsequent to 28 February 2014.

3. Acquisition of PAX

(a) On 22 August 2013, Windmill Topco acquired the entire share capital of PAX AB and PAX AS (together, "PAX"). The pro forma income statement gives effect to the acquisition of PAX as if it happened on 1 August 2012 as follows:

PAX—for the twelve months ended 31 July 2013

| | **Unadjusted (Swedish GAAP) (see (i))** | **IFRS adjustments (see (ii))** | **PAX IFRS** | **Purchase price allocation adjustments (see (iii))** | **Adjustment to pro forma income statement** |
|---|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** | **£000** |
| ***Revenue*** | 10,279 | (556) | 9,723 | — | 9,723 |
| Cost of sales | (5,049) | 556 | (4,493) | — | (4,493) |
| ***Gross profit*** | 5,230 | — | 5,230 | — | 5,230 |
| Distribution costs | (2,629) | — | (2,629) | — | (2,629) |
| Administrative expenses | (1,491) | — | (1,491) | (818) | (2,309) |
| Exceptional costs | — | — | — | (141) | (141) |
| ***Operating profit*** | 1,110 | — | 1,110 | (959) | 151 |
| Finance costs | — | — | — | (762) | (762) |
| ***Profit/(loss) before tax*** | 1,110 | — | 1,110 | (1,721) | (611) |
| Income tax (expense)/credit | (244) | — | (244) | 362 | 118 |
| ***Profit/(loss) for the period*** | 866 | — | 866 | (1,359) | (493) |

(b) The pro forma income statement gives effect to the acquisition of PAX as if it happened on 1 August 2012 as follows:

PAX—for the one month ended 31 August 2013

| | **Unadjusted (Swedish GAAP) (see (i))** | **IFRS adjustments (see (ii))** | **PAX IFRS** | **Purchase price allocation adjustments (see (iii))** | **Adjustment to pro forma income statement** |
|---|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** | **£000** |
| ***Revenue*** | 739 | (44) | 695 | — | 695 |
| Cost of sales | (501) | 44 | (457) | — | (457) |
| ***Gross profit*** | 238 | — | 238 | — | 238 |
| Distribution costs | (276) | — | (276) | — | (276) |
| Administrative expenses | (357) | — | (357) | (68) | (425) |
| Exceptional costs | — | — | — | 141 | 141 |
| ***Operating profit*** | (395) | — | (395) | 73 | (322) |
| Finance costs | — | — | — | (64) | (64) |
| ***Profit/(loss) before tax*** | (395) | — | (395) | 9 | (386) |
| Income tax (expense)/credit | 87 | — | 87 | (3) | 84 |
| ***Profit/(loss) for the period*** | (308) | — | (308) | 6 | (302) |

(i) The unadjusted (Swedish GAAP) amounts have been extracted from the unaudited management accounts of PAX for the twelve months ended 31 July 2013 and for the one month ended 31 August 2013.

(ii) The adjustments of £556,000 and £44,000 for the twelve months ended 31 July 2013 and one month ended 31 August 2013 respectively, relate to the reclassification of customer rebates from cost of sales to present revenue net of rebates.

(iii) The acquisition was completed in August 2013. The fair values of assets acquired and liabilities assumed represent the fair values used by the Group to account for the acquisition as at the date of completion and were reflected in historical financial information in Part XI (*Historical financial information*).

Purchase price adjustments to reflect the acquisition as if it happened on 1 August 2012 in the pro forma income statements are as follows:

| | **twelve months ended 31 July 2013** | **one month ended 31 August 2013** |
|---|---|---|
| | **£000** | **£000** |
| Administrative expenses—Amortisation of intangible assets over useful lives of 8 and 12 years | 818 | 68 |
| Exceptional costs—Transaction costs | 39 | (39) |
| Exceptional costs—Unwinding of fair value adjustment related to inventory | 102 | (102) |
| Finance costs—Interest on loans and borrowings to finance the acquisition | 762 | 64 |
| Tax effect of above adjustments | (362) | 3 |

Total acquisition transaction costs amounted to £538,000, of which £499,000 was incurred during the year ended 31 July 2013 and £39,000 was incurred during the seven months ended 28 February 2014.

(iv) PAX revenue before IFRS adjustments for the six months from the date of acquisition (August 2013) to 28 February 2014 and PAX unaudited revenue before IFRS adjustments for the seven months ended 28 February 2014 amounted to £5,848,000 and £6,587,000, respectively.

(v) The amounts used for adjustments (ii) and (iv) were derived from accounting records of PAX.

4. Acquisition of Fresh

Windmill Topco acquired Fresh AB and its subsidiaries in Norway and China on 3 October 2012. The pro forma income statement gives effect to the acquisition of Fresh as if it happened on 1 August 2012 as follows:

Fresh—for the two months ended 30 September 2012

| | Unadjusted (Swedish GAAP) (see (a)) | IFRS adjustments (see (b)) | Fresh IFRS | Purchase price allocation adjustments (see (c)) | Adjustment to pro forma income statement |
|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 |
| ***Revenue*** | 2,156 | (112) | 2,044 | — | 2,044 |
| Cost of sales | (1,219) | 112 | (1,107) | — | (1,107) |
| ***Gross profit*** | 937 | — | 937 | — | 937 |
| Distribution costs | (306) | — | (306) | — | (306) |
| Administrative expenses | (254) | — | (254) | (106) | (360) |
| ***Operating profit*** | 377 | — | 377 | (106) | 271 |
| Finance costs | — | — | — | (87) | (87) |
| ***Profit/(loss) before tax*** | 377 | — | 377 | (193) | 184 |
| Income tax (expense)/credit | (83) | — | (83) | 40 | (43) |
| ***Profit/(loss) for the period*** | 294 | — | 294 | (153) | 141 |

(a) The unadjusted (Swedish GAAP) amounts have been extracted from the management accounts of Fresh for the two months ended 30 September 2012.

(b) The adjustments of £112,000 for the two months ended 30 September 2012 relate to the reclassification of customer rebates from cost of sales to present revenue net of rebates. The amounts used for adjustments were derived from accounting records of PAX.

(c) The acquisition was completed in October 2012. The fair values of assets acquired and liabilities assumed represent the fair value used by the Group to account for the acquisition as at the date of completion and were reflected in Part XI (*Historical financial information*).

Purchase price adjustments to reflect the acquisition as if it happened on 1 August 2012 in the pro forma income statements were as follows:

| | two months ended 30 September 2012 |
|---|---|
| | £000 |
| Administrative expenses—Amortisation of intangible assets over useful lives of 7 and 20 years | 106 |
| Finance costs—Interest on loans and borrowings to finance the acquisition | 87 |
| Tax effect of above adjustments | (40) |

5. The pro forma statement of financial position reflects the effect of the Reorganisation (which is due to take place immediately prior to Admission) as if it happened on 28 February 2014 and pro forma income statements reflect the effect of the Reorganisation as if it happened on 1 August 2012.

The adjustment Reorganisation—loan notes, gives effect to the novation of loan notes issued by Windmill Midco to Windmill Topco and the subsequent settlement of the loan notes through the issue of Windmill Topco ordinary shares. £89,722,000 of the loan notes were exchanged for Windmill Topco ordinary shares. Interest on such loan notes for the year ended 31 July 2013 and seven months ended 28 February 2014 amounted to £7,178,000 and £4,169,000, respectively. Windmill Topco ordinary shares will be issued for £132,000 of such loan notes held by management of the Group for an amount, net of withholding taxes related to such notes of £26,000. The withholding tax will be paid in cash. This adjustment does not give effect to the exchange of Windmill Topco ordinary shares for the amount of the interest accrued on the loan notes (including interest on the additional loan notes used to finance the inVENTer acquisition) from 28 February 2014 to the date of Reorganisation.

The adjustment Reorganisation—share exchange, gives effect to the sale of the entire share capital (after the Reorganisation) of Windmill Topco in exchange for 152,000,000 new Ordinary Shares of Volution Group plc. The accounting for the Reorganisation will result in an adjustment to share premium of (£91,182,000), share capital of £905,000 and the recording of a consolidation reserve of £90,277,000.

6. The net proceeds of the Offer are £63,810,000. The net proceeds of the Offer are calculated on the basis that the Company issues 48,000,000 New Ordinary Shares of £0.01 par value at a price of £1.50 per share, net of estimated fees and expenses of £8,190,000 (of which £3,890,000 will be accounted for as a reduction of share premium and of which £4,300,000 will be accounted for as exceptional costs). Trade and other payables at 28 February 2014 include £964,000 of such costs that were incurred and expensed during the period. The allocation of estimated fees and expenses other than estimated underwriters' commission for the issue of new shares, including estimated investors' roadshow costs and a contingency (all of which is accounted for as a reduction of share premium (£2,532,000)), is based on an allocation of £4,300,000 of such costs to exceptional costs and £1,358,000 of such costs to share premium. The Non-Executive Directors received £125,000 as consideration for certain advice and assistance to the Company in connection with the Admission (included in the estimated fees and expenses of £8,190,000). Such consideration was satisfied by the Company allotting 51,423 New Ordinary Shares also based on the price of £1.50 per share, net of employee taxes of £47,865. The employee taxes will be paid in cash. The New Ordinary Shares issued to the Non-Executive Directors are included in the 48,000,000 New Ordinary Shares referred to above and net proceeds of £63,810,000 do not include the value of the 51,423 New Ordinary Shares issued to the Non-Executive Directors as consideration for services and the related employee tax.

Refinancing adjustments reflected in the pro forma statement of financial position give effect to the repayment of £61,900,000 of Existing Debt Facilities and the payment of refinancing fees of £1,035,000 from the proceeds of the Offer. The refinancing fees will be deferred and amortised over five years and represents a reduction of bank loans in the pro forma statement of financial position. The total amount of the adjustment of £62,935,000 is reflected as an adjustment to current liabilities of £4,650,000 and non-current liabilities of £58,285,000. The pro forma financial information does not give effect to the repayment of £2,300,000 of the Existing Debt Facilities made on 30 April 2014.

The following illustrates the calculation of net proceeds and its application as described above:

| | | |
|---|---|---|
| New Ordinary Shares issued | | 48,000,000 |
| Less: New Ordinary Shares issued to Non-Executive Directors | | (51,423) |
| | | 47,948,577 |
| | £ | £ |
| IPO Proceeds at £1.50 per share | | 71,922,865 |
| Fees and expenses: | | |
| Underwriters commission on New Ordinary Shares issued and estimated roadshow costs and a contingency | | 2,532,000 |
| Other expenses: | | |
| Exceptional costs | 4,300,000 | |
| Charge to share premium | 1,358,000 | |
| | 5,658,000 | |
| Shares issued as consideration to Non-Executive Directors(1) | (77,135) | 5,580,865 |
| Total fees and expenses paid in cash | | 8,112,865 |
| Net proceeds | | 63,810,000 |
| Repayment of Existing Debt Facilities and refinancing fees: | | |
| Current | | 4,650,000 |
| Long term: | | |
| Bank loans | 57,250,000 | |
| Refinancing fees | 1,035,000 | |
| | | 58,285,000 |
| Adjustment to cash and short term deposits | | 875,000 |

(1) The remaining £47,865 of consideration to the Non-Executive Directors will be paid as employee taxes in cash.

The pro forma income statements reflect the effects of the use of net proceeds of the Offer to repay £61,900,000 million of Existing Debt Facilities and the related amendment and restatement into the New Debt Facility and the payment of refinancing fees of £1,035,000, as if they had taken place on 1 August 2012. The adjustment to exceptional costs for the year ended 31 July 2013 of £4,300,000 represents estimated fees and expenses of the Offer that will be accounted for as exceptional costs. The adjustment to exceptional costs of £964,000 for the seven months ended 28 February 2014 represents the reversal of £964,000 of such costs of the Offer that were incurred and expensed during the seven months ended 28 February 2014. The adjustments to interest payable on bank loans and overdrafts and interest on loan notes (£4,285,000 in aggregate for the twelve months ended 31 July 2013 and £2,584,000 in aggregate for the seven months ended 28 February 2014, respectively) represent the reduction in interest resulting from giving effect to the repayment of Existing Debt and the related amendment and restatement into the New Debt Facility. The amortisation of finance cost adjustment of £7,723,000 for the twelve months ended 31 July 2013 is made up of adjustments to reflect finance costs of £7,516,000 that were written-off during the seven months ended 28 February 2014 (due to the refinancing being reflected as of 1 August 2012) and amortisation of refinancing fees incurred in connection with the New Debt Facility of £1,035,000 over 5 years (£207,000 for the year ended 31 July 2013). The amortisation of finance cost adjustment of £7,396,000 for the seven months ended 28 February 2014 represents the reversal of the finance costs of £7,516,000 that were written-off during the seven months ended 28 February 2014 (due to refinancing being reflected as of 1 August 2012) and amortisation of refinancing fees incurred in connection with the New Debt Facility of £1,035,000 over 5 years (£120,000 for the seven months ended 28 February 2014).

7. Reflect the court-approved reduction of capital which the Company will undertake in accordance with the Companies Act and the Companies (Reduction of Share Capital) Order 2008 in order to provide it with the distributable reserves required to support dividend policy. The reduction of capital will result in the cancellation of £57,630,000 of the Company's share premium account.

8. The pro forma adjustments are expected to have a continuing effect on the Group, other than for the transaction costs related to acquisitions, exceptional costs related to the Offer and the adjustment to record the write-off of £7,516,000 of finance cost during the twelve months ended 31 July 2013 (and the related reversal of £7,516,000 during the seven month period ended 28 February 2014).

9. Supplemental Analysis for the twelve months ended 31 July 2013 and seven months ended 28 February 2014:

(i) Pro forma revenue by Segment and Market Sectors

twelve months ended 31 July 2013

| | | Adjustments | | | |
|---|---|---|---|---|---|
| | **Windmill Group (see (a))** | **Acquisition of inVENTer (see (b))** | **Acquisition of PAX (see (c))** | **Acquisition of Fresh (see (d))** | **Pro forma** |
| | **£000** | **£000** | **£000** | **£000** | **£000** |
| ***Market Sectors*** | | | | | |
| UK residential RMI | 42,230 | — | — | — | 42,230 |
| UK residential New Build | 14,210 | — | — | — | 14,210 |
| UK Commercial | 17,194 | — | — | — | 17,194 |
| UK export | 6,883 | — | — | — | 6,883 |
| Nordics | 10,907 | — | 10,279 | 2,156 | 23,342 |
| Germany | — | 13,858 | — | — | 13,858 |
| IFRS adjustments | (9,153) | 2 | (556) | (112) | (9,819) |
| ***Total Ventilation Group*** | 82,271 | 13,860 | 9,723 | 2,044 | 107,898 |
| OEM | 20,027 | — | — | — | 20,027 |
| IFRS adjustments | (36) | — | — | — | (36) |
| ***Total OEM*** | 19,991 | — | — | — | 19,991 |
| ***Total revenue*** | 102,262 | 13,860 | 9,723 | 2,044 | 127,889 |

seven months ended 28 February 2014

| | | Adjustments | | |
|---|---|---|---|---|
| | **Windmill Group (see (a))** | **Acquisition of inVENTer (see (b))** | **Acquisition of PAX (see (c))** | **Pro forma** |
| | **£000** | **£000** | **£000** | **£000** |
| ***Market Sectors*** | | | | |
| UK residential RMI | 24,561 | — | — | 24,561 |
| UK residential New Build | 8,278 | — | — | 8,278 |
| UK Commercial | 10,133 | — | — | 10,133 |
| UK export | 4,160 | — | — | 4,160 |
| Nordics | 14,930 | — | 739 | 15,669 |
| Germany | — | 7,288 | — | 7,288 |
| IFRS adjustments | (4,401) | 7 | (44) | (4,438) |
| ***Total Ventilation Group*** | 57,661 | 7,295 | 695 | 65,651 |
| OEM | 12,489 | — | — | 12,489 |
| IFRS adjustments | 126 | — | — | 126 |
| ***Total OEM*** | 12,615 | — | — | 12,615 |
| ***Total revenue*** | 70,276 | 7,295 | 695 | 78,266 |

(ii) Pro forma Adjusted EBITDA

twelve months ended 31 July 2013

| | Windmill Group (a) | Adjustments: Acquisition of inVENTer | Acquisition of PAX | Acquisition of Fresh | Reorganisation (q) | IPO net proceeds and refinancing (r) | Pro forma |
|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Profit/(loss) before tax | (4,203) | 375[(e)] | (611)[(j)] | 184[(n)] | 7,178 | (7,738) | (4,815) |
| ***Add back:*** | | | | | | | |
| Amortisation of intangibles | 10,186 | 782[(f)] | 818[(k)] | 110[(o)] | — | — | 11,896 |
| Finance revenue | (630) | — | — | — | — | — | (630) |
| Finance costs | 14,099 | 1,270[(g)] | 762[(g)] | 87[(g)] | (7,178) | 3,438 | 12,478 |
| Exceptional costs | 2,778 | 680[(h)] | 141[(l)] | — | — | 4,300 | 7,899 |
| **Adjusted EBITA** | 22,230 | 3,107 | 1,110 | 381 | — | — | 26,828 |
| ***Add back:*** | | | | | | | |
| Depreciation of property, plant and equipment | 1,588 | 225[(i)] | 203[(m)] | 19[(p)] | — | — | 2,035 |
| ***Adjusted EBITDA*** | 23,818 | 3,332 | 1,313 | 400 | — | — | 28,863 |

seven months ended 28 February 2014

| | Windmill Group (a) | Adjustments: Acquisition of inVENTer | Acquisition of PAX | Reorganisation (q) | IPO net proceeds and refinancing (r) | Pro forma |
|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Profit/(loss) before tax | (9,795) | (40)[(e)] | (386)[(j)] | 4,169 | 10,944 | 4,892 |
| ***Add back:*** | | | | | | |
| Amortisation of intangibles | 7,651 | 488[(f)] | 68[(k)] | — | — | 8,207 |
| Finance revenue | (7) | — | — | — | — | (7) |
| Finance costs | 16,236 | 735[(g)] | 64[(g)] | (4,169) | (9,980) | 2,886 |
| Exceptional costs | 1,924 | (48)[(h)] | (141)[(l)] | — | (964) | 771 |
| **Adjusted EBITA** | 16,009 | 1,135 | (395) | — | — | 16,749 |
| ***Add back:*** | | | | | | |
| Depreciation of property, plant and equipment | 998 | 158[(i)] | 132[(m)] | — | — | 1,288 |
| ***Adjusted EBITDA*** | 17,007 | 1,293 | (263) | — | — | 18,037 |

(a) The Windmill Group financial information has been extracted, without material adjustments from Part XI (*Historical financial information*).

(b) The inVENTer financial information has been extracted from Note 2 (b) and 2 (c).

(c) The PAX financial information has been extracted from Note 3 (a) and 3 (b).

(d) The Fresh financial information has been extracted from Note 4.

(e) Refer to Note 2 (c).

(f) Represents historical amortisation of intangible assets—other of £13,000 and £39,000 plus the purchase price allocation pro forma adjustments of £769,000 and £449,000 for the twelve months ended 31 July 2013 and seven months ended 28 February 2014, respectively.

(g) Represents the pro forma adjustment for finance costs.

(h) Represents the pro forma adjustment for transactions costs.

(i) Represents historical depreciation of property, plant and equipment in the amounts of £163,000 and £122,000 plus the pro forma adjustments of £62,000 and £36,000 for the twelve months ended 31 July 2013 and seven months ended 28 February 2014, respectively.

(j) Refer to Note 3 (b).

(k) Represents the pro forma adjustments for amortisation of intangible assets—other of £818,000 and £488,000 for the twelve months ended 31 July 2013 and seven months ended 28 February 2014, respectively.

(l) Represents the pro forma adjustment for transaction costs of £39,000 and the unwinding of fair value adjustment for inventory of £102,000.

(m) Represents historical depreciation of property, plant and equipment in the amounts of £203,000 and £132,000 for the twelve months ended 31 July 2013 and seven months ended 28 February 2014, respectively.

(n) Refer to Note 4.

(o) Represents the pro forma adjustment for amortisation of intangible assets—other of £110,000.

(p) Represents historical depreciation of property, plant and equipment in the amount of £19,000.

(q) Refer to Note 5.

(r) Refer to Note 6.

(s) The amounts used for adjustments (f), (g), (h), (i), (k), (l), (m), (o) and (p) have been derived from the accounting records of the respective entities.

# PART XIII

# TAXATION

## Section A: UK taxation

*The following statements are intended only as a general guide to certain UK tax considerations relevant to prospective investors in the Ordinary Shares. They do not purport to be a complete analysis of all potential UK tax consequences of acquiring, holding or disposing of Ordinary Shares. They are based on current UK tax law and what is understood to be the current published practice (which may not be binding) of HMRC as at the date of this Prospectus, both of which are subject to change, possibly with retrospective effect. The following statements relate only to Shareholders who are resident (and, in the case of individuals, resident and domiciled) for UK tax purposes in (and only in) the UK (except insofar as express reference is made to the treatment of non-UK residents), who hold their Ordinary Shares as an investment (other than under an individual savings account) and who are the absolute beneficial owners of both the Ordinary Shares and any dividends paid on them. The tax position of certain categories of Shareholders who are subject to special rules, such as persons who acquire (or are deemed to acquire) their Ordinary Shares in connection with their (or another person's) office or employment, traders, brokers, dealers in securities, insurance companies, banks, financial institutions, investment companies, tax-exempt organisations, persons connected with the Company or the Group, persons holding Ordinary Shares as part of hedging or conversion transactions, Shareholders who are not domiciled or not resident in the UK, collective investment schemes, trusts and those who hold 5% or more of the Ordinary Shares, is not considered. Nor do the following statements consider the tax position of any person holding investments in any HMRC-approved arrangements or schemes, including any enterprise investment scheme or venture capital scheme, able to claim any inheritance tax relief or holding Ordinary Shares in connection with a trade, profession or vocation carried on in the UK (whether through a branch or agency or, in the case of a corporate Shareholder, a permanent establishment or otherwise).*

***Prospective investors who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the UK are strongly recommended to consult their own professional advisers.***

### 1 Taxation of dividends

#### 1.1 *UK resident individuals*

An individual Shareholder who is resident for UK tax purposes in the UK and who receives a cash dividend from the Company will generally be entitled to a tax credit equal to one-ninth of the amount of the cash dividend received, which tax credit will be equivalent to 10% of the aggregate of the dividend received and the tax credit (the gross dividend). Such an individual Shareholder will be subject to income tax on the gross dividend.

An individual UK resident Shareholder who is subject to income tax at a rate or rates not exceeding the basic rate will be liable to tax on the gross dividend at the rate of 10% so that the tax credit will satisfy the income tax liability of such a Shareholder in full. Where the tax credit exceeds the Shareholder's tax liability, the Shareholder cannot claim repayment of the tax credit from HMRC.

An individual UK resident Shareholder who is subject to income tax at the higher rate (but not the additional rate) will be liable to income tax on the gross dividend at the rate of 32.5% to the extent that such sum, when treated as the top slice of that Shareholder's income, exceeds the threshold for higher rate income tax. After setting the 10% tax credit against part of the Shareholder's liability, a higher rate tax payer will therefore be liable to account for tax equal to 22.5% of the gross dividend (or 25% of the net cash dividend) to the extent that the Shareholder's income (including the gross dividend) exceeds the threshold for the higher rate.

An individual UK resident Shareholder liable to income tax at the additional rate will be subject to income tax on the gross dividend at the rate of 37.5% of the gross dividend, but will be able to set the UK tax credit off against part of this liability. The effect of this set-off of the UK tax credit is that such a Shareholder will be liable to account for additional tax equal to 27.5% of the gross dividend (or approximately 30.6% of the net cash dividend) to the extent that the Shareholder's income (including the gross dividend) exceeds the threshold for the additional rate.

Individual UK resident Shareholders whose tax liability in respect of the gross dividends is less than the tax credit, and other UK resident tax payers who are not liable to UK tax on dividends, including UK pension funds and charities, will not be entitled to claim repayment of the tax credit attaching to any dividends paid by the Company.

### 1.2 *Companies*

Shareholders within the charge to UK corporation tax which are "small companies" for the purposes of Chapter 2 of Part 9A of the Corporation Tax Act 2009 will not be subject to UK corporation tax on any dividend received from the Company provided certain conditions are met (including an anti-avoidance condition). Such companies are not entitled to tax credits on any dividends paid by the Company.

Other Shareholders within the charge to UK corporation tax will not be subject to UK corporation tax on dividends received from the Company so long as the dividends fall within an exempt class and certain conditions are met. For example, dividends paid on shares that are "ordinary shares" and are not "redeemable" (as those terms are used in Chapter 3 of Part 9A of the Corporation Tax Act 2009), and dividends paid to a person holding less than a 10% interest in the Company, should generally fall within an exempt class. However, the exemptions are not comprehensive and are subject to anti-avoidance rules. Such companies are not entitled to tax credits on any dividends paid by the Company.

If the conditions for exemption are not met or cease to be satisfied, or such a Shareholder elects for an otherwise exempt dividend to be taxable, the Shareholder will be subject to UK corporation tax on dividends received from the Company at the rate of corporation tax applicable to that Shareholder (currently 21% for companies paying the full rate of corporation tax with effect from 1 April 2014).

### 1.3 *Non-UK resident Shareholders*

Shareholders who are resident outside the UK for UK tax purposes will not generally be able to claim repayment from HMRC of any part of the tax credit attaching to dividends received from the Company, although this will depend on the existence and terms of any double taxation convention between the UK and the country in which such Shareholder is resident.

Shareholders resident outside the UK may be subject to taxation on dividend income under their local law. Shareholders who are not solely resident in the UK for UK tax purposes or are not solely subject to UK tax on the dividend income should consult their own tax advisers concerning their tax liabilities (in the UK and any other country) on dividends received from the Company, whether they are entitled to claim any repayment of, or relief for, any part of the tax credit and, if so, the procedure for doing so.

### 1.4 *Withholding taxes*

The Company is not required to withhold UK tax at source from dividend payments it makes to Shareholders.

## 2 Taxation of disposals

### 2.1 *General*

A disposal or deemed disposal of Ordinary Shares by a Shareholder who is (at any time in the relevant UK tax year) resident in the UK for UK tax purposes may give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of capital gains depending upon the Shareholder's circumstances and subject to any available exemption or relief.

### 2.2 *UK resident individual Shareholders*

For an individual Shareholder within the charge to UK capital gains tax, a disposal (or deemed disposal) of Ordinary Shares may give rise to a chargeable gain or an allowable loss for the purposes of capital gains tax. The rate of capital gains tax is 18% for individuals who are subject to income tax at the basic rate and 28% for individuals who are subject to income tax at the higher or additional rates. An individual Shareholder is entitled to realise an exempt amount of gains (currently £11,000) in each tax year without being liable to tax.

### 2.3 *UK resident corporate Shareholders*

For a corporate Shareholder within the charge to UK corporation tax, a disposal (or deemed disposal) of Ordinary Shares may give rise to a chargeable gain or an allowable loss for the purposes of UK corporation tax. An indexation allowance on the cost of acquiring the Ordinary Shares may be available to reduce the amount of the chargeable gain which would otherwise arise on the disposal. Corporation tax is charged on chargeable gains at the rate applicable to the relevant company.

### 2.4 *Non-UK resident Shareholders*

A Shareholder (individual or corporate) who is not resident in the UK for UK tax purposes is generally not subject to UK capital gains tax. They may, however, be subject to taxation under their local law.

However, if such a Shareholder carries on a trade, profession or vocation in the UK through a branch or agency (or, in the case of a non-UK resident corporate Shareholder, a permanent establishment) to which the Ordinary Shares are attributable, the Shareholder will be subject to the same rules that apply to UK resident Shareholders.

An individual Shareholder who acquires Ordinary Shares whilst UK resident and who subsequently ceases to be resident for UK tax purposes in the UK for a period of less than five complete years of assessment and who disposes of the Ordinary Shares during that period of non-residence may be liable, on his return to the UK, to capital gains tax in respect of any gain arising from the disposal (subject to any available exemption or relief).

## 3 Inheritance tax

The Ordinary Shares will be assets situated in the UK for the purposes of UK inheritance tax. A gift of such assets by an individual Shareholder, or the death of an individual Shareholder, may therefore give rise to liability to UK inheritance tax depending upon the Shareholder's circumstances and subject to any available exemption or relief. A transfer of Ordinary Shares at less than market value may be treated for inheritance tax purposes as a gift of the Ordinary Shares. Special rules apply to close companies and to trustees of certain settlements who hold Ordinary Shares, which rules may bring them within the charge to inheritance tax. The inheritance tax rules are complex and Shareholders should consult an appropriate professional adviser in any case where those rules may be relevant, particularly in (but not limited to) cases where Shareholders intend to make a gift of Ordinary Shares, to transfer Ordinary Shares at less than market value or to hold Ordinary Shares through a company or trust arrangement.

## 4 Stamp duty and stamp duty reserve tax

### 4.1 *General*

The following statements are intended as a general guide to the current UK stamp duty and SDRT position for holders of Ordinary Shares. Certain categories of person, including intermediaries, brokers, dealers and persons connected with depositary receipt systems and clearance services may not be liable to stamp duty or SDRT or may be liable at a higher rate or may, although not primarily liable for tax, be required to notify and account for it under the Stamp Duty Reserve Tax Regulations 1986. The comments in this paragraph relating to stamp duty and SDRT apply whether or not a Shareholder is resident in the UK.

### 4.2 *The Offer*

No UK stamp duty or SDRT will arise on the issue of Ordinary Shares by the Company.

The sale of Existing Ordinary Shares by the Selling Shareholders pursuant to the Offer will generally give rise to a liability to stamp duty and/or SDRT for the purchaser at a rate of 0.5% of the Offer Price (in the case of stamp duty, rounded up to the nearest multiple of £5). The Selling Shareholders will bear the cost of any such liability to stamp duty and/or SDRT. In practice, only one of either stamp duty or SDRT would be paid (see paragraph 4.3 below which applies equally to sales pursuant to the Offer as to subsequent transfers).

If, in connection with the Offer, Ordinary Shares are transferred into a clearance service or a depositary receipt system, a liability to stamp duty or SDRT may be payable at the rate of 1.5% of the Offer Price, as discussed further in paragraph 4.5 below. As discussed above, the Selling Shareholders will bear the cost of any liability to stamp duty and/or SDRT at a rate of 0.5% of the Offer Price and will not bear any additional liability to stamp duty and/or SDRT (at the 1.5% rate) arising from the transfer of any Ordinary Shares into a clearance service or a depositary receipt system.

### 4.3 *Subsequent transfers*

Stamp duty at the rate of 0.5% of the amount or value of the consideration given (rounded up to the nearest multiple of £5) is generally payable on an instrument transferring Ordinary Shares. An exemption from stamp duty applies to an instrument transferring Ordinary Shares where the amount or value of the consideration (whether in the form of cash or otherwise) is £1,000 or less and it is certified on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions in respect of which the aggregate amount or value of the consideration exceeds £1,000

A charge to SDRT will also generally arise on an unconditional agreement to transfer Ordinary Shares (at the rate of 0.5% of the amount or value of the consideration payable). However, if within six years of the date of the agreement (or, if the agreement is conditional, the date on which it becomes unconditional) an instrument of transfer is executed pursuant to the agreement and stamp duty is paid on that instrument, any SDRT already paid will generally be refunded provided that a claim for payment is made, and any outstanding liability to SDRT will be cancelled. The purchaser or transferee of the Ordinary Shares will generally be responsible for paying such stamp duty or SDRT.

**4.4** ***Ordinary Shares held through CREST***

Paperless transfers of Ordinary Shares within CREST are generally liable to SDRT, rather than stamp duty, at the rate of 0.5% of the amount or value of the consideration payable. CREST is obliged to collect SDRT on relevant transactions settled within the CREST system. Under the CREST system, generally no stamp duty or SDRT will arise on a deposit of Ordinary Shares into the system unless such a transfer is made for a consideration in money or money's worth, in which case a liability to SDRT will arise usually at a rate of 0.5% of the amount or value of the consideration for the Ordinary Shares.

**4.5** ***Depositary receipt systems and clearance services***

Under current UK legislation, where Ordinary Shares are transferred: (i) to, or to a nominee for, a person whose business is or includes the provision of clearance services; or (ii) to, or to a nominee or agent for, a person whose business is or includes issuing depositary receipts, stamp duty or SDRT will generally be payable at the higher rate of 1.5% of the amount or value of the consideration payable or, in certain circumstances, the value of the Ordinary Shares (rounded up to the nearest multiple of £5 in the case of stamp duty).

There is an exception from the 1.5% charge on the transfer to, or to a nominee or agent for, a clearance service where the clearance service has made and maintained an appropriate election which has been approved by HMRC. In these circumstances, the normal rates of stamp duty and SDRT (rather than the higher rate regime referred to above) will generally apply to any transfer of Ordinary Shares into the clearance service and to any transactions in Ordinary Shares held within the clearance service.

Any liability for stamp duty or SDRT in respect of the transfer into a clearance service or depositary receipt system, or in respect of a transfer of Ordinary Shares held within such a service or system, will strictly be payable by the operator of the clearance service or depositary receipt system or its nominee, as the case may be, but in practice will generally be reimbursed by participants in the clearance service or depositary receipt system.

Specific professional advice should be sought before paying the 1.5% stamp duty or SDRT charge in any circumstances.

**5 Close company**

If the Company is a close company following the close of the Offer, certain transactions entered into by the Company or other members of the Group may have tax implications for Shareholders. In particular, certain gifts, transfers of assets at less than market value or other transfers of value by the Company or other members of the Group may be apportioned to Shareholders for the purposes of UK inheritance tax, although the payment of a dividend to a Shareholder or the payment of dividends or transfers of assets between members of the Group will not normally attract such an apportionment. Any charge to UK inheritance tax arising from such a transaction will primarily be a liability of the relevant company, although in certain circumstances Shareholders may be liable for the tax if it is left unpaid by that company. In addition, any transfer of assets at less than market value by the Company or other members of the Group may result in a reduction of a Shareholder's base cost in his Ordinary Shares for the purposes of UK taxation of capital gains, although transfers of assets between members of the Group will not normally attract such treatment. Shareholders should consult their own professional advisers on the potential impact of the close company rules.

**Section B: Certain U.S. federal income tax consequences**

Subject to the limitations described below, the following is a discussion of certain U.S. federal income tax consequences of the purchase, ownership and disposition of Ordinary Shares to a U.S. Holder. Non-U.S. Holders are urged to consult their own tax advisers regarding the U.S. federal income tax consequences of the purchase, ownership and disposition of Ordinary Shares to them. For purposes of this discussion, a "**U.S. Holder**" means a beneficial owner of Ordinary Shares that is:

(a) an individual who is a citizen or resident alien of the United States for U.S. federal income tax purposes;

(b) a corporation (or other entity taxed as a corporation for U.S. federal income tax purposes) created or organised in or under the laws of the United States or any of its political subdivisions;

(c) an estate, whose income is includible in gross income for U.S. federal income tax purposes regardless of its source; or

(d) a trust if: (i) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust; or (ii) it has a valid election in effect to be treated as a U.S. person.

A "**non-U.S. Holder**" is any individual, corporation, trust or estate that is a beneficial owner of Ordinary Shares and is not a U.S. Holder.

This discussion is based on current provisions of the Code, applicable U.S. Treasury regulations promulgated thereunder and administrative and judicial decisions, all as in effect on the date hereof and all of which are subject to change, possibly on a retroactive basis, and any change could affect the continuing accuracy of this discussion.

This discussion does not purport to be a comprehensive description of all of the tax considerations that may be relevant to each person's decision to purchase Ordinary Shares. This discussion does not address all aspects of U.S. federal income taxation that may be relevant to any particular U.S. Holder based on such holder's particular circumstances. In particular, this discussion considers only U.S. Holders that will own Ordinary Shares as capital assets within the meaning of section 1221 of the Code and does not address the potential application of U.S. federal alternative minimum tax or the U.S. federal income tax consequences to U.S. Holders that are subject to special treatment, including:

(a) broker dealers or insurance companies;

(b) U.S. Holders who have elected mark-to-market accounting;

(c) tax-exempt organisations or pension funds;

(d) regulated investment companies, real estate investment trusts, insurance companies, financial institutions or "financial services entities";

(e) U.S. Holders who hold Ordinary Shares as part of a "straddle", "hedge", "constructive sale" or "conversion transaction" or other integrated investment;

(f) U.S. Holders who own or owned, directly, indirectly or by attribution, at least 10% of the voting power of the Ordinary Shares;

(g) U.S. Holders whose functional currency is not the U.S. Dollar;

(h) U.S. Holders who received Ordinary Shares as compensation;

(i) persons who are residents of or ordinarily resident in the United Kingdom or whose Ordinary Shares are attributable to a trade or business carried on within the United Kingdom; and

(j) certain expatriates or former long-term residents of the United States.

This discussion does not consider the tax treatment of holders that are partnerships (including entities treated as partnerships for U.S. federal income tax purposes) or other pass-through entities or persons who hold Ordinary Shares through a partnership or other pass-through entity. In addition, this discussion does not address any aspect of state, local or non-U.S.tax laws, or the possible application of U.S. federal gift or estate tax.

The Directors believe, and the following discussion assumes, that the Company is not and will not become a passive foreign investment company for U.S. federal income tax purposes (a "**PFIC**").

**BECAUSE OF THE COMPLEXITY OF THE TAX LAWS AND BECAUSE THE TAX CONSEQUENCES TO ANY PARTICULAR HOLDER OF ORDINARY SHARES MAY BE AFFECTED BY MATTERS NOT DISCUSSED HEREIN, EACH HOLDER OF ORDINARY SHARES IS URGED TO CONSULT WITH ITS TAX ADVISER WITH RESPECT TO THE SPECIFIC TAX CONSEQUENCES OF THE ACQUISITION AND THE OWNERSHIP AND DISPOSITION OF ORDINARY SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL AND NON-U.S. TAX LAWS, AS WELL AS U.S. FEDERAL TAX LAWS AND APPLICABLE TAX TREATIES.**

## 1 Taxation of dividends

Because the Company does not determine its earnings and profits for U.S. federal income tax purposes, a U.S. Holder will be required to include in gross income as ordinary income the U.S. Dollar amount of any distribution paid on Ordinary Shares, including the amount of non-U.S. taxes, if any, withheld from the amount paid, on the date the distribution is actually or constructively received.

Cash distributions paid in a non-U.S. currency will be included in the income of U.S. Holders at a U.S. Dollar amount equal to the spot rate of exchange in effect on the date the dividends are includible in the income of the U.S. Holders, regardless of whether the payment is in fact converted to U.S. Dollars, and U.S. Holders will have a tax basis in such non-U.S. currency for U.S. federal income tax purposes equal to such U.S. Dollar value. If a U.S. Holder converts a distribution paid in non-U.S. currency into U.S. Dollars on the day the dividend is includible in the income of the U.S. Holder, the U.S. Holder generally should not be required to recognise gain or loss arising from exchange rate fluctuations. If a U.S. Holder subsequently converts the non-U.S. currency, any subsequent gain or loss in respect of such non-U.S. currency arising from exchange rate fluctuations will be U.S. source ordinary exchange income or loss.

Dividends paid to non-corporate U.S. Holders may qualify for a reduced rate of taxation if the Company is a "qualified foreign corporation". A qualified foreign corporation includes a non-U.S. corporation that is eligible for the benefits of a comprehensive income tax treaty with the United States that the U.S. Treasury determines to be satisfactory for these purposes and that includes an exchange of information provision. The U.S. Treasury has determined that the "Convention between the Government of the United States of America and the Government of the United Kingdom of Great Britain and Northern Ireland for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income and on Capital Gains" meets these requirements, and the Directors believe that the Company is eligible for the benefits of this treaty. A U.S. Holder would not be entitled to the reduced rate unless the holder satisfies certain eligibility requirements. In particular, a U.S. Holder will not be entitled to a reduced rate:

(a) if the U.S. Holder has not held Ordinary Shares for at least 61 days of the 121-day period beginning on the date which is 60 days before the ex-dividend date; or

(b) to the extent the U.S. Holder is under an obligation to make related payments on substantially similar or related property.

Any days during which a U.S. Holder has diminished its risk of loss on Ordinary Shares are not counted towards meeting the 61-day holding period. U.S. Holders should consult their own tax advisers on their eligibility for reduced rates of taxation with respect to any dividends paid by the Company.

Distributions paid on Ordinary Shares generally will be foreign source passive income for U.S. foreign tax credit purposes and will not qualify for the dividends received deduction generally available to corporations.

## 2 Taxation of disposals

A U.S. Holder generally will recognise gain or loss on the taxable sale or exchange of Ordinary Shares in an amount equal to the difference between the U.S. Dollar amount realised on such sale or exchange (determined in the case of Ordinary Shares sold or exchanged for currencies other than the U.S. Dollar by reference to the spot exchange rate in effect on the date of the sale or exchange or, if the Ordinary Shares are traded on an established securities market and the U.S. Holder is a cash basis taxpayer or an electing accrual basis taxpayer, the spot exchange rate in effect on the settlement date) and the U.S. Holder's adjusted tax basis in such Ordinary Shares determined in U.S. Dollars. The initial tax basis of Ordinary Shares to a U.S. Holder will generally be the U.S. Holder's U.S. Dollar cost for Ordinary Shares (determined by reference to the spot exchange rate in effect on the date of the purchase or, if the Ordinary Shares are traded on an established securities market and the U.S. Holder is a cash basis taxpayer or an electing accrual basis taxpayer, the spot exchange rate in effect on the settlement date).

Capital gain from the sale, exchange or other disposition of Ordinary Shares held for more than one year generally will be treated as long-term capital gain and is eligible for a reduced rate of taxation for non-corporate holders. Gain or loss recognised by a U.S. Holder on a sale or exchange of Ordinary Shares generally will be treated as U.S. source income or loss for U.S. foreign tax credit purposes. The deductibility of a capital loss recognised on the sale or exchange of Ordinary Shares is subject to limitations. A U.S. Holder that receives currencies other than U.S. Dollars upon disposition of Ordinary Shares and converts such currencies into U.S. Dollars subsequent to receipt will have foreign exchange gain or loss based on any appreciation or depreciation in the value of such currencies against the U.S. Dollar between the time when such proceeds were included in the holder's income and the time of conversion to U.S. Dollars. Such foreign exchange gain or loss generally will be U.S. source ordinary income or loss.

Any UK stamp duty payable upon the sale, exchange or other disposition of Ordinary Shares is not a creditable tax for U.S. federal income tax purposes. For a discussion of the applicability of UK stamp duty to a holder of Ordinary Shares, see paragraph 4 of Section A of this Part XIII (*Taxation*).

### 3 Passive foreign investment company considerations

Special U.S. federal income tax rules apply to U.S. persons owning stock of a PFIC. A non-US corporation will be considered a PFIC for any taxable year in which, after taking into account the income and assets of the corporation and certain subsidiaries pursuant to applicable "look through" rules, either: (a) at least 75% of its gross income is "passive" income (the "**income test**"); or (b) at least 50% of the average value of its assets is attributable to assets that produce passive income or are held for the production of passive income (the "**asset test**"). For purposes of determining whether a non-U.S. corporation will be considered a PFIC, such non-U.S. corporation will be treated as holding its proportionate share of the assets and receiving directly its proportionate share of the income of any other corporation in which it owns, directly or indirectly, at least 25% (by value) of the stock. If the Company is classified as a PFIC for any year during which a U.S. Holder owns Ordinary Shares, the Company generally will continue to be treated as a PFIC with respect to such U.S. Holder in all succeeding years, regardless of whether the Company continues to meet the income test or asset test discussed above.

If the Company is classified as a PFIC, the adverse tax consequences described below will apply separately to a U.S. Holder's Ordinary Shares and indirect interest in any members of the Group which are PFICs. If the Company were a PFIC for any taxable year during which a U.S. Holder owned Ordinary Shares, such U.S. Holder would be subject to increased tax liability (generally including an interest charge) upon the sale or other disposition of the Ordinary Shares or upon the receipt of certain distributions. Certain elections might be available to a U.S. Holder if the Company were a PFIC. The Company has not determined if it will provide U.S. Holders with information to make one of these elections if it determines that the Company is or will become a PFIC.

The Directors believe that the Company was not a PFIC for the its fiscal year ended 31 July 2013, and they do not expect it to become a PFIC in the future. Because PFIC status is fundamentally factual in nature, generally cannot be determined until the close of the taxable year in question and is determined annually, no assurance can be given that the Company will not become a PFIC for the current taxable year or future years. Any distribution taxable as a dividend will not be eligible for reduced rates of taxation (see paragraph 1 above) if the Company is a PFIC in either the year the dividend is paid or in the prior year.

If the Company is a PFIC, generally, each U.S. Holder of Ordinary Shares must make an annual return on U.S. Internal Revenue Service ("**IRS**") Form 8621, with respect to each PFIC in which the U.S. Holder holds a direct or indirect interest. If a U.S. Holder does not file a required IRS Form 8621, the statute of limitations on the assessment and collection of all U.S. federal income taxes of such U.S. Holder for the related tax year may not close before the date which is three years after the date on which such report is filed. U.S. Holders should consult their own tax advisers regarding the potential application of the PFIC rules.

### 4 Additional tax on passive income

A non-corporate U.S. Holder will be required to pay an additional 3.8% tax on the lesser of:

(a) the U.S. Holder's "net investment income" for the relevant taxable year; and

(b) the excess of the U.S. Holder's modified adjusted gross income for the taxable year over a certain threshold.

A U.S. Holder's net investment income generally includes, among other things, dividends and net gain from disposition of property (other than property held in a trade or business). Such tax will apply to payments of dividends on Ordinary Shares and to capital gains from the sale or other taxable disposition of Ordinary Shares, unless derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities). The application of these rules to holders of PFIC stock is quite complex. U.S. Holders should consult their advisers with respect to the application of the 3.8% tax to their circumstances.

### 5 U.S. information reporting and backup withholding

A U.S. Holder is generally subject to information reporting requirements with respect to dividends paid on Ordinary Shares and proceeds paid from the sale, exchange, redemption or other disposition of Ordinary Shares within the United States or by a U.S. related person. A U.S. Holder is subject to backup withholding at a rate of 28% on dividends paid on Ordinary Shares and proceeds paid from the sale, exchange, redemption or other disposition of Ordinary Shares within the United States or by a U.S. related person unless the U.S. Holder is a corporation, provides an IRS Form W-9 or otherwise establishes a basis for exemption.

Backup withholding is not an additional tax. Amounts withheld under the backup withholding rules may be credited against a U.S. Holder's U.S. federal income tax liability, and a U.S. Holder may obtain a refund from the IRS of any excess amount withheld under the backup withholding rules, provided that certain information is timely furnished to the IRS. Holders are urged to consult their own tax advisers regarding the application of backup withholding and the availability of and procedures for obtaining an exemption from backup withholding in their particular circumstances.

### 6 Reporting obligations of individual owners of foreign financial assets

Section 6038D of the Code generally requires U.S. individuals (and possibly certain entities that have U.S. individual owners) to file IRS Form 8938 if they hold certain "specified foreign financial assets", the aggregate value of which exceeds USD 50,000 on the last day of the taxable year (or the aggregate value of which exceeds USD 75,000 at any time during the taxable year). The definition of specified foreign financial assets includes not only financial accounts maintained in foreign financial institutions, but also, unless held in accounts maintained by a financial institution, Ordinary Shares. If a U.S. Holder does not file a required IRS Form 8938, such holder may be subject to substantial penalties and the statute of limitations on the assessment and collection of all U.S. federal income taxes of such U.S. Holder for the related tax year may not close before the date which is three years after the date on which such report is filed. U.S. holders should discuss these reporting obligations with their tax advisers.

## PART XIV

## ADDITIONAL INFORMATION

### 1 Responsibility statement

The Directors, whose names appear on page 28, and the Company accept responsibility for the information contained in the Prospectus. To the best of the knowledge of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

### 2 Incorporation and activity of the Company

The Company was incorporated and registered in England & Wales with registered number 9041571 under the name Windmill Newco plc on 15 May 2014 as a public company limited by shares. The Company changed its name to Volution Group plc on 4 June 2014. The business of the Company, and its principal activity, is to act as our ultimate holding company.

The Company is domiciled in the UK. Its registered office and head office is Vent-Axia, Fleming Way, Crawley, West Sussex RH10 9YX (telephone number +44 (0)1293 441662).

The principal legislation under which the Company operates and under which the Ordinary Shares were created is the Companies Act and the regulations made thereunder. The Company operates in conformity with its constitution.

By a resolution of the Directors dated 28 May 2014, EY was appointed as the auditor of the Company.

### 3 Statutory Auditor

The auditor of the Company for the period from incorporation on 15 May 2014 to the present has been EY, Statutory Auditor, whose registered address is at 1 More London Place, London SE1 2AF. EY was the auditor of Volution Group Limited and Windmill Topco for the whole period covered by the financial informaion set out in Part XI (*Historical Financial Information*). EY is registered to carry out audit work by the Institute of Chartered Accoutants in England and Wales.

### 4 Share capital of the Company

The Company was incorporated with an issued share capital of £50,000 divided into 1 ordinary share of £1 and 49,999 redeemable preference shares of £1 each, all of which were issued to TowerBrook Shareholder, as the initial subscriber to the Articles. By a resolution of the Company dated 17 June 2014, prior to the Reorganisation and Admission such ordinary share of £1 will be subdivided into 100 Ordinary Shares. The redeemable preference shares of £1 each will be redeemed following Admission.

In connection with the Reorganisation, the Company will issue 151,999,900 Ordinary Shares.

Immediately following Admission and the issue of the 48,000,000 New Ordinary Shares to be issued under the Offer, the Company's issued share capital will comprise 200,000,000 Ordinary Shares (all of which will be fully paid up or credited as fully paid up).

The Ordinary Shares are, or will be when issued, in registered form and capable of being held in uncertificated form. No temporary documents of title have been or will be issued in respect of the Ordinary Shares. The Ordinary Shares rank equally in all respects, including for all dividends and other distributions declared, made or paid on the Ordinary Shares. The Shareholders will have the right to receive notice of and to attend and vote at all general meetings of the Company.

As at 17 June 2014, being the latest practicable date prior to the date of this Prospectus, the Company held no treasury shares. No Ordinary Shares have been issued other than fully paid. No Ordinary Shares are held by any of the Company's subsidiaries.

The ISIN of the Ordinary Shares is GB00BN3ZZ526.

Further information on the rights attaching to the Ordinary Shares is set out in paragraphs 6 and 7 below, and further information on dealing arrangements and CREST is set out in Part VI (*Details of the Offer*).

## 5 Reorganisation

***Prior to Admission***

We will implement a reorganisation of the Group (the "**Reorganisation**") immediately prior to Admission. The Reorganisation will result in the Company becoming the ultimate holding company of the Group. It will consist of the following steps:

(a) the existing A, B and E ordinary shares in Windmill Topco being subdivided into and redesignated as a number of ordinary shares and deferred shares (with such number being determined based on the Offer Price and the economic rights of such shares as set out in the articles of association of Windmill Topco);

(b) Windmill Topco issuing 49,999 redeemable preference shares to the TowerBrook Shareholder as a bonus issue;

(c) Windmill Topco repurchasing the deferred shares created pursuant to paragraph (a) above for £1 in aggregate;

(d) the accrued but unpaid interest on the loan notes issued by Windmill Midco to the TowerBrook Shareholder being satisfied by the issue of further loan notes to the TowerBrook Shareholder;

(e) Windmill Midco's obligations under the loan notes issued by it to certain of the shareholders and directors of Windmill Topco being novated to Windmill Topco in consideration for an issue of shares by Windmill Midco to Windmill Topco;

(f) Windmill Topco's obligations under the loan notes novated to it pursuant to paragraph (e) above being satisfied by Windmill Topco issuing ordinary shares to the holders of such loan notes; and

(g) the shareholders of Windmill Topco selling the entire issued share capital of Topco to the Company in exchange for the issue by the Company of Ordinary Shares to such shareholders (the Company intends to apply for, and expects to obtain, exemption from stamp duty under section 77 of the Finance Act 1986 in respect of this transaction).

In addition, in preparation for the Offer, the Existing Debt Facilities were amended and restated into the New Debt Facilities on 28 May 2014, and such amendment and restatement will become effective automatically on Admission once the Group has repaid £61.9 million of the Existing Debt Facilities out of the net proceeds of the Offer. This will be effected by such net proceeds being passed down the Group from the Company to Windmill Bidco through subscriptions for ordinary shares in each intermediate holding company. On Admission, the Group expects to have approximately £30 million of unused commitments which are available in cash under the New Debt Facilities (consisting of the £20 million acquisition facility and £10 million of the £13 million revolving credit facility available to it thereunder).

***Post-Admission***

The Company has not traded since incorporation and lacks distributable reserves. This could restrict the Group's ability to pay future dividends. Therefore, the Company proposes to undertake a court-approved capital reduction in order to provide it with the distributable reserves required to support the dividend policy described elsewhere in this Prospectus. The proposed capital reduction will cancel £57,630,000 of the Company's share premium account. The capital reduction has been approved (conditional on Admission) by a special resolution of the Company and requires the approval of the Court (which the Company will apply for post-Admission).

Certain other members of the Group also lack distributable reserves, which could restrict the Group's ability to pay future dividends. Accordingly, post-Admission, the Group expects to undertake the following additional steps:

(a) Windmill Cleanco will issue ordinary shares to Windmill Midco in satisfaction of the net receivable owed by Windmill Cleanco to Windmill Midco;

(b) Windmill Bidco will issue ordinary shares to Windmill Cleanco in satisfaction of the net receivable owed by Windmill Bidco to Windmill Cleanco;

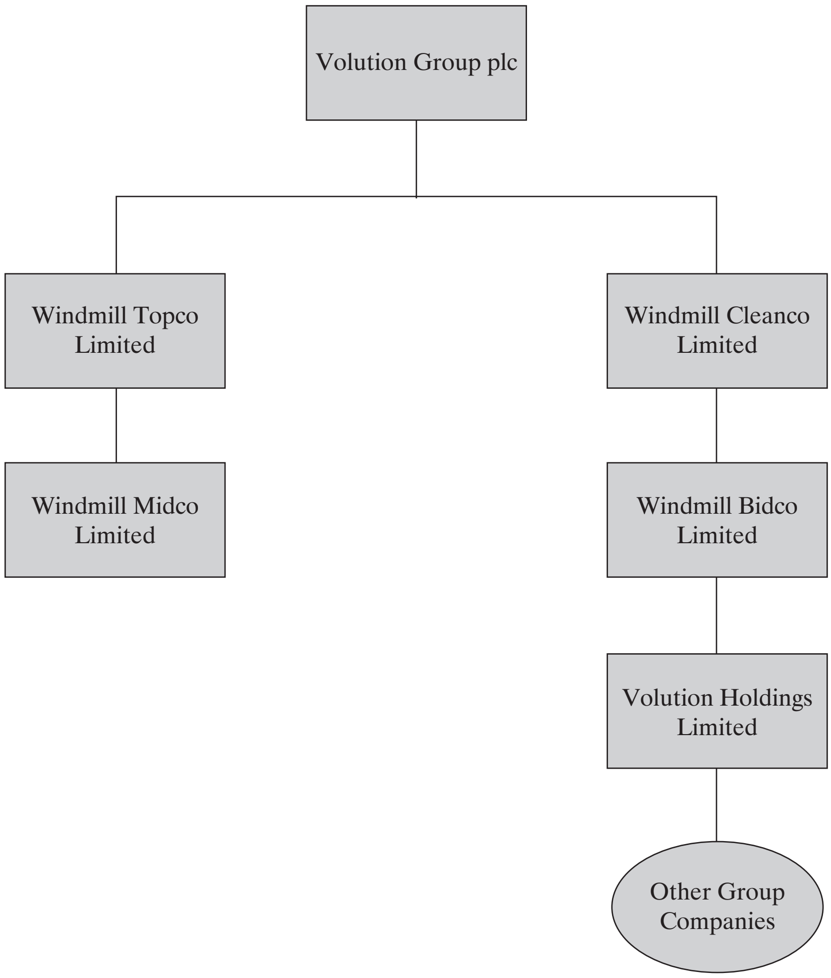
(c) Windmill Midco will sell the entire issued share capital of Windmill Cleanco to the Company, with the consideration left outstanding as an intercompany balance (the Company intends to apply for, and expects to obtain, exemption from stamp duty under section 42 of the Finance Act 1930 in respect of this transaction);

(d) each of Windmill Midco, Windmill Cleanco and Windmill Bidco will undertake out of court capital reductions and issue ordinary shares by way of bonus issues to their shareholders;

(e) Windmill Midco will distribute substantially all of its assets to Windmill Topco, which will in turn distribute substantially all of its assets to the Company; and

(f) Volution Holdings Limited will capitalise its capital contribution reserve (by issuing ordinary shares to Windmill Bidco), undertake out of court capital reductions and issue ordinary shares by way of bonus issue to Windmill Bidco.

The following chart reflects the Group's corporate structure immediately following Admission, after giving effect to the Reorganisation (including the post-Admission steps described above):




## 6 Information about the Ordinary Shares

**6.1** *Description of the type and class of securities being offered*

The Ordinary Shares being offered have a nominal value of £0.01 each. Upon Admission, the Company will have one class of issued shares (Ordinary Shares), rights of which will be set out in the Articles, a summary of which is set out in paragraph 7 below.

The Ordinary Shares are, or will when issued be, credited as fully paid and free from all liens, equities, charges, encumbrances and other interests.

**6.2** *Legislation under which the Ordinary Shares have been and will be created*

The Ordinary Shares have been and will be created under the Companies Act.

**6.3** *Listing*

Application has been made to the FCA for all of the Ordinary Shares to be admitted to the premium listing segment of the Official List and to the London Stock Exchange for those Ordinary Shares to be admitted to trading on the main market for listed securities of the London Stock Exchange. No application has been, or is currently intended to be, made for the Ordinary Shares to be admitted to listing or trading on any other stock exchange.

Conditional dealings in the Ordinary Shares are expected to commence at 8.00 a.m. on 18 June 2014. It is expected that Admission will become effective, and that unconditional dealings will commence, at 8.00 a.m. on 23 June 2014. All dealings in Ordinary Shares prior to the commencement of unconditional dealings will be on a "when issued" basis and of no effect if Admission does not take place and will be at the sole risk of the parties concerned.

**6.4** *Form and currency of the Ordinary Shares*

The Ordinary Shares are in registered form and will, with effect from Admission, be capable of being held in certificated and uncertificated form. The Registrar of the Company is Equiniti Limited of Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA.

Title to the certificated Ordinary Shares (if any) will be evidenced by entry in the register of members of the Company and title to uncertificated Ordinary Shares will be evidenced by entry in the operator register maintained by the Registrar (which will form part of the register of members of the Company).

The Ordinary Shares are denominated in pounds sterling.

**6.5** *Rights attached to the Ordinary Shares*

Each Ordinary Share ranks equally in all respects with each other Ordinary Share and has the same rights (including voting and dividend rights and rights on a return of capital) and restrictions as each other Ordinary Share, as set out in the Articles.

Subject to the provisions of the Companies Act, any equity securities issued by the Company for cash must first be offered to Shareholders in proportion to their holdings of Ordinary Shares. The Companies Act and the Listing Rules allow for the disapplication of pre-emption rights which may be waived by a special resolution of the Shareholders, either generally or specifically, for a maximum period not exceeding five years.

Except in relation to dividends which have been declared and rights on a liquidation of the Company, the Shareholders have no rights to share in the profits of the Company.

The Ordinary Shares are not redeemable. However, the Company may purchase or contract to purchase any of the Ordinary Shares on or off-market, subject to the Companies Act and the requirements of the Listing Rules. The Company may purchase Ordinary Shares only out of distributable reserves or the proceeds of a new issue of shares made to fund the repurchase.

Further details of the rights attached to the Ordinary Shares in relation to dividends, attendance and voting at general meetings, entitlements on a winding-up of the Company and transferability of shares are set out in paragraph 7 below.

**6.6** *Description of restrictions on free transferability of the Ordinary Shares*

Save as set out below, the Ordinary Shares are freely transferable and there are no restrictions on transfer in the UK.

Paragraph 7 below sets out certain circumstances in which Ordinary Shares may not be transferable and in which the Board may refuse to register a transfer of Ordinary Shares.

The Company may, under the Companies Act, send out statutory notices to those persons whom it knows or has reasonable cause to believe have an interest in its shares, asking for details of those who have an interest and the extent of their interest in a particular holding of shares. When a person receives a statutory notice and fails to provide any information required by the notice within the time specified in it, the Company can apply to the court for an order directing, among other things, that any transfer of shares which are the subject of the statutory notice is void.

**6.7** *Authorities relating to the Ordinary Shares*

By resolutions of the Company dated 17 June 2014, it was resolved that:

(a) the Board be generally and unconditionally authorised, in substitution for all subsisting authorities, and, in the case of the authority described in sub-paragraph (iii) below, subject to and conditional upon Admission, to allot shares in the Company and to grant rights to subscribe for or convert any security into shares in the Company:

(i) up to an aggregate nominal amount of £1,519,999 in connection with the Reorganisation;

(ii) up to an aggregate nominal amount of £480,000 in connection with the Offer; and

(iii) up to an aggregate nominal amount of £666,666 in any other case,

such authorities to apply until the end of the annual general meeting of the Company to be held in 2014 but, in each case, during this period the Company may make offers and enter into agreements which would, or might, require shares to be allotted or rights to subscribe for or convert securities into shares to be granted after the authority ends and the Board may allot shares or grant rights to subscribe for or convert securities into shares under any such offer or agreement as if the authority had not ended; and

(b) subject to and conditional upon the passing of resolution (a) above, the Board be given power, in substitution for all subsisting powers, to allot equity securities (as defined in section 560(1) of the Companies Act) for cash under the authority granted by resolution (a) above and/or to sell Ordinary Shares held by the Company as treasury shares for cash as if section 561 of the Companies Act did not apply to any such allotment or sale, such power to be limited:

(i) to the allotment of equity securities up to an aggregate nominal amount of £1,519,999 in connection with the Reorganisation;

(ii) to the allotment of equity securities up to an aggregate nominal amount of £480,000 in connection with the Offer; and

(iii) in the case of the authority granted under sub-paragraph (iii) of resolution (a) above and/or in the case of any sale of treasury shares for cash, to the allotment of equity securities or sale of treasury shares:

(A) up to an aggregate nominal amount of £100,000 (other than pursuant to sub-paragraph (iii)(B) below); and

(B) for cash in connection with an offer of, or invitation to apply for, equity securities:

(1) to holders of Ordinary Shares in proportion (as nearly as may be practicable) to their existing holdings; and

(2) to holders of equity securities, as required by the rights of those securities, or as the Board otherwise considers necessary as permitted by the rights of those securities,

and so that the Board may impose any limits or restrictions and make any arrangements which it considers necessary or appropriate to deal with treasury shares, fractional entitlements, record dates, legal, regulatory or practical problems in, or under the laws of, any territory or any other matters,

such power to apply until the end of the annual general meeting of the Company to be held in 2014 but, in each case, during this period the Company may make offers, and enter into agreements, which would, or might, require equity securities to be allotted (and treasury shares to be sold) after the power ends and the Board may allot equity securities (and sell treasury shares) under any such offer or agreement as if the power had not ended.

## 7 Summary of the Articles

The Articles adopted on 17 June 2014, conditional upon Admission becoming effective, contain (among others) provisions to the following effect:

### 7.1 *Unrestricted objects*

The objects of the Company are unrestricted.

### 7.2 *Limited liability*

The liability of the Company's members is limited to any unpaid amount on the shares in the Company held by them.

### 7.3 *Change of name*

The Company can change its name by resolution of the Directors. This is in addition to the Company's statutory ability to change its name by special resolution under the Companies Act.

### 7.4 *Share rights*

Subject to the Companies Act, any resolution passed by the Company under the Companies Act and existing Shareholders' rights, the Company may issue shares with any rights or restrictions attached to them. These rights or restrictions can either be decided by an ordinary resolution passed by the Shareholders or by the Directors as long as there is no conflict with any resolution passed by the Shareholders. These rights and restrictions will apply as if they were set out in the Articles. Redeemable shares may be issued, subject to existing Shareholders' rights. The Directors can decide on the terms and conditions and the manner of redemption of any redeemable shares. These terms and conditions will apply as if they were set out in the Articles. Subject to the Articles, the Companies Act, any resolutions passed by the Shareholders and existing Shareholders' rights, the Directors can decide how to deal with any shares in the Company.

### 7.5 *Voting rights*

Shareholders are entitled to vote at a general meeting or at a separate meeting of the holders of a class of shares (in this paragraph 7, a "**class meeting**"), whether on a show of hands or a poll, as follows:

(a) on a show of hands every Shareholder present in person or by proxy at a general meeting of the Company and every duly authorised corporate representative shall have one vote. If a proxy has been duly appointed by more than one Shareholder entitled to vote on the resolution and the proxy has been instructed by one or more of those Shareholders to vote for the resolution and by one or more other of those Shareholders to vote against it then the proxy shall have one vote for and one vote against the resolution. If a proxy has been duly appointed by more than one Shareholder entitled to vote on the resolution and has been granted both discretionary authority to vote on behalf of one or more of those Shareholders and firm voting instructions on behalf of one or more other Shareholders, the proxy shall not be restricted by the firm voting instructions in casting a second vote in any manner he so chooses under the discretionary authority conferred upon him; and

(b) on a poll every Shareholder present in person or by proxy shall have one vote for every share held by him and every person appointed as proxy of a Shareholder shall have one vote for every share in respect of which he is appointed as a proxy provided always that where a Shareholder appoints more than one proxy, this does not authorise the exercise by such proxies taken together of more extensive voting rights than could be exercised by the Shareholder in person and every duly authorised corporate representative may exercise all the powers on behalf of the company which authorised him to act as its representative and shall have one vote for every share in respect of which he is appointed the corporate representative.

This is subject to any rights or restrictions which are given to any shares or on which shares are held.

If the Company has issued unlisted shares then only listed shares carry voting rights on certain matters set out in the Listing Rules.

If more than one joint Shareholder votes (including voting by proxy), the only vote which will count is the vote of the person whose name is listed before the other voters on the register for the Ordinary Share.

**7.6** *Dividends and other distributions*

The Company may by ordinary resolution from time to time declare and pay dividends not exceeding the amount recommended by the Board. Subject to the Companies Act, the Board may declare and pay interim dividends, and also any fixed rate dividend, whenever the financial position of the Company, in the opinion of the Board, justifies its payment. If the Board acts in good faith, it is not liable for any loss that Shareholders may suffer because a lawful dividend has been paid on other shares that rank equally with or behind their shares.

Unless the rights attached to any shares or the terms of any shares say otherwise, all dividends will be divided and paid in proportions based on the amounts paid up on the shares during any period for which the dividend is paid, and dividends may be declared or paid in any currency.

The Board may, if authorised by an ordinary resolution, offer Shareholders the right to choose to receive extra shares which are credited as fully paid instead of some or all of their cash dividend.

Any dividend unclaimed after a period of twelve years from the date when it was declared or became due for payment will be forfeited and go back to the Company unless the Board decides otherwise.

**7.7** *Variation of rights*

Subject to the provisions of the Companies Act, all or any of the rights for the time being attached to any class of shares for the time being issued may from time to time (whether or not the Company is being wound up) be varied either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares) or with the sanction of a special resolution passed at a class meeting of the relevant class of shares.

**7.8** *Transfers of shares*

The shares are in registered form. Any shares in the Company may be held in uncertificated form and, unless the Articles say otherwise, a shareholder may transfer some or all of his uncertificated shares through CREST. Provisions of the Articles do not apply to any uncertificated shares to the extent that those provisions are inconsistent with the holding of shares in uncertificated form, with the transfer of shares through CREST, with the CREST Regulations or with the Company doing anything through CREST.

Other than in the circumstances set out below, a Shareholder may transfer all or any of his certificated shares. The transfer must be either in the usual standard form or in any other form which the Board may approve. The share transfer form must be signed or made effective in some other way by or on behalf of the person making the transfer. In the case of a partly-paid share, it must also be signed or made effective in some other way by, or on behalf of, the person to whom the share is being transferred.

The person transferring the shares will continue to be treated as a Shareholder until the name of the person to whom it is transferred is put on the register for that share.

The Board can refuse to register the transfer of any shares which are not fully paid. The Board may also refuse to register the transfer of any shares in the following circumstances:

*Certificated shares*

(a) a share transfer form cannot be used to transfer more than one class of shares. Each class needs a separate form;

(b) transfers may not be in favour of more than four joint holders; and

(c) the share transfer form must be properly stamped or certified or otherwise shown to the Board to be exempt from stamp duty and must be accompanied by the relevant share certificate and such other evidence of the right to transfer as the Board may reasonably require.

*Uncertificated shares*

(a) registration of a transfer of uncertificated shares can be refused in the circumstances set out in the CREST Regulations; and

(b) transfers may not be in favour of more than four joint holders.

**7.9** *Restrictions on shares*

Where the holder of any shares in the Company, or any other person appearing to be interested in those shares, fails to comply within 14 days following service of any notice under section 793 of the Companies Act in respect of those shares (in this paragraph 7.9, a "**statutory notice**"), the Company may give the holder of those shares a further notice (in this paragraph 7.9, a "**restriction notice**") to the effect that from the service of the restriction notice those shares shall be subject to some or all of the relevant restrictions (as defined below), and from service of the restriction notice those shares shall be subject to those relevant restrictions accordingly.

If after the service of a restriction notice in respect of any shares the Board is satisfied that all information required by any statutory notice relating to those shares or any of them from their holder or any other person appearing to be interested in the shares the subject of the restriction notice has been supplied, the Company shall, within seven days, cancel the restriction notice. The Company may at any time at its discretion cancel any restriction notice or exclude any shares from it. A restriction notice shall automatically cease to have effect in respect of any shares transferred where the transfer is pursuant to an arm's length sale of those shares.

Any new shares in the Company issued in respect of any shares subject to a restriction notice shall also be subject to the restriction notice, and the Board may make any right to an allotment of the new shares subject to restrictions corresponding to those which will apply to those shares by reason of the restriction notice when such shares are issued.

The relevant restrictions referred to above are, in the case of a restriction notice served on a person having an interest in shares in the Company which comprise in total at least 0.25% in number or nominal value of the shares of the Company (calculated exclusive of any treasury shares), or of any class of such shares, that:

(a) the shares shall not confer on the holder any right to attend or vote either personally or by proxy at any general meeting of the Company or at any separate general meeting of the holders of any class of shares in the Company or to exercise any other right conferred by membership in relation to attending general meetings and voting;

(b) the Board may withhold payment of all or any part of any dividends (including shares issued in lieu of dividends) payable in respect of the shares; and

(c) the Board may (subject to the requirements of the CREST Regulations) decline to register a transfer of the shares or any of them unless such a transfer is pursuant to an arm's length sale,

and in any other case means only the restriction specified in sub-paragraph (a) above.

**7.10** *General meetings*

Under the Companies Act, the Board shall convene and the Company shall hold general meetings as annual general meetings in accordance with the requirements of the Companies Act, and the Board may convene a general meeting whenever it thinks fit.

Under the Companies Act, an annual general meeting must be called by notice of at least 21 clear days. Upon listing, the Company will be a "traded company" for the purposes of the Companies Act and as such will be required to give at least 21 clear days' notice of any other general meeting unless a special resolution reducing the period to not less than 14 clear days has been passed at the immediately preceding annual general meeting or at a general meeting held since that annual general meeting or, pending the Company's first annual general meeting, at any general meeting. By a special resolution of the Company dated 17 June 2014 it was resolved that a general meeting other than an annual general meeting may be called on not less than 14 clear days' notice. Under the Companies Act, notice of a general meeting must be given in hard copy form, in electronic form, or by means of a website and must be sent to every member and every Director, and it must state the time and date and the place of the meeting and the general nature of the business to be dealt with at the meeting. As the Company will be a traded company, the Companies Act also requires that the notice also state the website address where information about the meeting can be found in advance of the meeting, the voting record time, the procedures for attending and voting at the meeting, details of any forms for appointing a proxy, procedures for voting in advance (if any are offered), and the right of members to ask questions at the meeting. In addition, a notice calling an annual general meeting must state that the meeting is an annual general meeting.

The Companies Act also requires notice of every general meeting shall be given to all Shareholders other than any who, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company, and also to the Company's auditors.

Before a general meeting carries out business, there must be a quorum present. Unless the Articles state otherwise in relation to a particular situation, under the Companies Act a quorum for all purposes is two Shareholders present in person or by proxy or by a duly authorised corporate representative and entitled to vote.

**7.11** *Notices to Shareholders*

Any notice, document (including a share certificate) or other information may be served on or sent or supplied to any Shareholder by the Company personally, by post, by means of a relevant system, by sending or supplying it in electronic form to an address notified by the Shareholder to the Company for that purpose, where appropriate, by making it available on a Website and notifying the Shareholder of its availability, or by any other means authorised in writing by the Shareholder.

**7.12** *Directors*

(a) *Number*

Unless otherwise determined by ordinary resolution of the Company, the number of Directors (disregarding alternate directors) shall not be less than two nor more than 15.

(b) *No shareholding qualification*

The Directors are not required to hold any shares in the Company.

(c) *Appointment*

Directors may be appointed by ordinary resolution of the Company or by the Board. If required by the Listing Rules, the appointment or re-appointment by shareholders of an independent director (within the meaning of the UK Corporate Governance Code) must also be approved by independent shareholders (within the meaning of the Listing Rules). If a resolution is passed to appoint or re-appoint an independent director but the approval of independent shareholders is not obtained, that person may be appointed or re-appointed as an independent director by shareholders passing a second ordinary resolution at a later general meeting. Any second resolution will not require the approval of independent shareholders, but may only be voted on within time periods specified by the Listing Rules (between 90 and 120 days after the vote on the first resolution).

(d) *Retirement*

At every annual general meeting of the Company, every Director shall retire from office. Any Director who retires at an annual general meeting may offer himself for re-appointment by the Shareholders.

(e) *Removal*

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

(f) *Vacation of office*

Any Director automatically ceases to be a Director if, among other things:

(i) he gives the Company a written notice of resignation or he offers to resign and the Board accepts such offer;

(ii) all of the other Directors pass a resolution or sign a written notice removing him as a Director;

(iii) he has missed meetings of the Board for a continuous period of six months without permission from the Board and the Board passes a resolution removing him as a Director;

(iv) a bankruptcy order is made against him or he makes any arrangement or composition with his creditors generally; or

(v) he is prohibited from or ceases to be a Director under the Companies Act or the Articles.

If a Director stops being a Director for any reason, he will also automatically ceases to be a member of any committee or sub-committee of the Board.

(g) *Alternates*

Any Director can appoint any person (including another Director) to act as an alternate Director. The appointment requires the approval of the Board, unless previously approved by the Board or unless the appointee is another Director.

(h) *Powers*

The Board shall manage the Company's business and can use all the Company's powers except where the Articles say that powers can only be used by the Shareholders voting to do so at a general meeting. The Board is also subject to any regulations laid down by the Shareholders by passing a special resolution at a general meeting.

In particular, the Board may exercise all the Company's powers to borrow money, to guarantee, to indemnify, to mortgage or charge all or any of the Company's undertaking, property and assets (present and future) and uncalled capital, to issue debentures and other securities and to give security for any debt, liability or obligation of the Company or of any third party.

(i) *Proceedings*

The Board can decide when and where to have meetings and how they will be conducted. They can also adjourn their meetings. If no other quorum is fixed by the Board, two Directors are a quorum. A Board meeting at which a quorum is present can exercise all the powers and discretions of the Board.

The Board can appoint any Director as chairman or as deputy chairman and can remove him from that office at any time. Matters to be decided at a Board meeting will be decided by a majority vote. If votes are equal, the chairman of the meeting has a second, casting vote.

All or any of the Directors can take part in a meeting of the Board by way of a conference telephone or any communication equipment which allows everybody to take part in the meeting by being able to hear each of the other people at the meeting and by being able to speak to all of them at the same time. A person taking part in this way will be treated as being present at the meeting and will be entitled to vote and be counted in the quorum.

The Board can delegate any of their powers or discretions (with the power to sub-delegate) to committees of one or more persons as they think fit provided that there must be more Directors on a committee than persons who are not Directors. If a committee consists of more than one person, the Articles which regulate Board meetings and their procedure will also apply to committee meetings unless these are inconsistent with any regulations for the committee which have been laid down under the Articles.

(j) *Remuneration, expenses, pensions and gratuities*

Subject to the requirements of the Companies Act, the Directors shall be paid out of the funds of the Company by way of fees for their services as directors, such sums (if any) and such benefits in kind as the Board may from time to time determine and such remuneration shall be divided between the Directors as the Board shall agree or, failing agreement, equally. Such remuneration shall be deemed to accrue from day to day.

Any Director who is appointed to any executive office or who performs services which in the opinion of the Board or any committee authorised by the Board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board or any committee authorised by the Board may in its discretion decide, subject to the requirements of the Companies Act.

The Company may pay the reasonable travel, hotel and incidental expenses of each Director incurred in attending and returning from general meetings, meetings of the Board or committees of the Board or any other meetings which as a Director he is entitled to attend. The Company will pay all other expenses properly and reasonably incurred by each Director in connection with the Company's business or in the performance of his duties as a Director. The Company can also fund a Director's or former Director's expenditure for the purposes permitted by the Companies Act and can do anything to enable a Director or former Director to avoid incurring such expenditure all as provided in the Companies Act.

The Board or any committee authorised by the Board may decide whether to provide pensions or other benefits to any Director or former Director, or any relation or dependant of, or person connected to, such a person. However, if the Board want to provide a benefit to a Director or former Director who has not been employed by or held an office or executive position in the Company or any of its subsidiary undertakings or former subsidiary undertakings or any predecessor in business of the Company or any such other company, or to relations or dependants of, or persons connected to, these Directors or former Directors, the Company's Shareholders must also pass an ordinary resolution to approve the payment.

(k) *Indemnification*

As far as the Companies Act allows this, the Company can indemnify any Director or former Director of the Company or of any associated company against any liability and can purchase and maintain insurance against any liability for any Director or former Director of the Company or of any associated company.

(l) *Interests*

The Board may, subject to the Articles, authorise any matter which would otherwise involve a Director breaching his duty under the Companies Act to avoid conflicts of interest. Where the Board gives authority in relation to a conflict of interest or where any of the situations described in (i) to (v) below applies in relation to a Director, the Board may: (A) require that the relevant Director is excluded from the receipt of information, the participation in discussion and/or the making of decisions related to the conflict of interest or situation; (B) impose upon the relevant Director such other terms for the purpose of dealing with the conflict of interest or situation as they think fit; and (C) provide that where the relevant Director obtains (otherwise than through his position as a Director of the Company) information that is confidential to a third party, the Director will not be obliged to disclose that information to the Company, or to use or apply the information in relation to the Company's affairs, where to do so would amount to a breach of that confidence. The Board may revoke or vary such authority at any time.

If a Director has disclosed the nature and extent of his interest in accordance with the Companies Act and the Articles, a Director can do any one or more of the following:

(i) have any kind of interest in a contract with or involving the Company or another company in which the Company has an interest;

(ii) hold any other office or place of profit with the Company (except that of auditor) in conjunction with his office of Director for such period and upon such terms, including as to remuneration, as the Board may decide;

(iii) alone, or through a firm with which he is associated, do paid professional work for the Company or another company in which the Company has an interest (other than as auditor);

(iv) be or become a director or other officer of, or employed by or a party to a transaction or arrangement with, or otherwise be interested in any parent undertaking or subsidiary undertaking of the Company or any other company in which the Company has an interest; and

(v) be or become a director of any other company in which the Company does not have an interest and which cannot reasonably be regarded as giving rise to a conflict of interest at the time of his appointment as a director of that other company.

A Director does not have to hand over to the Company or the Shareholders any benefit he receives or profit he makes as a result of a conflict of interest authorised by the Board or anything allowed under the above provisions nor is any contract which is allowed or authorised under these provisions liable to be avoided.

(m) *Restrictions on voting*

A Director cannot vote or be counted in the quorum on a resolution relating to appointing that Director to a position with the Company or a company in which the Company has an interest or the terms or termination of the appointment save to the extent permitted specifically in the Articles.

Subject to certain exceptions set out in the Articles, a Director cannot vote on, or be counted in a quorum in relation to, any resolution of the Board on any contract in which he has an interest and, if he does vote, his vote will not be counted.

Subject to the Companies Act, the Shareholders may by ordinary resolution suspend or relax to any extent the provisions relating to Directors' interests or restrictions on voting or ratify any contract which has not been properly authorised in accordance with such provisions.

If any question arises at any meeting of the Board as to whether the interest of a Director gives rise to a conflict, or could reasonably be regarded as likely to give rise to a conflict, with the interests of the Company or as to the entitlement of any Director to vote or be counted in the quorum and the question is not resolved by him voluntarily agreeing to abstain from voting or not to be counted in the quorum, the question shall be decided by a resolution of the Board (for which purpose the Director in question shall not be counted in the quorum and provided that the resolution was agreed to without the Director in question voting or would have been agreed if their votes had not been counted) and the resolution shall be conclusive except in a case where the nature or extent of the interest of the Director (so far it as is known to him) has not been fairly disclosed to the Board.

**8 Mandatory bids and compulsory acquisition rules relating to the Ordinary Shares**

Other than as provided by the City Code and Chapter 28 of the Companies Act, there are no rules or provisions relating to mandatory bids and/or squeeze-out and sell-out rules relating to the Company.

**8.1** *Mandatory bids*

The City Code applies to the Company. Under the City Code, if an acquisition of interests in shares were to increase the aggregate holding of the acquirer and its concert parties to interests in shares carrying 30% or more of the voting rights in the Company, the acquirer and, depending on the circumstances, its concert parties would be required (except with the consent of the Takeover Panel) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for interests in shares by the acquirer or its concert parties during the previous twelve months. This requirement would also be triggered by any acquisition of interests in shares by a person holding (together with its concert parties) shares carrying between 30% and 50% of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the total voting rights in the Company.

Prospective investors should be aware that, immediately following Admission, the TowerBrook Shareholder will continue to hold more than 50% of the Company's voting share capital and may, accordingly, be able to increase its aggregate shareholding in the Company without incurring any obligation under the City Code to make a general offer.

**8.2** *Squeeze-out*

Under the Companies Act, if an offeror were to make a "takeover offer" (as defined in section 974 of the Companies Act) to acquire all of the shares in the Company not already owned by it and were to acquire 90% of the shares to which such takeover offer related, it could then compulsorily acquire the remaining 10%. The offeror would do so by sending a notice to outstanding members telling them that it will compulsorily acquire their shares and then, six weeks later, it would deliver a transfer of the outstanding shares in its favour to the Company which would execute the transfers on behalf of the relevant members, and pay the consideration to the Company which would hold the consideration on trust for outstanding members. The consideration offered to the members whose shares are compulsorily acquired under this procedure must, in general, be the same as the consideration that was available under the original offer unless a member can show that the takeover offer value is unfair.

**8.3** *Sell-out*

The Companies Act also gives minority members a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer related to all the shares in the Company and, at any time before the end of the period within which the takeover offer could be accepted, the offeror held or had agreed to acquire not less than 90% of the shares, any holder of shares to which the takeover offer related who had not accepted the takeover offer could by a written communication to the offeror require it to acquire those shares. The offeror would be required to give any member notice of his/her right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority members to be bought out, but that period cannot end less than three months after the end of the acceptance period or, if later, three months from the date on which notice is served on members notifying them of their sell-out rights. If a member exercises his/her rights, the offeror is entitled and bound to acquire those shares on the terms of the takeover offer or on such other terms as may be agreed.

## 9 Subsidiary undertakings

Following completion of the Reorganisation, the Company will be the holding company of the Group.

Following completion of the Reorganisation, the Group will comprise the Company and its subsidiary undertakings named below, all of which will be directly or indirectly 100% owned by the Company.

| Name | Country of incorporation | Principal activity |
|---|---|---|
| Windmill Topco Limited | England and Wales | Intermediate holding company |
| Windmill Midco Limited | England and Wales | Intermediate holding company |
| Windmill Cleanco Limited | England and Wales | Intermediate holding company |
| Windmill Bidco Limited | England and Wales | Intermediate holding company |
| Volution Holdings Limited | England and Wales | Intermediate holding company |
| Volution Ventilation Group Limited | England and Wales | Intermediate holding company |
| Vent-Axia Group Limited | England and Wales | Trading/operating company |
| Manrose Manufacturing Limited | England and Wales | Trading/operating company |
| Volution Holdings Sweden AB | Sweden | Intermediate holding company |
| Fresh AB | Sweden | Trading/operating company |
| Fresh Norge AS | Norway | Trading/operating company |
| Fresh Shanghai Limited | China | Trading/operating company |
| PAX AB | Sweden | Trading/operating company |
| PAX Norge AS | Norway | Trading/operating company |
| Volution Management Holding GmbH | Germany | Trading/operating company |
| inVENTer GmbH | Germany | Trading/operating company |
| Volution Deutschland Real Estate GmbH | Germany | Trading/operating company |
| Torin Sifan Limited | England and Wales | Trading/operating company |
| Torin Limited | England and Wales | Dormant |
| Roof Units Limited | England and Wales | Dormant |
| Vent-Axia Limited | England and Wales | Dormant |
| Anda Products Limited | England and Wales | Dormant |
| Axia Fans Limited | England and Wales | Dormant |
| Vent-Axia Clean Air Systems Limited | England and Wales | Dormant |

## 10 Interests of major Shareholders and Selling Shareholders

### 10.1 *Major Shareholders*

In so far as was known to the Company as at 17 June 2014 (the last practicable date prior to the publication of this Prospectus), the Shareholders set out in the table below will, on Admission, be directly or indirectly interested in 3% or more of the voting rights of the Company (being the threshold for notification of voting rights that will apply to the Company and Shareholders as of Admission pursuant to Chapter 5 of the Disclosure and Transparency Rules).

| Major Shareholder | Interests immediately prior to Admission | | Interests immediately following Admission | |
|---|---|---|---|---|
| | No. | % of total issued share capital | No. | % of total issued share capital |
| Danske Capital Management | — | — | 8,666,000 | 4.3 |
| Henderson Global Investors Limited | — | — | 8,325,000 | 4.2 |
| UBS Asset Management | — | — | 8,000,000 | 4.0 |
| T Rowe & Price International Limited | — | — | 6,683,000 | 3.3 |

In addition and in so far as was known to the Company as at 17 June 2014 (the last practicable date prior to the publication of this Prospectus), certain of the Selling Shareholders were, and on Admission will be, directly or indirectly interested in 3% or more of the voting rights of the Company (being the threshold for notification of voting rights that will apply to the Company and Shareholders as of Admission pursuant to Chapter 5 of the Disclosure and Transparency Rules). Their expected interests both immediately prior to and immediately following Admission are disclosed in the table set out in paragraph 10.2 below.

**10.2** *Selling Shareholders*

In addition to the New Ordinary Shares that will be issued by the Company pursuant to the Offer, Existing Ordinary Shares will be sold by the Selling Shareholders pursuant to the Offer. The Selling Shareholders are listed in the table below. The interests in Ordinary Shares of the Selling Shareholders immediately prior to Admission and immediately following Admission are set out in the table below.

| Selling Shareholder | Interests immediately prior to Admission | | Ordinary Shares to be sold pursuant to the Offer | | Interests immediately following Admission | |
|---|---|---|---|---|---|---|
| | No. | % of total issued share capital | No. | % of holding | No. | % of total issued share capital |
| Windmill Holdings B.V. | 137,230,325 | 90.3 | 14,479,238 | 10.6 | 122,751,087 | 61.4 |
| Ronnie George | 7,497,110 | 4.9 | 1,874,277 | 25.0 | 5,622,833 | 2.8 |
| Ian Dew | 1,140,436 | 0.8 | 285,109 | 25.0 | 855,327 | 0.4 |
| Neil Sproston | 969,225 | 0.6 | 242,306 | 25.0 | 726,919 | 0.4 |
| Paul Davies | 1,154,472 | 0.8 | 288,618 | 25.0 | 865,854 | 0.4 |
| Paul Kilburn | 641,449 | 0.4 | 160,362 | 25.0 | 481,087 | 0.2 |
| Brendan Murphy | 1,154,472 | 0.8 | 288,618 | 25.0 | 865,854 | 0.4 |
| Iain Jamieson | 285,058 | 0.2 | 71,265 | 25.0 | 213,793 | 0.1 |
| Lee Nurse | 1,154,472 | 0.8 | 288,618 | 25.0 | 865,854 | 0.4 |
| Adrian Barden | 92,725 | 0.1 | 8,000 | 8.6 | 97,725 | 0.0 |
| Chris Lebeer | 364,422 | 0.2 | 364,422 | 100.0 | — | — |
| Soulignac Conseils S.A. | 254,031 | 0.2 | 254,031 | 100.0 | — | — |
| Marcel Klepfisch S.a.r.l. | 61,803 | 0.0 | 61,803 | 100.0 | — | — |

**10.3** *Other disclosures*

As at 17 June 2014 (the last practicable date prior to the publication of this Prospectus) and immediately after Admission:

(a) the Company is not aware of any persons who, directly or indirectly, jointly or severally, will exercise or could exercise control over the Company; and

(b) other than the redeemable preference shares referred to in paragraph 5 (*Reorganisation*) of this Part XIV (*Additional information*) (which have no voting rights, fixed dividend rights capped at 0.0001% of the capital paid up thereon per annum, and fixed rights to share in the assets of the Company available for distribution as a winding up in an amount equal to the nominal amount thereof plus all accrued but unpaid dividends thereon, and which will be redeemed following Admission), the Ordinary Shares will be the only class of share capital of the Company. All Shareholders (including the major Shareholders and Selling Shareholders) will have equal voting rights.

## 11 Directors and Senior Managers

### 11.1 *Other directorships and partnerships*

The details of those companies and partnerships outside the Group of which the Directors and Senior Managers are currently directors or partners, or have been directors or partners at any time during the previous five years prior to the date of this Prospectus, are as follows:

| Name | Position | Company/Partnership | Position still held (Y/N) |
|---|---|---|---|
| Peter Hill | Director | Alent plc | Y |
| | Director | Essentra plc | Y |
| | Director | Laird plc (and certain related group companies) | N |
| | Director | Meggitt plc | N |
| | Director | Transport Engineering Limited | N |
| | Director | 17 Cliveden Place Limited | N |
| | Director | Vesuvius Holdings Limited (formerly Cookson Group plc) | N |
| | Director | Advanced Performance Materials Limited | N |
| | Director | British Engraving and Nameplate Company Limited | N |
| | Director | Gun Graphical Industries Limited | N |
| | Director | IMD Solutions Limited | N |
| | Director | Instrument Specialties Europe Limited | N |
| Adrian Barden | Director | Blue Burgee Ltd | Y |
| | Director | Sanitec Corporation | Y |
| Anthony Reading | Director | Spectris plc | N |
| | Director | E2V Technologies plc | N |
| | Director | Laird plc | N |
| | Director | Taylor Wimpey plc | N |
| | Director | Club 7 Limited | N |
| Paul Hollingworth | Director | Electrocomponents plc | Y |
| | Director | Thomas Cook Group plc | N |
| | Director | Aylesford Newsprint Holdings Limited | N |
| | Director | Aylesford Newsprint Limited | N |
| | Director | Aylesford Newsprint Services Limited | N |
| Gavin Chittick | Director | Poppy Bidco Limited | Y |
| | Director | Poppy Finco Limited | Y |
| | Director | Poppy Holdco Limited | Y |
| | Director | PEF Trading Limited | Y |
| | Director | AIM Aviation Holdings Limited | Y |
| | Director | Rave Holdings LLC | Y |
| | Partner | TowerBrook Investors GP III LP | Y |
| | Partner | TowerBrook Investors GP IV LP | Y |
| | LLP member | TowerBrook Capital Partners (UK) LLP | N |
| | Director | Choo Management Limited | N |
| | Director | Archimica Cooperatief UA | N |
| | Director | Rave Motion Pictures Inc | N |
| | Director | Europlex Cinemas (UK) Limited | N |

The Directors and Senior Managers have no actual or potential conflicts of interest, apart from Gavin Chittick (the "**TowerBrook Director**") who represents the TowerBrook Shareholder and therefore potentially has such a conflict. The TowerBrook Shareholder and its affiliates may make acquisitions of, or investments in, other businesses in the same sectors as us. These businesses may be, or may become, competitors of the Group. In addition, funds or other entities managed or advised by TCP (or the same entities or individuals which manage or advise the TCP Funds) may be in competition with the Group on potential acquisitions of, or investments in, certain businesses. In addition, subject to or following the expiry of the lock-up undertakings, the TowerBrook Shareholder could sell a substantial number of Ordinary Shares in the public market following the Offer. Such sales, or the perception that such sales could occur, may materially adversely affect the market price of the Ordinary Shares. This may make it more difficult for Shareholders to sell the Ordinary Shares at a time and price that they deem appropriate, and could also impede the Company's ability to issue equity securities in the future. Although applicable law, the terms of the TowerBrook Director's appointment and the Relationship Agreement contain provisions seeking to restrict the TowerBrook Director from voting on matters where there are conflicts of interest and from using information obtained in the course of his appointment, these and other measures may not be sufficient to safeguard the interests of other Shareholders.

**11.2** *Confirmations*

As at the date of this Prospectus, no Director or Senior Manager has during the last five years:

(a) been convicted in relation to fraudulent offences;

(b) been associated with any bankruptcy, receivership or liquidation while acting in the capacity of a member of the administrative, management or supervisory body of or senior manager of any company;

(c) been subject to any official public incrimination and/or sanctions by any statutory or regulatory authorities including, where relevant, designated professional bodies; or

(d) been disqualified by a court from acting as a member of the administrative, management or supervisory body of an issuer or from acting in the management or conduct of the affairs of any issuer.

There are no family relationships between any of the Directors or Senior Managers.

**11.3** *Interests of Directors and Senior Managers in the Ordinary Shares*

The direct and indirect interests of the Directors and Senior Managers in the Ordinary Shares expected to exist immediately prior to Admission and immediately following Admission are set out in the table below.

| | Interests immediately prior to Admission | | Ordinary Shares to be sold pursuant to the Offer | | Interests immediately following Admission | |
|---|---|---|---|---|---|---|
| **Director/Senior Manager** | **No.** | **% of total issued share capital** | **No.** | **% of holding** | **No.** | **% of total issued share capital** |
| Peter Hill | — | — | — | — | 35,333 | 0.0 |
| Ronnie George | 7,497,110 | 4.9 | 1,874,277 | 25.0 | 5,622,833 | 2.8 |
| Ian Dew | 1,140,436 | 0.8 | 285,109 | 25.0 | 855,327 | 0.4 |
| Anthony Reading | — | — | — | — | 22,183 | 0.0 |
| Adrian Barden | 92,725 | 0.1 | 8,000 | 8.6 | 97,725 | 0.0 |
| Paul Hollingworth | — | — | — | — | 19,333 | 0.0 |
| Gavin Chittick | — | — | — | — | — | — |
| Paul Davies | 1,154,472 | 0.8 | 288,618 | 25.0 | 865,854 | 0.4 |
| Brendan Murphy | 1,154,472 | 0.8 | 288,618 | 25.0 | 865,854 | 0.4 |
| Lee Nurse | 1,154,472 | 0.8 | 288,618 | 25.0 | 865,854 | 0.4 |
| Eva Thunholm | — | — | — | — | — | — |
| Annett Wettig | — | — | — | — | — | — |
| Neil Sproston | 969,225 | 0.6 | 242,306 | 25.0 | 726,919 | 0.4 |
| Paul Kilburn | 641,449 | 0.4 | 160,362 | 25.0 | 481,087 | 0.2 |

Conditional on Admission occurring, the Company has agreed to pay to the Chairman and each Independent Non-Executive Director £25,000 (or, in the case of the Chairman, £50,000) in consideration for such Director providing certain advice and assistance to the Company in connection with Admission. This amount will be satisfied on Admission by the Company: (a) allotting and issuing to the Chairman and each Independent Non-Executive Director such number of Offer Shares as is equal to £25,000 (or, in the case of the Chairman, £50,000), less any applicable deductions, divided by the Offer Price (rounded down to the nearest whole number); and (b) paying the balance not satisfied pursuant to (a) to the Chairman and each relevant Independent Non-Executive Director in cash. In addition, each of the Chairman and the Independent Non-Executive Directors (except Adrian Barden) has agreed to subscribe for or acquire an equal number of Offer Shares at the Offer Price; such Offer Shares will be subscribed for or acquired on Admission, and will be financed from the relevant Director's personal cash resources.

The interests of the Directors and Senior Managers together represent 0% of the issued share capital of the Company in existence as at 17 June 2014 (being the latest practicable date prior to publication of this Prospectus) and on Admission are expected to represent 5.2% of the enlarged issued share capital of the Company.

**11.4** *Transactions with Directors and Senior Managers*

None of the Directors or Senior Managers has or has had any interest in any transaction which is or was unusual in its nature or conditions or significant to the business which was effected by any member of the Group during the current or immediately preceding financial year, or which was effected during an earlier financial year and remains in any respect outstanding or unperformed.

None of the Directors or Senior Managers has or has had a beneficial interest in any contract to which any member of the Group was a party during the current or immediately preceding financial year.

There are no outstanding loans or guarantees granted or provided by any member of the Group for the benefit of any of the Directors or Senior Managers.

**11.5** *Executive Directors' service agreements*

Service agreements were entered into with the Executive Directors, Ronnie George (Group Chief Executive Officer) and Ian Dew (Group Chief Financial Officer) on 17 June 2014. Ronnie George and Ian Dew are each employed by Windmill Bidco. The principal terms of these contracts, which will become effective on Admission, are set out below:

(a) *General terms*

Ronnie George and Ian Dew will be paid annual salaries of £350,000 and £250,000 respectively which are to be reviewed, but not necessarily increased, annually, at the absolute discretion of the Remuneration Committee.

The Executive Directors will receive the following benefits under the terms of their service agreements:

- a contribution to a personal or Group pension scheme and/or as a cash allowance worth 15% of salary for Executive Directors;
- eligibility to participate in an annual bonus plan which shall be determined on an annual basis by the Remuneration Committee;
- eligibility to participate, at the discretion of the Remuneration Committee, in any employee share plan operated by the Company;
- an annual car allowance of £10,000; and
- entitlement to life assurance of four times annual salary and to participate in a private medical cover scheme (which includes cover for spouses and dependents).

(b) *Termination provisions*

The Executive Directors' service agreements can be terminated by not less than 12 months' prior written notice given by either party.

The Executive Directors may be placed on garden leave and their employment may be terminated by their employer making a payment in lieu of notice equivalent to up to 12 months' basic salary and the fair value of benefits and a pro rata bonus for the year of termination.

The employment of each Executive Director is terminable with immediate effect without notice in certain circumstances including where such Executive Director has committed any serious breach or repeated breach of any of the material terms of his service agreement, is guilty of any serious misconduct or wilful neglect in the discharge of his duties, is guilty of any fraud, dishonesty or other conduct which may bring him or the Group into disrepute, is declared bankrupt, is convicted of any criminal offence (excluding certain road traffic offences), or is prohibited by law from acting as a director.

The service agreements of the Executive Directors also contain post-termination restrictions. These include restrictions on competition with the Group and non-interference with our suppliers for a period of six months from termination of employment. In addition, the agreement contains 12-month restrictions on soliciting and/or dealing with any of the Group's customers, potential customers and suppliers and a 12-month restriction on soliciting and/or employing certain categories of the Group's employees.

**11.6** *Non-Executive Directors' appointment letters*

(a) *General terms*

Each of the Non-Executive Directors has been appointed for an initial term of three years, terminable by either the individual or the Company at any time on one month's notice. Their appointment is subject to annual re-election by the Shareholders at the Company's annual general meeting and to any requirements of the Listing Rules, and is contingent on continued satisfactory performance. If the Shareholders do not reappoint a Non-Executive Director, or if they are retired from office in accordance with the Articles, then their appointment shall terminate immediately without compensation.

A Non-Executive Director's appointment may be terminated with immediate effect if such director has: (i) materially breached a term of their appointment letter; (ii) committed a serious or repeated breach of his duties to the Company; (iii) been found guilty of fraud, dishonesty or certain criminal offences; (iv) acted in a way likely to bring the Company into disrepute or which is materially adverse to the Company; (v) been declared bankrupt; or (vi) been disqualified from acting as a director.

Each Non-Executive Director has agreed to a commit such time to the Company as is necessary for the proper performance of his duties, and has been made aware that this is likely to include a specified number of days per year, and will normally include attendance at six Board meetings per year, the annual general meeting, an annual day-long Board event, at least one site visit each year, and various other meetings with relevant groups and individuals. In addition, to promote their understanding of the Company, the Non-Executive Directors must make themselves available for not less than ten days of induction training during their first year on the Board. Each Non-Executive Director is also entitled to reimbursement of reasonable expenses. The Non-Executive Directors are not entitled to participate in the Company's share, bonus or pension schemes.

Pursuant to the UK Corporate Governance Code's recommendations, the Company has decided to take-out directors' and officers' liability insurance in respect of certain legal action against its Directors. Subject to the provisions of Companies Act, the Company will also indemnify the Directors against certain liabilities that may be incurred as a result of their office.

(b) *Specific terms*

In addition to the general terms set out above, each Non-Executive Directors' appointment is subject to the following specific terms:

| Name | Position(s) | Likely time commitment (Days/Year) | Annual fee (£) |
|---|---|---|---|
| Peter Hill | Non-Executive Chairman<br>Chairman of the Nomination Committee<br>Member of the Remuneration Committee | 25 | £135,000 |
| Anthony Reading | Senior Independent Non-Executive Director<br>Chairman of the Remuneration Committee<br>Member of the Audit and Nomination Committees | 10 | £45,000, plus £5,000 as Senior Independent Non-Executive Director and £10,000 as Chairman of the Remuneration Committee |
| Paul Hollingworth | Independent Non-Executive Director<br>Chairman of the Audit Committee<br>Member of the Remuneration and Nomination Committees | 10 | £45,000, plus £10,000 as Chairman of the Audit Committee |
| Adrian Barden | Independent Non-Executive Director<br>Member of the Audit and Nomination Committees | 10 | £45,000 |
| Gavin Chittick | Non-Executive Director | 10 | £nil |

The fees listed above will be reviewed, but not necessarily increased, on an annual basis.

Adrian Barden is appointed as a Non-Executive Director and provides his services through a limited company, Blue Burgee Limited.

**11.7** *Directors' remuneration*

Under the terms of their service agreements, letters of appointment and applicable incentive plans, the remuneration and benefits paid to the Directors who served during 2013, in respect of the year ended 31 July 2013, were as set out in the table below.

| Name | Position | Basic salary or fees (£) | Discretionary bonus (£) | Benefits in kind (£) | Pension contributions (£) | Total (£) |
|---|---|---|---|---|---|---|
| Ronnie George | CEO | 177,933.34 | 170,700.00 | 17,815.06 | 20,330.33 | 386,778.73 |
| Ian Dew(1) | CFO | 20,238.00 | — | — | — | 20,238.00 |
| Adrian Barden | Independent Non-Executive Director | 50,000.00 | — | — | — | 50,000.00 |
| Gavin Chittick | Non-Executive Director | — | — | — | — | — |

(1) Ian Dew was a consultant to the Group between December 2012 and February 2013. He became an employee in September 2013.

**11.8** *Senior Managers' remuneration*

Under the terms of their service agreements and applicable incentive plans, the aggregate remuneration and benefits to the Senior Managers (excluding the Executive Directors) who served during 2013, in respect of the year ended 31 July 2013, consisting of 6 individuals, was £701,000.

**12 Employee incentive schemes**

Following Admission, the Company intends to operate the following employee share plans: The Volution Group plc Long Term Incentive Plan (the "**LTIP**") and The Volution Group plc Deferred Share Bonus Plan (the "**DSBP**" and, together with the LTIP, the "**Executive Plans**"), both of which were adopted by the Board on 17 June 2014, subject to Admission.

The principal features of the Executive Plans are summarised below.

**12.1** ***LTIP***

The Remuneration Committee intends to make awards under the LTIP ("**LTIP Awards**") to Executive Directors and Senior Managers following Admission. LTIP Awards may also be made to other eligible employees when permitted under the LTIP rules.

LTIP Awards will not be granted to a participant in respect of any financial year of the Company over Ordinary Shares with a market value (as determined by the Remuneration Committee) in excess of 175% of salary. Initial LTIP Awards to Ronnie George and Ian Dew will be made in respect of Ordinary Shares with a value up to 100% of salary.

LTIP Awards will usually be subject to the satisfaction of one or more performance conditions over a performance period (normally at least three years) which will determine the proportion (if any) of the LTIP Award to vest. LTIP Awards granted to Executive Directors must be subject to a performance condition. At the discretion of the Remuneration Committee, an additional holding period after the end of the performance period may also apply to LITP Awards before they vest.

The initial LTIP Awards will be subject to performance conditions relating to the Company's share price and / or financial performance. The performance conditions will be set by the Remuneration Committee prior to the date of grant and disclosed in the relevant Directors' Remuneration Report.

Any performance condition may be amended or substituted if one or more events occur which cause the Remuneration Committee to consider that an amended or substituted performance condition would be more appropriate. Any amended or substituted performance condition would not be materially less difficult to satisfy.

LTIP Awards will normally vest as soon as practicable after the end of any performance period, or if applicable, holding period, and then only to the extent that any performance condition has been satisfied. Nil-Cost Options (as defined below) will then be exercisable until the tenth anniversary of the grant date.

If a participant ceases to be employed by the Group by reason of death, ill-health, injury, disability, the sale of the entity that employs him out of the Group or for any other reason at the Remuneration Committee's discretion (except where a participant is summarily dismissed), unvested LTIP Awards will usually continue until the normal vesting date, unless the Remuneration Committee determines that the LTIP Award will vest earlier. Where LTIP Awards vest in these circumstances, Nil-Cost Options will normally be exercisable for a period of up to twelve months after vesting. If a participant ceases to be an employee of the Group for one of these "good leaver" reasons whilst holding vested Nil-Cost Options, he will normally have six months from cessation of employment to exercise those Nil-Cost Options.

The Remuneration Committee will decide the extent to which an unvested LTIP Award vests in these circumstances, taking account of the extent to which any performance condition is satisfied at the end of the performance period or, as appropriate, at the date on which the participant ceases to be employed by the Group. Unless the Remuneration Committee in its discretion determines otherwise, the proportion of the performance period that has elapsed since the LTIP Award was granted until the date on which the participant ceases to be employed by the Group will also be taken into account.

If a participant ceases employment with the Company in any other circumstances an LTIP Award will lapse on the date on which the participant ceases employment.

### 12.2 *DSBP*

A proportion of bonus may, at the discretion of the Remuneration Committee, be deferred into an award over Ordinary Shares granted under the DSBP ("**DSBP Awards**"). When calculating this deferral, the Remuneration Committee will normally assume deferral on a gross basis (unless it considers in the circumstances that net deferral is more appropriate) and shall determine the appropriate market value of the Ordinary Shares to be made subject to DSBP Awards.

Initial DSBP Awards will be made to Executive Directors of 50% of any bonus above target earned in respect of the year ended 31 July 2015 under any of the Group's annual bonus arrangements.

The DSBP Awards will normally vest on the second anniversary of the grant date (or on such later dates as the Remuneration Committee determines). Nil-Cost Options will then be exercisable until the tenth anniversary of the grant date.

If a participant ceases employment for any reason, a DSBP Award will usually vest in full at the date of cessation, unless the Remuneration Committee determines otherwise, for example if the participant joins a competitor, or is summarily dismissed.

### 12.3 *Common terms of the Executive Plans*

Any employee (including an Executive Director) of a Group Company will be eligible to participate in the Executive Plans at the discretion of the Remuneration Committee.

Awards under the Executive Plans may be made in the form of:

- a conditional right to acquire Ordinary Shares at no cost to the participant (a "**Conditional Award**");
- an option to acquire Ordinary Shares at no cost to the participant (a "**Nil-Cost Option**"); or
- a right to acquire a cash amount which relates to the value of a certain number of notional Ordinary Shares ("**Cash Award**"),

and Conditional Awards, Nil-Cost Options and Cash Awards are together referred to as "**Awards**" and each an "**Award**", as appropriate.

Awards may only be granted within the six week period following Admission, the announcement of the Company's results for any period, or on any day on which the Remuneration Committee determines that exceptional circumstances exist, unless the grant of Awards is restricted, in which case Awards will be granted within six weeks of the day on which a restriction on the grant of Awards is lifted.

Awards are not transferable (other than on death).

No payment will be required for the grant of an Award. Awards will not form part of pensionable earnings.

The Remuneration Committee may decide at any time prior to the issue or transfer or payment (as the case may be) of an Award that participants will receive an amount (in cash and/or additional Ordinary Shares) equal in value to any dividends that would have been paid on those Ordinary Shares between the time when the relevant Awards were granted and the time when the Awards vest (or, in the case of a Nil-Cost Option, such later date that the Remuneration Committee may determine, not being later than the date on which the Ordinary Shares are issued or transferred following exercise). This amount may assume the reinvestment of dividends, will (unless the Remuneration Committee determines otherwise) exclude special dividends and any such amount will be payable at the same time as the Ordinary Shares are issued or transferred or any cash equivalent is paid.

Awards may be granted over newly issued Ordinary Shares, Ordinary Shares held in treasury or Ordinary Shares purchased in the market.

In certain circumstances where the Remuneration Committee considers such action reasonable and appropriate, the Remuneration Committee may decide: (i) at any time prior to the issue or transfer (as the case may be) of the Ordinary Shares underlying, or payment of, an Award, that a participant's Award will be subject to malus; and/or (ii) at any time prior to the third anniversary of such issue, transfer or payment (as the case may be), that a participant's Award will be subject to clawback. Such circumstances include (but are not limited to): (i) a material misstatement of the Company's financial results; (ii) a material failure of risk management by any member of the Group or a relevant business unit; (iii) material reputational damage to any member of the Group or relevant business unit; or (iv) the participant's summary dismissal.

The operation of malus may be satisfied in a number of ways, including by reducing the number of Ordinary Shares under an Award, cancelling an Award or imposing further conditions on an Award.

The operation of clawback may be satisfied in a number of ways, including by way of a reduction in the amount of any future bonus, the reduction of the number of Ordinary Shares comprised in any subsisting or future Awards and/or a requirement to make a cash payment.

The Executive Plans are subject to the following overall limits:

- in any ten year period, the number of Ordinary Shares which may be issued under the Executive Plans and under any other discretionary share plan adopted by the Company may not exceed 5% of the issued ordinary share capital of the Company from time to time; and
- in any ten year period, the number of Ordinary Shares which may be issued under the Executive Plans and under any other employees' share plan adopted by the Company may not exceed 10% of the issued ordinary share capital of the Company from time to time.

Ordinary Shares held in treasury will be treated as newly issued for the purpose of these limits until such time as guidelines published by institutional investor representative bodies determine otherwise.

Ordinary Shares issued or committed to be issued to satisfy any awards granted prior to Admission will not count towards these limits.

In the event of a change of control of the Company, Awards will vest as soon as practicable after such event.

LTIP Awards will vest to the extent that any performance condition has been satisfied at the date of change of control, and, unless the Remuneration Committee determines otherwise, taking into account the proportion of the performance period which has elapsed between the grant date and the relevant event. DSBP Awards will vest in full. Nil-Cost Options will then be exercisable for a period of one month.

Alternatively, the Remuneration Committee may permit or, in the case of an internal reorganisation or if the Board so determines, require Awards to be exchanged for equivalent awards which relate to shares in a different company.

If other corporate events occur, such as a demerger, delisting, special dividend or other event which, in the opinion of the Remuneration Committee may affect the current or future value of Ordinary Shares, the Remuneration Committee may determine that Awards will vest. LTIP Awards will vest subject to the satisfaction of any performance condition and, unless the Remuneration Committee determines otherwise, such vesting will be pro-rated to reflect the period of time from the grant date to the date of the relevant event. DSBP Awards will vest in full. Nil-Cost Options will then be exercisable for a period of one month.

In the event of a variation of the Company's share capital or a demerger, delisting, special dividend or other event, which may, in the Remuneration Committee's opinion, affect the current or future value of Ordinary Shares, the number of Ordinary Shares subject to an Award (and/or in respect of the LTIP Awards, any performance condition attached to the LTIP Awards) may be adjusted.

At any time before or after the point at which an Award has vested, or a Nil-Cost Option has been exercised, but the underlying Ordinary Shares have yet to be issued or transferred to the participant, the Remuneration Committee may decide to pay a participant a cash amount equal to the value of the Ordinary Shares he would otherwise have received.

The Remuneration Committee may amend the Executive Plans at any time, provided that prior approval of the Company's shareholders in a general meeting will be required for amendments to the advantage of participants relating to eligibility, limits, the basis for determining a participant's entitlement to, and the terms of, the Ordinary Shares or cash comprised in an Award and any adjustment made in respect of a variation of capital.

However, any minor amendment to benefit administration, to take into account legislative changes, or to obtain or maintain favourable tax treatment, exchange control or regulatory treatment may be made by the Remuneration Committee without shareholder approval.

The Remuneration Committee may also establish further plans based on the rules of the Executive Plans but modified to take account of overseas securities laws, exchange controls or tax legislation without further shareholder approval. Ordinary Shares made available under such further plans will be treated as counting against any limits on participation in the Executive Plans.

No amendment may be made to the material disadvantage of participants in the Executive Plans unless consent is sought from the affected participants and given by a majority of them except in respect of any LTIP performance condition.

The Executive Plans will usually terminate on the tenth anniversary of their adoption but the rights of existing participants will not be affected by any termination.

Participation in the Executive Plans does not form part of the terms of a participant's contract of employment and participants have no rights in respect of Executive Plan benefits.

The Executive Plans will be governed in accordance with the laws of England and Wales and the parties submit to the exclusive jurisdiction of the Courts of England and Wales.

**12.4** ***Employee benefit trust***

As part of the Reorganisation, the Existing EBT will be amended to be suitable for the purposes of satisfying awards under the Executive Plans and any other share incentive plans established following Admission (as amended, the "**New EBT**"). Immediately following Admission, the New EBT will not hold any Ordinary Shares.

The New EBT may acquire Ordinary Shares either by market purchase or by subscription and the trustee shall be entitled to hold or distribute Shares in respect of Awards granted under the Plans. It is intended that the New EBT will be funded by way of loans and other contributions from the Company and may not, at any time without prior shareholder approval, hold more than 5% of the issued ordinary share capital of the Company (or such other greater percentage as may be prescribed under guidelines published by institutional investor representative bodies from time to time). Any Ordinary Shares issued to an employee benefit trust following Admission will count for the purposes of the limits set out in paragraph 12.3 above.

## 13 Pensions

**13.1** *Defined Contribution Pension Schemes*

In the UK, the Group operates five active defined contribution pension schemes and the main pension scheme is the Volutions Limited CIMP scheme. Key details of the five active schemes are provided below.

| Scheme Name | Provider | Employee Contributions | Employer Contributions | Approximate Number of Active Members |
|---|---|---|---|---|
| Volutions Limited CIMP | Standard Life | 3.50% (3% for former members of the Torin Pension Scheme) | 5.5%—Under 50<br>8.5% 50 and over<br>*Former members of the Torin Pension Scheme:*<br>• 4.40%—Under 35<br>• 6.40%—35 - 50<br>• 9.40%—Over 50 | 235 |
| Volutions Holdings Ltd Retirement and Death Benefit Scheme | Scottish Equitable | 3.50% | 12 - 15% | 1 |
| Vent-Axia Money Purchase Retirement Benefit Scheme | Scottish Life | 0 - 2% | 4 - 6%—Under 45<br>11 - 13%—45 and over | 17 |
| Manrose Stakeholder Scheme | Legal and General | Variable | Fixed | 6 |
| Manrose Standard Life Scheme | Standard Life | 2 - 4% | 5 - 8% | 6 |

There are also three closed defined contribution pension schemes one of which, the Torin Pension Scheme, is in the process of being wound up.

**13.2** *Auto-enrolment*

The Group offers membership of a defined contribution pension scheme with Standard Life. From October 2012, employers in the UK are required to enrol all employees in a defined contribution pension scheme and to pay pension contributions on behalf of their eligible employees (which includes all employees aged between 22 and state pension age who earn over £9,440 in the tax year 2013/14). Implementation of this new arrangement is being phased in over time, on the basis of the size of the employer's workforce. By 2018 contributions of 8% of salary will need to be made to a defined contribution pension scheme for eligible employees (with employers paying a minimum of 3%). Employees are able to opt out of this arrangement. The staging date for Vent-Axia Limited, Volution Holdings Limited and Torin-Sifan Limited was 1 November 2013, which we postponed to 1 February 2014. Therefore, in February 2014 we auto-enrolled all eligible employees of such companies in our defined contribution scheme with Standard Life. Manrose Manufacturing Limited has a staging date of 1 April 2014, which we have postponed to 1 July 2014, when we plan to auto-enroll all of its eligible employees.

**14 Significant change**

Except for the acquisition of inVENTer in April 2014 for total consideration of €22.9 million (£18.9 million), there has been no significant change in the Company's and/or the Group's financial or trading position since 28 February 2014, being the date to which the consolidated historical financial information in Part XI (*Historical financial information*) was prepared.

**15 Litigation and disputes**

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have, or have had during the 12 months preceding the date of this Prospectus, a significant effect on the Company's and/or Group's financial position or profitability.

**16 Material contracts**

Set out below is a summary of: (i) each material contract (other than a contract in the ordinary course of business) to which the Company is a party which has been entered into within the two years immediately preceding the date of this Prospectus; and (ii) any other contract (other than a contract in the ordinary course of business) entered into by any member of the Group which contains a provision under which any member of the Group has any obligation or entitlement which is material to the Company and/or the Group as at the date of this Prospectus.

**16.1** *Underwriting Agreement*

(a) *Underwriting and allocation of the Offer Shares*

The Company, the Directors, the Senior Managers who will on Admission be Shareholders, the TowerBrook Shareholder, the other Selling Shareholders and the Underwriters have entered into the Underwriting Agreement dated 18 June 2014 pursuant to which, on the terms and subject to the conditions contained therein (which are customary in agreements of this nature):

(i) the Company has agreed, subject to certain conditions, to allot and issue, at the Offer Price, the New Ordinary Shares to be issued in connection with the Offer;

(ii) the Selling Shareholders have agreed, subject to certain conditions, to sell the Existing Ordinary Shares in the Offer at the Offer Price; and

(iii) the Underwriters have severally agreed, subject to certain conditions, to procure subscribers or, failing which, to subscribe for themselves the New Ordinary Shares and to procure purchasers for or, failing which, to purchase themselves Existing Ordinary Shares (in each case, in such proportions as are set out in the Underwriting Agreement) pursuant to the Offer.

Allocations of the Offer Shares among prospective investors will be determined by Company and the TowerBrook Shareholder in consultation with the Underwriters. All Offer Shares to be issued or sold under the Offer will be issued or sold at the Offer Price.

(b) *Conditions*

The Offer is conditional upon, among other things, Admission occurring not later than 8.00 a.m. on 23 June 2014 (or such later date and time as Canaccord Genuity on behalf of the Underwriters may agree with the Company) and the Underwriting Agreement becoming unconditional in all respects and not having been terminated in accordance with its terms. The underwriting commitment of the Underwriters will cease to be conditional at the point of Admission. If the conditions to the Underwriting Agreement have not been satisfied, or if the Underwriters otherwise ceases to underwrite the Offer in accordance with the terms of the Underwriting Agreement, Admission will not occur.

(c) *Termination*

The Underwriting Agreement can be terminated at any time prior to Admission in certain customary circumstances set out in the Underwriting Agreement. If these termination rights are exercised by Canaccord Genuity on behalf of the Underwriters, the Offer will lapse and any monies received in respect of the Offer will be returned to applicants without interest.

(d) *Commissions, expenses and taxes*

The Underwriting Agreement provides for the Underwriters to be paid a commission by the Company in respect of the New Ordinary Shares underwritten, the Selling Shareholders in respect of the Existing Ordinary Shares sold by them pursuant to the Offer. The aggregate commission will be equal to 2% of the Offer Price, multiplied by the aggregate number of such shares. The Company and the TowerBrook Shareholder may also, at their absolute discretion, pay an additional commission equal to up to 1% of the Offer Price multiplied by the aggregate number of such shares, the amount of which will be determined within 30 days of Admission. Any commissions received by the Underwriters may be retained and any Ordinary Shares acquired by them as Underwriters may be retained or dealt in, by them, for their own benefit.

The Company has agreed to pay or cause to be paid (together with any applicable irrecoverable amounts in respect of VAT) certain costs, charges, fees and expenses of or arising in connection with or incidental to, the Offer. The Selling Shareholders have agreed to pay or cause to be paid (subject to certain limitations) any stamp duty and/or SDRT accruing on sales of their Existing Ordinary Shares pursuant to the Offer.

(e) *Representations, warranties, undertakings and indemnities*

The Company, the Directors, the Senior Managers who will on Admission be Shareholders and the Selling Shareholders have each given customary representations, warranties and undertakings to the Underwriters, and the Company and the Selling Shareholders have given certain indemnities to the Underwriters. The liability of the Company is unlimited as to amount and time. The liabilities of the Directors, the Senior Managers who will on Admission be Shareholders and the Selling Shareholders are limited as to amount and time.

(f) *Lock-up arrangements*

Each of the TowerBrook Shareholder, the Executive Directors, the Senior Managers who will on Admission be Shareholders and Iain Jamieson (a Selling Shareholder and former employee of the Group) have agreed to certain lock-up arrangements in respect of the Ordinary Shares they hold immediately following Admission.

The TowerBrook Shareholder has agreed that, subject to certain exceptions, during the period of 180 days from the date of Admission, they will not, without the prior written consent of the Underwriters, sell or contract to sell, grant any option over or otherwise dispose of any such Ordinary Shares (or any interest therein), or enter into any transaction with the same economic effect as any of the foregoing.

The Executive Directors and the Senior Managers who will on Admission be Shareholders have agreed that, subject to certain exceptions, during the period of 365 days from the date of Admission, they will not, without the prior written consent of the Underwriters, sell or contract to sell, grant any option over or otherwise dispose of any such Ordinary Shares (or any interest therein) or enter into any transaction with the same economic effect as any of the foregoing.

Iain Jamieson, a Selling Shareholder and former employee of the Group, has agreed that, subject to certain exceptions, during the period of 180 days from the date of Admission, he will not, without the prior written consult of the Underwriters, sell or contract to sell, grant any option over or otherwise dispose of and such Ordinary Shares (or any interest therein) or enter into any transactions with the same economic effect as any of the foregoing.

The other Selling Shareholders will not hold any Ordinary Shares immediately following Admission.

The Company has agreed that, subject to certain exceptions, during the period of 180 days from the date of Admission, it will not, without the prior written consent of the Underwriters, issue or contract to issue, or grant any option or other subscription right over, any new Ordinary Shares.

**16.2** *Relationship Agreement*

On 18 June 2014, the Company and the TowerBrook Shareholder entered into the Relationship Agreement, which will take effect from Admission.

The Relationship Agreement regulates the continuing relationship between the TowerBrook Shareholder and the Company following Admission. In particular, the TowerBrook Shareholder shall, and shall procure that its associates shall, and shall use reasonable endeavours to procure that any TowerBrook Director shall:

(a) ensure that the Company is able to demonstrate at all times that it is carrying on a business independent of the TowerBrook Shareholder, and not take any action which precludes or inhibits any member of the Group from carrying on its business independently of the TowerBrook Shareholder and its associates;

(b) conduct all transactions and arrangements between the TowerBrook Shareholder or any of its affiliates and the Group at arm's length and on normal commercial terms;

(c) take no action which would have the effect of preventing the Company from complying with its obligations under the Listing Rules, and not propose or procure the proposal of a shareholder resolution which is intended or appears to be intended to circumvent the proper application of the Listing Rules;

(d) not exercise its voting rights to procure any amendment to the Articles which would be inconsistent with or breach the provisions of the Relationship Agreement, in particular the principle of independence; and

(e) so far as it is able exercise or procure the exercise of its voting rights in such a way that the provisions of the UK Corporate Governance Code are upheld, save as agreed otherwise by the Independent Non-Executive Directors.

The Relationship Agreement grants the TowerBrook Shareholder the right:

(a) to nominate one person as a Director;

(b) subject to compliance by the Company with its legal and regulatory obligations, to receive such financial or other information as is necessary or reasonably required for its accounting or financial control requirements or in order to comply with its legal or tax obligations; and

(c) to the Company's assistance in relation to any proposed disposal of its Ordinary Shares (such assistance to be provided at the TowerBrook Shareholder's expense).

The Company has agreed to use all reasonable endeavours to procure that the Board specifically authorises, in accordance with the Articles, any interest of a TowerBrook Director that conflicts, or may possibly conflict, with the interests of the Company and that arises solely in consequence of the TowerBrook Director being a director, officer, adviser or employee of the TowerBrook Shareholder or any of its associates. If a matter gives rise to a conflict of interest between any member of the Group and the TowerBrook Shareholder or any of its associates, the TowerBrook Director may not vote in relation to that matter. The TowerBrook Director may, and shall if required by all of the Independent Non-Executive Directors present at the meeting, remove himself from any board or committee meeting during which any conflict of interest is discussed. The TowerBrook Director may elect not to receive, and shall not receive if so required by all of the Independent Non-Executive Directors, any related board papers.

The Company has agreed:

(a) not to undertake any transaction in Ordinary Shares which may reasonably be expected to give rise to any obligation for the TowerBrook Shareholder (and/or its concert parties) to make a general offer in accordance with Rule 9 of the Takeover Code unless the Company has first obtained the a waiver of Rule 9 in accordance with Appendix 1 to the Takeover Code, or otherwise obtained the necessary waivers or consents from the Takeover Panel, to prevent such obligation from applying;

(b) for so long as the TowerBrook Shareholder (and/or its concert parties) holds in aggregate an interest in 30% or more of the aggregate voting rights in the Company and subject (where necessary) to the prior consent of the Takeover Panel, to procure that at the first annual general meeting of the Company and thereafter annually, to propose to its independent shareholders a resolution to waive, in accordance with Appendix 1 to the Takeover Code, all obligations of the TowerBrook Shareholder (and/or its concert parties) to make a general offer for Ordinary Shares in accordance with Rule 9 of the Takeover Code that may otherwise arise as a result of the Company purchasing or effecting any other transaction in relation to Ordinary Shares or related securities.

The Relationship Agreement will terminate on the earlier of:

(a) the Ordinary Shares ceasing to be admitted to the Official List and/or to trading on the main market for listed securities of the London Stock Exchange; or

(b) the TowerBrook Shareholder and its associates ceasing to be interested in 15% or more of the aggregate voting rights in the Company.

The Directors believe that the terms of the Relationship Agreement, together with the provisions of the Listing Rules relating to "related party transactions" and the provisions of the Companies Act and the Articles relating to conflicts of interest, will enable the Company to carry on its business independently from the TowerBrook Shareholder and its affiliates, and ensure that all transactions and relationships between the Company and the TowerBrook Shareholder and its affiliates are, and will be, at arm's length and on a normal commercial basis. The Company must attest to its compliance with the independence provisions of the Relationship Agreement in each future annual report (or explain any non-compliance) and must notify the FCA of any breach by the Company of the requirements.

**16.3** *New Debt Facilities*

Pursuant to an amendment and restatement deed dated 28 May 2014, and in preparation for the Offer, the Existing Debt Facilities were amended and restated into the New Debt Facilities. Such amendment and restatement will become effective automatically on Admission once we have repaid £61.9 million of the Existing Debt Facilities out of the net proceeds of the Offer.

The New Debt Facilities comprise a £55.2 million term loan maturing in January 2019, a £20.0 million acquisition facility maturing in December 2019, and a £13.0 million revolving credit facility available until January 2018. These facilities can be drawn in GBP, EUR and SEK, and such tranches are priced at LIBOR + 3.0%, EURIBOR + 3.0% and STIBOR + 3.75% respectively.

Under the New Debt Facilities we need to maintain: (i) an Adjusted Leverage Ratio equal to or below 3.0x with effect from 31 July 2014 and reducing to 2.5x from 31 July 2018; and (ii) an Interest Cover Ratio equal to or above 4.0x, in both cases tested quarterly. Following the receipt and application of the net proceeds of the Offer and Admission, it is anticipated that: (a) the Group will in the medium term target an Adjusted Leverage Ratio of approximately 1.5x; and (b) initially the Interest Cover Ratio will exceed 10.0x.

The terms above are defined in the New Debt Facilities. See paragraph 9.5 of Part X (*Operating and financial review*) for the definitions of the terms and the summary of the other terms of the New Debt Facilities.

**16.4** *Acquisitions*

(a) *Acquisition of Fresh*

Pursuant to the Sale and Purchase Agreement, dated 3 October 2012, between Gransholms Bruks Fastigheter ACT (the "**Fresh Seller**") and Volution Holdings Sweden AB (the "**Fresh Buyer**") (the "**Fresh SPA**"), the Fresh Buyer acquired the entire issued share capital of Fresh AB for an initial purchase price of SEK 77,967,000 (£7,252,000) on 3 October 2012 (the "**Fresh Completion Date**"); 10% of this amount was transferred to an escrow account to cover potential claims by the Fresh Buyer against the Fresh Seller. However, as no such claims were made prior to the first anniversary of the Fresh Completion Date, the entirety of such escrow amount has been released to the Fresh Seller. The Fresh Buyer also paid earn-out consideration totalling SEK 2,111,607 (£207,000) on 20 December 2013, such that the total purchase price paid for Fresh was SEK 80,492,057 (£7,459,000).

The Fresh Seller gave customary warranties to the Fresh Buyer, subject to customary limitations on liability. The Fresh Seller's liability under certain key warranties (including those relating to Fresh's existence and non-insolvency, the Fresh Seller's capacity to enter into the Fresh SPA and unencumbered title to the shares in Fresh, and environmental, tax and related party transaction matters) is, together with all other liability of the Fresh Seller under the Fresh SPA, limited to the total purchase price. The Fresh Seller's liability under the remaining warranties is limited to 25% of the total purchase price per claim. The Fresh Seller also gave certain indemnities relating to specified tax and litigation matters, and any leakage received by the Fresh Seller or its affiliates from a specified date, to the Fresh Buyer, which are subject only to limitations on the maximum potential liability of the Fresh Seller (SEK 6,000,000 in the case of the tax indemnities, and the total purchase price in respect of the other indemnities). However, none of the limitations on liability under the Fresh SPA apply in the case of fraud, wilful misrepresentation or gross negligence.

The Fresh Seller also undertook to the Fresh Buyer not to compete with Fresh's business, or to solicit any of Fresh's employees, for a period of three years following the Fresh Completion Date.

Each of Patrik Dahlberg and Peter Iburg, being the ultimate owners of the Fresh Seller, has guaranteed the Fresh Seller's payment obligations under the Fresh SPA and has also undertaken, in his personal capacity, to be bound by the non-competition and non-solicitation covenants described above.

(b) *Acquisition of PAX*

Pursuant to the Sale Purchase Agreement ("**PAX SPA**"), dated 11 July 2013, between Nordic Heat & Vent AB (the "**PAX Seller**") and Volution Holdings Sweden AB (the "**PAX Buyer**"), the PAX Buyer acquired all issued shares in PAX AB ("**PAX Sweden**") and PAX Norge AS ("**PAX Norway**", and together with PAX Sweden, "**PAX**") for a purchase price of SEK 115,536,000 (£11,384,000) on 22 August 2013 and an additional purchase amount of SEK 828,000 (£78,000) on 14 January 2014 (the "**PAX Completion Date**").

The PAX Seller gave customary warranties to the PAX Buyer, subject to customary limitations on liability. The PAX Seller's liability under certain key warranties (including those relating to PAX's existence and non-insolvency, the PAX Seller's capacity to enter into the PAX SPA and unencumbered title to the shares in PAX) is, together with all other liability of the PAX Seller under the PAX SPA, limited to the total purchase price. The PAX Seller's aggregate liability under the remaining warranties, subject to minimum threshold of SEK 100,000 for loss relating to each breach and aggregate minimum threshold for such losses of SEK 3000,000, is SEK 20,000,000. The PAX Seller also gave certain indemnities relating to specified tax, warranty claims and employee payment matters, and any leakage received by the PAX Seller or its affiliates from a specified date, to the PAX Buyer, for which liability, in some instances, is subject to individual minimum threshold and aggregate minimum threshold of SEK 100,000 and SEK 750,000 respectively. The PAX Seller's aggregate liability in relation to these specified indemnities is, in some instances, limited to SEK 5,000,000 and in respect of the other indemnities, together with all other liability of the PAX Seller under the PAX SPA, is limited to SEK 20,000,000. However, none of the limitations on liability under the PAX SPA apply in the case of fraud, wilful misrepresentation or gross negligence.

The PAX Seller also undertook to the PAX Buyer not to solicit any of PAX's employees, for a period of 12 months following the PAX Completion Date.

Litorina Kapital 2001 Kommanditbolag, being the ultimate owner of the PAX Seller, has provided a secondary guarantee that the PAX Seller will have sufficient funds to meet the PAX Seller's payment obligations for any claims under the PAX SPA and has also undertaken, in its personal capacity, to be bound by the non-solicitation covenant described above.

(c) *Acquisition of inVENTer business*

Pursuant to the Asset Sale and Purchase Agreement, dated 13 March 2014, between Öko-Haustechnik Inventer GmbH (the "**inVENTer Seller**"), Volution Ventilation Deutschland GmbH (the "**inVENTer Buyer**"), Volution Holdings Limited and Peter Moser (the "**inVENTer SPA**"), on 17 April 2014 the inVENTer Buyer acquired, subject to certain exceptions, all of the assets, contracts and rights owned or used by the inVENTer Seller in the inVENTer business. The inVENTer Buyer also agreed to assume certain specified liabilities and contractual obligations of the inVENTer Seller, and the employees of the inVENTer business transferred to the inVENTer Buyer by operation of law.

The maximum purchase price payable under the inVENTer SPA was €19,140,000 (£15,775,000). On completion of the acquisition of inVENTer, the inVENTer Buyer paid €17,140,000 (£14,126,000), of which €1,000,000 was paid into an escrow account to cover potential claims by the inVENTer Buyer against the inVENTer Seller under the inVENTer SPA. Following achievement by the inVENTer Seller of a target linked to the financial performance of inVENTer during its 2013 financial year, the remaining €2,000,000 (£1,649,000) of the purchase price will be paid by the inVENTer Buyer on 17 July 2014 (€1,000,000 directly to the inVENTer Seller, and €1,000,000 as an addition to the escrow account). The Group will finance this payment out of existing cash on its balance sheet. In accordance with the inVENTer SPA, the following post-completion payments will be made in June 2014:

- the inVENTer Seller will pay €35,000 to the inVENTer Buyer (such amount representing the amount of prepayments received by the inVENTer Seller from customers as at completion); and
- the inVENTer Buyer will pay €653,000 to the inVENTer Seller (such amount representing the excess in inventories and trade receivables transferred to the inVENTer Buyer on completion when compared to a specified target).

The escrow account will be kept in place until at least 17 October 2016 (whereupon the balance of the escrow account will be released to the inVENTer Seller if no claims have been brought), or until any claims brought by the inVENTer Buyer under the inVENTer SPA have been finally determined.

The inVENTer Seller gave customary warranties to the inVENTer Buyer, subject to customary limitations on liability. The inVENTer Seller will only be liable under such warranties if the value of an individual claim exceeds €50,000 and all claims above such amount together exceed €250,000 (in which case the inVENTer Seller will be liable for the whole amount and not only the excess over €250,000). The liability of the inVENTer Seller under the warranties is generally capped at 17% of the purchase price, and under the inVENTer SPA is generally capped at the purchase price. Save for claims relating to the inVENTer Seller's warranties regarding capacity to enter into the transaction and solvency (which must be brought by 13 March 2019), the inVENTer Buyer must generally bring any warranty claims by 17 October 2016. In addition to such warranties, the inVENTer Seller has also agreed to indemnify the inVENTer Buyer in respect of certain potential breaches of law by the inVENTer Seller, and certain tax liabilities.

The inVENTer Seller and Mr Moser (the shareholder of the inVENTer Seller, and now a consultant to the Group) also undertook to the inVENTer Buyer not to compete with inVENTer, or to solicit any of inVENTer's employees, until 13 March 2017.

Volution Holdings Limited is jointly and severally liable for all obligations of the inVENTer Buyer under the inVENTer SPA, and Mr Moser is personally liable for all liabilities of the inVENTer Seller under the inVENTer SPA.

*Real estate*

Pursuant to the Real Estate Purchase Agreement, dated 13 March 2014, between Peter Moser, Edda Moser, Volution Deutschland Real Estate GmbH (the "**Real Estate Buyer**") and Volution Holdings Limited, on 17 April 2014 the Real Estate Buyer acquired the Group's property in Löberschütz for €3,760,000 (£3,099,000).

*Intellectual property*

Pursuant to the IP Rights Sale and Transfer Agreement, dated 16 April 2014, between Peter Moser and the inVENTer Buyer, the inVENTer Buyer acquired certain IP rights relating to the inVENTer business for €10,000 (£8,241).

**16.5** *Reorganisation agreement*

On 18 June 2014, the Company, Windmill Topco, Windmill Midco, Windmill Cleanco, Windmill Bidco and the legal and beneficial holders of shares in Windmill Topco (including, without limitation, the TowerBrook Shareholder, Ronnie George, Ian Dew, the other Senior Managers who hold or are interested in shares in

Windmill Topco as at the date of this Prospectus and the Existing EBT) entered into a reorganisation agreement. Pursuant to this agreement (and the other agreements and documents referred to in it), those parts of the Reorganisation which are to take effect prior to Admission (as described in paragraph 5 (*Reorganisation*) of this Part XIV (*Additional information*) will be consummated prior to Admission.

**17 Related party transactions**

Between 1 August 2010 and the date of this Prospectus, no member of the Group entered into any related party transactions other than:

(a) as disclosed in Note 29 to the consolidated historical financial information set out in Part XI (*Historical financial information*); and

(b) the Relationship Agreement described in paragraph 16.2 above.

**18 Working capital statement**

The Company is of the opinion that, taking into account the net proceeds of the Offer receivable by the Company and the facilities available to the Group, the Group has sufficient working capital for its present requirements, that is, for at least the next twelve months from the date of this Prospectus.

**19 Property and environment**

The Group's business operates:

(a) in the UK, from freehold properties situated in Crawley and Dudley and leasehold properties situated in Slough, Reading and Swindon;

(b) in Sweden, from freehold property situated in Hälleforsnäs and leasehold properties situated in Gemla and Jagarevagen;

(c) in Norway, from a leasehold property situated in Oslo; and

(d) in Germany, from a freehold property situated in Löberschütz.

None of these properties is individually material to the operations of the Group.

The Directors do not believe that there are any material environmental issues which may affect the Group's utilisation of its properties, or that the Group have any material environmental liabilities or compliance costs.

**20 Consents**

EY has given and has not withdrawn its written consent to the inclusion in this Prospectus of its accountant's report as included in Part XI (*Historical financial information*) and its report concerning the unaudited pro forma financial information included in Part XII (*Unaudited pro forma financial information*) in the form and context in which they appear and has authorised the contents of its reports for the purposes of PR 5.5.3R(2)(f) of the Prospectus Rules.

The Sponsor has given and has not withdrawn its consent to the inclusion in this Prospectus of its name in the form and context in which it appears.

**21 Expenses of the Offer and Admission**

The total costs and expenses of, and incidental to, the Offer and Admission (including the listing fees, printer's fees, advisers' fees, professional fees and expenses, the costs of printing and distribution of documents and stamp duty but excluding VAT) to be borne by the Company are estimated to be approximately £8,190,000 (assuming full payment of all discretionary fees and commissions). Included within the total are commissions which are expected to be up to approximately £2,160,000 payable to the Underwriters (assuming full payment of all discretionary commissions).

**22 Documents available for inspection**

Copies of the following documents may be inspected at the registered office of the Company (Vent-Axia, Fleming Way, Crawley, West Sussex RH10 9YX) and the offices of Weil, Gotshal & Manges, 110 Fetter Lane, London EC4A 1AY during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) for the duration of the Offer:

(a) the Articles;

(b) the memorandum of association of the Company;

(c) the reports of EY set out in Parts XI (*Historical financial information*) and XII (*Unaudited pro forma financial information*);

(d) the consent letters referred to in paragraph 20 above; and

(e) a copy of this Prospectus.

For the purposes of PR 3.2.4 of the Prospectus Rules, this Prospectus will be published in printed form and available free of charge, during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) for the duration of the Offer at the registered office of the Company (Vent-Axia, Fleming Way, Crawley, West Sussex RH10 9YX) and the offices of Weil, Gotshal & Manges, 110 Fetter Lane, London EC4A 1AY. In addition, the Prospectus will be published in electronic form and available on the Website, subject to access restrictions.

## PART XV

## DEFINITIONS

The following definitions apply throughout this Prospectus unless the context requires otherwise:

| | |
|---|---|
| "**2010 PD Amending Directive**" | Directive 2010/73/EU; |
| "**Adjusted EBITA**" | is defined in paragraph 6 of Part X (*Operating and financial review*); |
| "**Adjusted EBITDA**" | is defined in paragraph 6 of Part X (*Operating and financial review*); |
| "**Adjusted EBITDA Margin**" | is defined in paragraph 6 of Part X (*Operating and financial review*); |
| "**Admission**" | admission of the Ordinary Shares to the premium listing segment of the Official List and to trading on the main market for listed securities of the London Stock Exchange becoming effective in accordance with LR 3.2.7G of the Listing Rules and paragraph 2.1 of the Admission and Disclosure Standards published by the London Stock Exchange; |
| "**Anda**" | the Group's private label business in the UK and part of its Vent-Axia brand; |
| "**Articles**" | the articles of association of the Company immediately following Admission; |
| "**Audit Committee**" | the audit committee of the Board; |
| "**BEAMA**" | British Electrotechnical and Allied Manufacturers Association; |
| "**BRG**" | BRG Building Solutions; |
| "**Building Regulations**" | the Building Regulations 2010 (SI 2010/2214), as amended; |
| "**Canaccord Genuity**" | Canaccord Genuity Limited, whose registered office is at 88 Wood Street, London EC2V 7QR; |
| "**CEO**" | chief executive officer; |
| "**CFO**" | chief financial officer; |
| "**Chairman**" | Peter Hill, the Chairman of the Board as at Admission; |
| "**City Code**" | the City Code on Takeovers and Mergers, as amended; |
| "**CTM**" | European Community trade mark; |
| "**Code**" | the U.S. Internal Revenue Code of 1986, as amended; |
| "**Companies Act**" | the Companies Act 2006, as amended; |
| "**Company**" | Volution Group plc, a public limited company incorporated under the laws of England and Wales with registered number 9041571, having its registered office at Vent-Axia, Fleming Way, Crawley, West Sussex, RH10 9YX; |
| "**core geographical markets**" | UK, Sweden and Germany; |
| "**core product markets**" | UK residential ventilation, Swedish residential ventilation, German residential decentralised ventilation with heat recovery, and motors, fans and blowers for the HVAC industry; |
| "**CPA**" | Construction Products Association; |
| "**CPA Spring 2014 Report**" | the CPA's Construction Industry Forecasts published in Spring 2014; |

| | |
|---|---|
| "**CREST**" | the electronic transfer and settlement system for the paperless settlement of trades in listed securities operated by Euroclear UK & Ireland Limited; |
| "**CREST Regulations**" | the Uncertificated Securities Regulations 2001 (SI 2001/3755), as amended; |
| "**Directors**" or "**Board**" | the directors of the Company from time to time; |
| "**Disclosure and Transparency Rules**" | the disclosure and transparency rules made by the FCA under Part VI of FSMA, as amended; |
| "**Draka**" | Draka Holdings N.V.; |
| "**Draka UK**" | Draka UK Limited; |
| "**DSBP**" | The Volution Group plc Deferred Share Bonus Plan; |
| "**EBM Papst**" | EBM Papst UK Limited; |
| "**Ecodesign**" | Directive 2009/125/EC of the European Parliament and of the Council of 21 October 2009 on Ecodesign; |
| "**Element**" | has the meaning given in Part I (*Summary*); |
| "**Elta Fans**" | Elta Fans Limited; |
| "**Energy Related Product Directive**" or "**ErP**" | Part of the Directive 2009/125/EC of the European Parliament and of the Council of 21 October 2009 on Ecodesign; |
| "**Envirovent**" | Envirovent Limited; |
| "**EPBD**" | Directive 2010/31/EU of the European Parliament and of the Council of 19 May 2010 on the energy performance of buildings (recast); |
| "**EUR**", "**€**", and "**euro**" | the single currency of the participating Member States in the Eurozone; |
| "**European Economic Area**" or "**EEA**" | the European Union, Iceland, Norway and Liechtenstein; |
| "**European Union**" or "**EU**" | an economic and political union of 27 Member States which are located in Europe; |
| "**Eurozone**" | the Member States of the European Union that have adopted the euro as their common currency and sole legal tender; |
| "**Exchange Act**" | the U.S. Securities Exchange Act of 1934, as amended; |
| "**Executive Directors**" | Ronnie George and Ian Dew, each a Director as at the date of this Prospectus; |
| "**Executive Plans**" | the LTIP and the DSBP; |
| "**Existing Debt Facilities**" | the facilities available to the Group under the facilities agreement dated 14 January 2012 (as amended by amendment letters dated 3 February 2012 and 5 March 2012 and as amended and restated by amendment and restatement agreements dated 25 March 2013, 28 October 2013 and 12 December 2013) between, among others, Windmill Cleanco Limited (as parent), GE Corporate Finance Bank SAS, The Governor and Company of the Bank of Ireland and The Royal Bank of Scotland plc (as mandated lead arrangers) and GE Corporate Finance Bank SAS, London Branch (as agent and security agent); |
| "**Existing EBT**" | Appleby Trust (Jersey) Limited as trustee of the Volution Equity Plan Employee Trust, established pursuant to a trust deed dated 13 January 2012 between Windmill Topco Limited and Appleby Trust (Jersey) Limited; |

| | |
|---|---|
| "**Existing Ordinary Shares**" | the Ordinary Shares in issue immediately prior to Admission; |
| "**EY**" | Ernst & Young LLP, whose registered office is at 1 More London Place, London SE1 2AF; |
| "**FCA**" | the Financial Conduct Authority; |
| "**Fläkt Woods**" | Fläkt Woods (UK) Limited; |
| "**Flexit**" | Flexit AS; |
| "**Fresh**" | Fresh AB, a subsidiary undertaking of the Company, and its subsidiary undertakings; |
| "**FSMA**" | the Financial Services and Markets Act 2000, as amended; |
| "**GBP**", "**£**" and "**pounds sterling**" | the lawful currency of the United Kingdom; |
| "**Greenwood**" | Greenwood Air Management; |
| "**Group**" | the Company and its subsidiary undertakings (save as specified otherwise, shall be interpreted as though the Reorganisation had already taken place as at the date of this Prospectus); |
| "**HMRC**" | HM Revenue and Customs; |
| "**IFRS**" | International Financial Reporting Standards as adopted by the European Union; |
| "**Independent Non-Executive Directors**" | the Non-Executive Directors, excluding the TowerBrook Director and the Chairman; |
| "**inVENTer**" | the business formerly owned and carried on by Öko-Haustechnik Inventer GmbH, which was acquired by Volution Management Holding GmbH pursuant to an asset sale and purchase agreement dated 13 March 2014, and which additionally comprises certain assets transferred to the Group from Peter Moser and Edda Moser pursuant to a real estate purchase agreement dated 13 March 2014 and an IP rights sale and transfer agreement dated 16 April 2014; |
| "**IRS**" | the U.S. Internal Revenue Service; |
| "**ISIN**" | International Securities Identification Number; |
| "**Joint Bookrunners**" | Canaccord Genuity and Liberum; |
| "**Liberum**" | Liberum Capital Limited, whose registered office is at Ropemaker Place Level 12, 25 Ropemaker Street, London EC2Y 9LY; |
| "**Listing Rules**" | the listing rules made by the UK Listing Authority under Part VI of FSMA, as amended; |
| "**London Stock Exchange**" | London Stock Exchange plc; |
| "**LTIP**" | The Volution Group plc Long-Term Incentive Plan; |
| "**LTM**" | LTM GmbH; |
| "**Lunos**" | LUNOS Lüftungstechnik GmbH; |
| "**Manrose**" | Manrose Manufacturing Limited; |
| "**Meltem**" | Meltem Wärmerückgewinnung GmbH & Co. KG; |
| "**Member State**" | a member state of the European Economic Area; |
| "**Model Code**" | the model code published in Annex I to LR 9 of the Listing Rules; |
| "**Myson**" | Myson AB; |

| | |
|---|---|
| "**New Debt Facilities**" | the facilities available to the Group under the facilities agreement dated 14 January 2012 (as amended by amendment letters dated 3 February 2012 and 5 March 2012 and as amended and restated by amendment and restatement agreements dated 25 March 2013, 28 October 2013, 12 December 2013 and 28 May 2014) between, among others, Windmill Cleanco Limited (as parent), GE Corporate Finance Bank SAS, The Governor and Company of the Bank of Ireland and The Royal Bank of Scotland plc (as mandated lead arrangers) and GE Corporate Finance Bank SAS, London Branch (as agent and security agent); |
| "**New Ordinary Shares**" | those Ordinary Shares to be issued by the Company pursuant to the Offer as described in Part VI (*Details of the Offer*); |
| "**Nicotra Gebhardt**" | Nicotra-Gebhardt UK (Kiloheat Ltd); |
| "**NOK**", "**Norwegian krone**" and "**krone**" | the lawful currency of Norway; |
| "**Nomination Committee**" | the nomination committee of the Board; |
| "**Non-Executive Directors**" | the non-executive directors of the Company, being Peter Hill, Adrian Barden, Anthony Reading, Paul Hollingworth and Gavin Chittick as at Admission; |
| "**Nuaire**" | Nuaire Limited; |
| "**Offer**" | the offer of the Offer Shares being made by way of this Prospectus, as described in Part VI (*Details of the Offer*); |
| "**Offer Price**" | 150 pence per Offer Share; |
| "**Offer Shares**" | the 48,000,000 New Ordinary Shares offered by the Company under the Offer and the 18,666,667 Existing Ordinary Shares offered by the Selling Shareholders under the Offer; |
| "**Official List**" | the Official List maintained by the FCA; |
| "**Operating Cash Conversion**" | is defined in paragraph 6 of Part X (*Operating and financial review*); |
| "**Ordinary Shares**" | the ordinary shares of £0.01 each in the capital of the Company; |
| "**PAX**" | PAX AB and PAX Norge AS, each a subsidiary undertaking of the Company; |
| "**PD Regulation**" | the Prospectus Directive Regulation (2004/809/EC); |
| "**PFIC**" | a passive foreign investment company for U.S. federal income tax purposes; |
| "**Prospectus**" | this document; |
| "**Prospectus Directive**" | Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive to the extent implemented in the Relevant Member State), including any relevant implementing measure in each Relevant Member State; |
| "**Prospectus Rules**" | the prospectus rules made by the UK Listing Authority under Part VI of FSMA, as amended; |
| "**Qualified Institutional Buyer**" or "**QIB**" | a Qualified Institutional Buyer, as defined in Rule 144A; |
| "**Quarter Date**" | each of 31 July, 31 October, 31 January and 30 April; |
| "**Registrar**" | Equiniti Limited; |
| "**Regulation S**" | Regulation S under the Securities Act; |

| | |
|---|---|
| "**Relationship Agreement**" | the relationship agreement, dated 18 June 2014, between the Company and the TowerBrook Shareholder; |
| "**Relevant Member State**" | each Member State that has implemented the Prospectus Directive; |
| "**Remuneration Committee**" | the remuneration committee of the Board; |
| "**Reorganisation**" | the reorganisation of the Group, details of which are set out in paragraph 5 of Part XIV (*Additional Information*); |
| "**Rosenberg**" | Rosenberg GmbH; |
| "**Rule 144A**" | Rule 144A under the Securities Act; |
| "**SDRT**" | stamp duty reserve tax; |
| "**Securities Act**" | the U.S. Securities Act of 1933, as amended; |
| "**SEDOL**" | Stock Exchange Daily Official List; |
| "**SEK**", "**Swedish krona**" and "**krona**" | the lawful currency of Sweden; |
| "**Selling Shareholders**" | the Shareholders listed in paragraph 10.2 of Part XIV (*Additional Information*); |
| "**Senior Managers**" | those persons identified as senior managers of the Group in Part VIII (*Directors, Senior Managers and corporate governance*); |
| "**Shareholder**" | a holder of Ordinary Shares; |
| "**Soler & Palau**" | Soler & Palau Limited; |
| "**Sponsor**" | Canaccord Genuity; |
| "**Takeover Code**" | the City Code on Takeovers and Mergers; |
| "**Takeover Panel**" | the UK Panel on Takeovers and Mergers; |
| "**TCP**" | TowerBrook Capital Partners L.P. and its affiliates, an investment management firm; |
| "**TCP Funds**" | TowerBrook Investors III L.P., TowerBrook Investors III (Parallel) L.P. and TowerBrook Investors III Executive Fund L.P., which are managed by TCP; |
| "**Torin Pension Scheme**" | Employees' pension scheme for Torin-Sifan (closed in 2011) |
| "**Torin-Sifan**" | Torin Sifan Limited, which carries on our business of manufacturing fans, blowers and motors; |
| "**TowerBrook Director**" | a Director nominated by the TowerBrook Shareholder pursuant to the Relationship Agreement, being Gavin Chittick as at Admission; |
| "**TowerBrook Shareholder**" | Windmill Holdings B.V., whose registered office is at Schiphol Boulevard 489, 1118 BK, Schiphol, the Netherlands (a company which is indirectly controlled by the TCP Funds, which are managed by TCP); |
| "**UK**" or "**United Kingdom**" | the United Kingdom of Great Britain and Northern Ireland; |
| "**UK Corporate Governance Code**" | the UK Corporate Governance Code dated September 2012 issued by the Financial Reporting Council; |
| "**UK Listing Authority**" | the FCA acting in its capacity as the competent authority for the purposes of Part VI of FSMA; |
| "**Underwriters**" | Canaccord Genuity and Liberum; |

| | |
|---|---|
| "**Underwriting Agreement**" | the underwriting agreement, dated 18 June 2014, between the Company, the Directors, the Senior Managers who will on Admission be Shareholders, the TowerBrook Shareholder, the other Selling Shareholders and the Underwriters; |
| "**United States**" or "**U.S.**" | the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia; |
| "**U.S. Dollar**", "**$**" and "**USD**" | the lawful currency of the United States; |
| "**U.S. Holder**" | a beneficial owner of Ordinary Shares, for U.S. federal income tax purposes; |
| "**U.S. Treasury**" | the U.S. Department of the Treasury; |
| "**VAT**" | value added tax; |
| "**Vectaire**" | Vectaire Limited; |
| "**Ventomaxx**" | Ventomaxx GmbH; |
| "**Ventilation Group**" | Volution Ventilation Group Limited and its subsidiary undertakings, which carry on our business of producing and supplying ventilation products and systems for residential and commercial construction and RMI applications, primarily in the UK, Sweden and Germany; |
| "**we**", "**us**" or "**our**" | the Group; |
| "**Website**" | www.volutionholdings.com; |
| "**Windmill Bidco**" | Windmill Bidco Limited; |
| "**Windmill Cleanco**" | Windmill Cleanco Limited; |
| "**Windmill Midco**" | Windmill Midco Limited; |
| "**Windmill Topco**" | Windmill Topco Limited; |
| "**Xpelair**" | Redring Xpelair Group Limited; and |
| "**Ziehl Abegg**" | Ziehl Abegg UK Limited and Ziehl Abegg SE. |

# PART XVI

## GLOSSARY OF TECHNICAL TERMS

The following explanations are not intended as technical definitions, but rather are intended to assist the reader in understanding certain terms in the Prospectus.

| | |
|---|---|
| "**Alternating Current**" or "**AC**" | the flow of electric current which reverses direction periodically, typically at 50Hz in the UK and Europe. This is the standard type of electricity supply to domestic and commercial properties; |
| "**AC blowers**" | a low pressure fan with an AC motor; |
| "**AC motor**" | an Alternating Current motor; |
| "**Airvac**" | a central vacuum system; |
| "**EC/DC**" | electronically commutated; |
| "**Electronically Commutated**" or "**EC**" | a type of motor, which historically used a mechanical means of reversing the current flow, but which now uses an electronic device to do the same which is more reliable and more efficient; |
| "**HVAC**" | heating, ventilation and air conditioning; |
| "**LHR**" | local heat recovery; |
| "**Lo-Carbon Products**" | a trade mark used to represent our low energy range of products; |
| "**MEV**" | a system of ventilation operated by a power driven mechanism which extracts air from a room and discharges it only to the external air; |
| "**motorised impellers**" | a motor that is supplied complete with an impeller attached to it; |
| "**MVHR**" | a system of ventilation that collects heat from exhaust air that would otherwise be lost and re-uses such heat by transferring it to the incoming fresh air; |
| "**OEM**" | original equipment manufacturer; |
| "**PVC**" | polyvinyl chloride; |
| "**POD blower**" | a forward curved impeller mounted on a motor ("**motorised impeller**") fitted into a scroll to enhance the performance and provide a means of mounting the fan to the customer; |
| "**RMI**" | refurbishment, maintenance and improvement; and |
| "**specifiers**" | persons who may specify certain characteristics of products, including property developers, contractors and architects. |

**Merrill Corporation Ltd, London**
14ZBO42301