GREEN ECONOMY MARK
LONDON STOCK EXCHANGE

Healthier spaces
Cleaner air
Comfort redefined

Volution Group plc Annual Report 2024

volution

Healthy air, sustainably.

Our purpose

Healthy air, sustainably.

Our commitment to our purpose is integral to everything we do. It shapes our values, steers our strategy and informs our capital allocation. We are closely aligned with environmental, health, regulatory and consumer developments that are reshaping the world's expectation of how we live life indoors.

Healthier spaces

In modern, well-insulated and airtight buildings, good ventilation is required to ensure that we maintain a healthy indoor atmosphere. Requirements are driven by regulations.

Cleaner air

Volution's focus on low-carbon products reduces energy and avoids carbon emissions from buildings, leading to a cleaner planet.

Comfort redefined

During summer periods, modern buildings are at risk of overheating. Our energy-efficient products reduce this risk and create comfortable living environments.

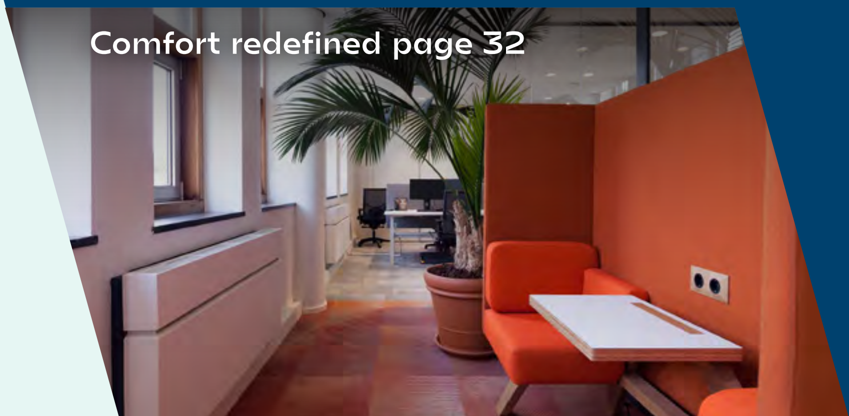
GREEN ECONOMY MARK
LONDON STOCK EXCHANGE

Green Economy Mark
To qualify for the Green Economy Mark, companies must generate 50% or more of their total annual revenues from products and services that contribute to the global green economy.

Front cover image: Employee in our Crawley Facility.

Healthier spaces page 28

Cleaner air page 30



Comfort redefined page 32

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Financial highlights

Revenue £m

£347.6m (+8.0% at cc)

Adjusted basic EPS pence

28.0p (+8.5%)

Adjusted operating cash flow £m

£85.8m (+13.4%)

Adjusted operating profit £m

£78.0m (+11.7%)

Adjusted operating profit margin %

22.5% (+120bps)

Reported basic EPS pence

21.6p (+13.7%)

Dividend pence

9.0p (+12.5%)

/ Group revenue up 6.0%; +1.5% organic (cc), +6.5% inorganic, offset by a 2.0% adverse foreign exchange impact.

/ Adjusted operating profit margin up 120bps to 22.5% (2023: 21.3%) driven by strong UK performance, with enhanced mix and benefits from wider group value engineering, procurement initiatives and operational excellence.

/ Excellent cash conversion of 107% (2023: 106%), above our target of 90%, assisted by further inventory optimisation.

/ Adjusted basic EPS up 8.5% at 28.0 pence (2023: 25.8 pence), with reported basic EPS at 21.6 pence (2023: 19.0 pence).

/ High return on invested capital maintained: ROIC (pre-tax) of 27.8% (2023: 27.4%).

/ Proposed final dividend of 6.2p, bringing total dividend for the year to 9.0p, up 12.5% (2023: 8.0p).

Sustainability highlights

Employee engagement score

74

Accident frequency rate

0.20

Sales revenue from low-carbon products

70.9%

Scope 1 & 2 carbon intensity (location based)

12.8tCO_2/£m revenue

Recycled plastic used in our products

78.1%

/ First Group-wide Employee Engagement Survey completed in the year, strong overall engagement.

/ Our fourth Management Development Programme with 17 internal participants completes in October 2024.

/ Significant improvement in reportable accident frequency, down from 0.30 (2023) to 0.20 (2024) per 100,000 hours worked

/ Continued progress on "product" and "planet" targets with low-carbon revenue at 70.9% (2023: 70.1%) and recycled plastics 78.1% (2023: 76.2%), albeit with a small increase in carbon intensity to 12.8tCO_2/£m revenue (2023: 12.3tCO_2/£m revenue)

/ Our SBTi aligned carbon emissions targets, have been technically validated and final evaluation is in progress.

1. The Group uses some alternative performance measures (APMs) to track and assess the underlying performance of the business. These measures include adjusted operating profit, adjusted operating profit margin, adjusted profit before tax, adjusted basic EPS, adjusted operating cash flow, return on invested capital, net debt, net debt (excluding lease liabilities) and adjusted operating cash conversion. The reconciliation of the Group's reported profit before tax to adjusted profit measures of performance is summarised in the table on page 43 and in detail in note 2 to the consolidated financial statements. For a definition of all the adjusted and non-GAAP measures, see the glossary of terms in note 33 to the consolidated financial statements.
2. Definitions, basis of preparation, calculation methodology and historical data related to sustainability KPIs and other measures of sustainability performance can be found on pages 200 to 202.

A decade of sustained progress

"I remain as excited about the future of the business as I did a decade ago. Clear structural drivers underpin our long-term growth potential, and we remain committed to delivering our financial KPIs and sustainability targets and sustained value creation for all of our stakeholders."

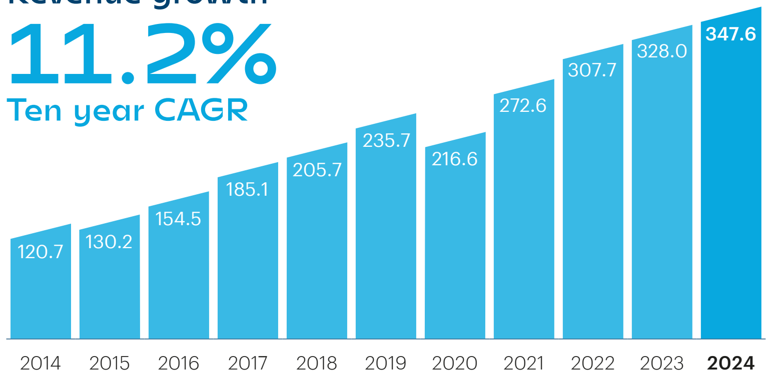
Ronnie George
Chief Executive Officer

The group in 2014

Revenue	£120.7m
Revenue from Non-UK customers	c30%
Number of countries	4
Number of key brands	5
Number of employees	1,008

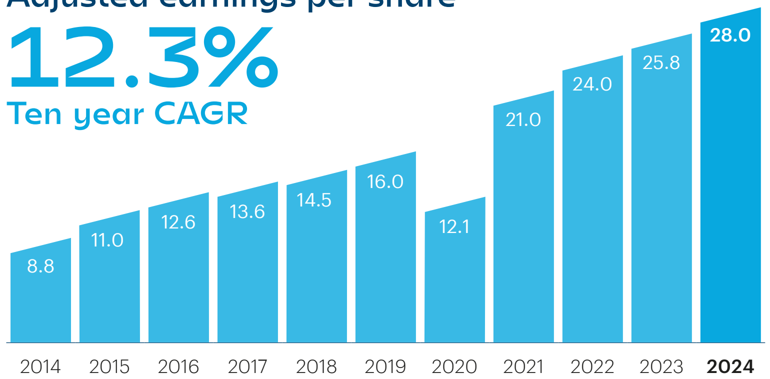
Revenue growth

11.2%
Ten year CAGR



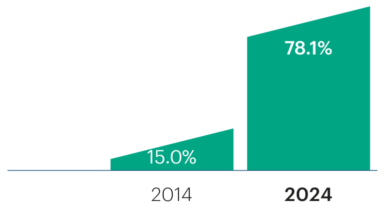
Adjusted earnings per share

12.3%
Ten year CAGR



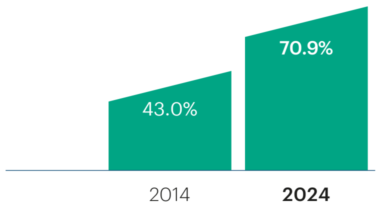
Use of recycled plastics in our own products

+63.1pp



Low-carbon products

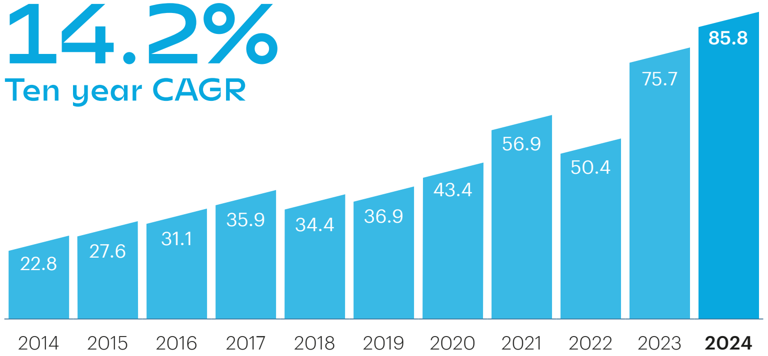
+27.9pp



A decade of sustained progress continued

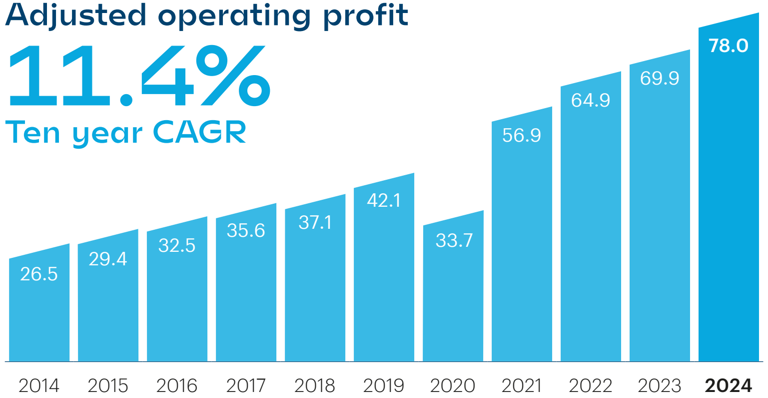
Adjusted cash flow

14.2%
Ten year CAGR



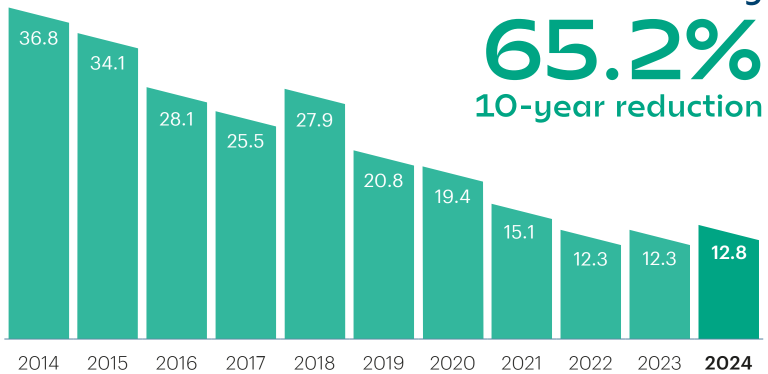
Adjusted operating profit

11.4%
Ten year CAGR



Carbon intensity

65.2%
10-year reduction



The group in 2024

Revenue	£347.6m
Revenue from Non-UK customers	c60%
Number of countries	17
Number of key brands	22
Number of employees	1,869

Our business at a glance

What we do & why we do it

Volution is a leading supplier of ventilation products, catering to primary markets in the UK, Continental Europe, and Australasia. We aim to enhance our customers' experience of ventilation by reducing energy consumption and improving indoor air quality and comfort.

Our purpose is to provide healthy air, sustainably.

Our key brands

ventair, AIRTECH, Diffusion, VMI, MANROSE, rtek, ClimaRad, Air Connection, ERI Corporation, Breathing Buildings, Fresh, Simx, Kair, inVENTer, National Ventilation, PAX, DVS, i-Vent, torin, Ventilair Group, Vent-Axia, VoltAir

Our solutions

Residential ventilation

The Volution Group's residential products encompass a broad range of solutions designed to suit a variety of budgets and applications, ranging from unitary extractor fans for use in bathrooms and kitchens to significantly higher value, low-carbon, energy efficient whole building ventilation systems with heat recovery.

Commercial ventilation

The Volution 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), air handling units, fan coils and hybrid ventilation solutions.

Our business at a glance continued

Colleague numbers

UK	1,026
Continental Europe	692
Australasia	151
Total	1,869

Locations

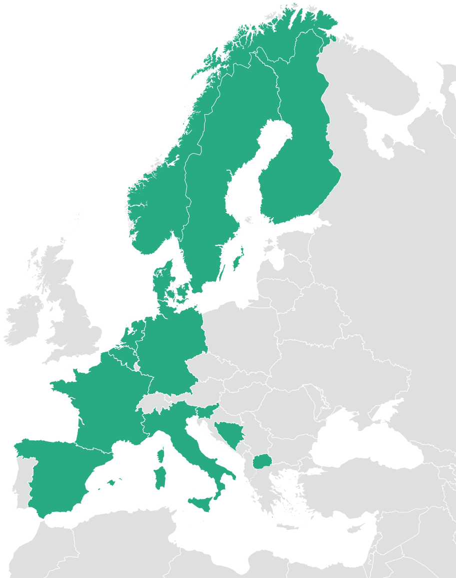
UK	6
Continental Europe	15
Australasia	6
Total	27

UK

Revenue
£160.8 million
Adjusted operating profit
£40.2 million
Adjusted operating profit margin
25.0%

Read more on page 16

Continental Europe



Revenue
£134.4 million
Adjusted operating profit
£32.1 million
Adjusted operating profit margin
23.9%

Read more on page 20

Australasia

Revenue
£52.4 million
Adjusted operating profit
£11.9 million
Adjusted operating profit margin
22.7%

Read more on page 22

Investment case

Our clear compounding growth model

Market overview – Structural growth drivers underpin long term growth

Structural undersupply of new homes	Increased urbanisation, stringent planning regulations, slow construction rates and increases in single person households, have all contributed to widespread housing shortages. As Governments react with initiatives to boost housing supply, we will see increases in demand for our products.
Regulation drives adoption of energy efficient, higher unit value solutions	The drive to reduce carbon emissions in buildings is increasing the adoption of heat recovery systems and other energy-efficient ventilation solutions. These systems are higher in value than traditional methods of ventilation, increasing the average revenue from each application.
Energy efficiency improvements driven by fuel costs and customer choice	Fuel cost increases drive energy efficiency improvements to existing homes. In addition, actions such as turning down thermostats to save energy increases condensation and mould risk and thus the need for improved ventilation.
Indoor Air Quality awareness and mould prevention clear link to health	Since Covid, there is far greater awareness of the impact that poor air quality has on health. This, along will acute focus on reducing mould in housing will continue to drive demand for ventilation solutions.
Demand for premium solutions and upsell to premium ventilation solutions (silence, aesthetics and controls)	Public housing focus on automation and strong differentiation in private refurbishment through quieter, more discrete designs is leading to increasing sales of our value added ventilation solutions. Heat recovery also represents an increasing premium demand.

Our differentiated business case

- Leading product and technology offering
- Strong brands and customer relationships
- Successful track record of value adding acquisitions
- Highly efficient operating model
- Long-term sustainable growth model

Investment case continued

Through our strategic pillars

- Organic growth
- Value added acquisitions
- Operational excellence
- Sustainability at our core

Delivering attractive financial returns

Revenue growth +10% p.a.	Organic revenue growth +3 to 5% p.a.	Adjusted operating profit margin (% of revenue) >20%
Adjusted earnings per share +10% p.a.	Adjusted operating cash conversion >90%	Return on Invested Capital (ROIC) >20%

Chair's Statement

Delivering on our strategic goals and purpose

Nigel Lingwood
Chair

Dear shareholder,

I am pleased to report another year of strong performance, demonstrating the strength and resilience of Volution's business model and strategy. In June this year, the Group celebrated its 10-year anniversary since IPO. We are proud of the excellent progress made over that period, which is testament to our strong corporate culture, differentiated business model, compounding growth strategy and consistent delivery. Over that 10-year period, Volution's Total Shareholder Return (TSR) was 272%, compared with the FTSE 250 Index's TSR of 71%.

Performance and results

Group revenue increased to £347.6 million (2023: £328.0 million), whilst adjusted operating profit was up 11.7% at £78.0 million (2023: £69.9 million), giving an adjusted operating margin of 22.5% (2023: 21.3%). Reported profit before tax increased to £56.6 million (2023: £48.8 million). The Group's adjusted earnings per share was 28.0 pence, representing an increase over the prior year of 2.2 pence, up 8.5%. Since our IPO in 2014, the compound annual growth rate of adjusted basic earnings per share is 12.3%, demonstrating strong earnings growth over that period. Reported basic earnings per share for the year was 21.6 pence (2023: 19.0 pence). Adjusted operating cash flow was £85.8 million (2023: £75.7 million), and we spent £8.5 million, net of debt acquired, on the acquisition of DVS during the year. Net debt excluding lease liabilities at the year-end was £31.6 million (2023: £58.1 million).

Agreement to acquire Fantech, Australasia

Shortly after the year-end, on 20 September 2024, we were pleased to announce the agreement to acquire the Fantech Group in Australasia ('Fantech') for a consideration of AUD$280 million (£143.7 million)[1] on a debt/cash free basis, financed through newly arranged bank facilities.

1 Based on an AUD$:£ exchange rate of 1.948:1 being the closing rate as at 19 September 2024.

Living our values

Innovation in action

We are closely aligned with environmental, health, regulatory and consumer developments that are reshaping the world's expectation of how we live life indoors.

Read more about our product innovation on pages 28 to 33

Chair's Statement continued

The Board anticipates being able to complete on the transaction, which is subject to antitrust approvals, by the end of the calendar year 2024. Once completed Fantech will be our largest acquisition to date, provides Volution with a great platform to continue our growth ambitions in Australasia and demonstrates the Board's commitment to the strategy of building a broader market position and set of businesses to enhance returns to shareholders.

Dividends

Recognising our strong performance in the year and our continued confidence in the business, the Board has recommended a final dividend of 6.2 pence per share, giving a total dividend for the financial year of 9.0 pence per share (2023: 8.0 pence per share), an increase of 12.5% on the previous year. This is in line with our ambition to progressively grow dividends each year. The resulting adjusted earnings dividend cover for the year was 3.1x (2023: 3.2x).

Subject to approval by shareholders at the Annual General Meeting on 11 December 2024, the final dividend will be paid on 17 December 2024 to shareholders on the register at 22 November 2024.

Strategy

Volution's purpose is central to our strategic ambition, driving value for all our shareholders and stakeholders. Continued development of industry regulation designed to make indoor air cleaner, and to decarbonise buildings, remains a central driver of growth, demonstrated again by the strong set of results. Underpinning the successful delivery of the Group's purpose – to provide 'Healthy air, sustainably' are our strategic pillars of organic growth, value-adding acquisitions and operational excellence. Good progress was made during the year, with positive organic growth in spite of some challenging end markets, whilst the announcement in September 2024 of the intention to acquire Fantech demonstrates our ambition to further strengthen the Group's market reach and product diversification.

We continued our relentless focus on operational excellence, delivering excellent customer service, optimising supply chains and improving our sustainability.

Environmental, social and governance (ESG) objectives

Our commitment to high standards of sustainability, corporate responsibility, and engagement with our people provides the platform from which the Group can contribute to a more sustainable world. Our ventilation systems and products provide clean air solutions that protect people's health and increase their comfort in an ethical and responsible way. Wherever feasible, our products and services are sustainably sourced. The Sustainability section starting on page 60 of this Report explains our commitments in more detail, including our work to reduce the carbon footprint of our products.

Our people and culture

A key focus for the Board is building on our workplace engagement and ensuring good corporate culture, and we regularly monitor indicators of the Company's culture and seek opportunities throughout the year to engage with colleagues across the Group. Claire Tiney, our designated Non-Executive Director for workforce engagement, continues to participate in the Group-wide Employee Forum events, reporting insights to the Board. We were delighted by the results of the first Group-wide employee engagement survey, which signalled engagement levels of over 74%, although we do recognise that the bulk of the work will come with delivering on the action plans that have been developed in response to the feedback.

The Group remains focused on a zero-harm ambition, and I am pleased to report good progress in the area of health and safety in the year, with a notable reduction in our reportable accident frequency rate to 0.20 reportable accidents per 100,000 hours worked (2023: 0.30). Our work on health and safety initiatives is ongoing and will continue to be a key focus for the Board in the year ahead.

I am grateful to all our Volution colleagues for their commitment, talent and contribution, which is essential for the continued successful delivery of our strategy.

Board changes

Following the changes in the last financial year, when I became Chair of the Board and Jonathan Davis was appointed as the new Audit Committee Chair, we have had a quieter period, with no changes to the Board composition since that time. Margaret Amos has decided not to stand for re-election at the 2024 AGM and Claire Tiney's tenure on the Board reaches the nine-year mark next year. The Board intends to begin a search for their replacements in the coming year.

Governance

The Group is fully committed to high levels of corporate governance. We are fully compliant with the 2018 edition of the UK Corporate Governance Code.

It is our responsibility as a Board to retain a sharp focus and to deliver sustainable shareholder value over the long term, through effective management and good governance. Open, thorough, and robust discussion around key strategic matters, risks and opportunities faced by the Group at Board level is central to reaching our goals, whilst taking account of the impact on all our stakeholders. As a Board we ensure that good governance is central to all we do.

Nigel Lingwood
Non-Executive Chair
9 October 2024

Integrity in action

We aim to contribute positively to the communities and environment in which we operate. We focus on supporting communities and groups local to our operations.

Read more about our work in local communities on page 73

Growth in action

The elements of our sustainable growth model work together to deliver our unique value proposition. Combined, they deliver high returns and long-term value for stakeholders whilst ensuring we continue to deliver on our environmental and social objectives.

Read about the factors that drive growth on pages 8 and 9

Commitment in action

Volution has set its ambition to become net zero and has followed through on our commitment to submit scienced-based targets for approval by SBTi.

Read more about our decarbonisation plans and initiatives on pages 80 and 87

Chief Executive Officer's Review

Continuing to deliver sustainable compounding growth

Ronnie George
Chief Executive Officer

Summary

/ Reported revenue growth of 6.0% (8.0% at cc), with organic decline of 0.3% (growth of 1.5% at cc), supplemented by inorganic growth of 6.3% (6.5% at cc).

/ Strong revenue and profit development in the UK and good progress strategically and against our environment, social and governance (ESG) targets in our tenth full year since listing in 2014.

/ Adjusted operating profit of £78.0 million, an increase of 11.7% over the prior year (2023: £69.9 million). Reported operating profit of £70.4 million, an increase of 23.2% over the prior year (2023: £57.1 million).

/ Adjusted operating margin expansion of 120 bps to 22.5% (2023: 21.3%), as we successfully managed inflationary headwinds.

/ Excellent cash conversion in the year of 107%, above our target of 90% supported by our inventory optimisation initiatives and continuing a 10-year trend of strong annual cash generation.

/ Adjusted earnings per share at 28.0 pence, an increase of 8.5% over prior year (2023: 25.8 pence). Reported earnings per share at 21.6 pence, an increase of 13.7% over prior year (2023: 19.0 pence).

/ M&A momentum continues with the acquisition of DVS completed 4 August 2023.

/ Signed an agreement post year-end to acquire Fantech for AUD$280 million (£143.7 million).

Chief Executive Officer's Review continued

Overview

We are delighted with our progress this year, our tenth full year as a listed company. Against a backdrop of challenging end markets, most notably in the area of new build construction, we made good steps forward across all aspects of our strategy. We achieved organic growth of 1.5% at constant currency (cc), lower than our long-term expected range of between 3% and 5%, however our performance was ahead of the wider market. This was supplemented by inorganic growth from the latest three acquisitions which have been successfully integrated in the year, delivering an overall revenue growth of 8.0% at cc and enhanced by further adjusted operating profit margin expansion of 120 bps, resulting in an 11.7% increase in adjusted operating profit, up to £78.0 million. Adjusted operating margins increased to 22.5%, supported by the significant progress made in the UK.

In recent years, we have navigated the higher inflationary environment well. The year just ended was characterised by moderating material cost inflation, but with ongoing labour, overhead and facility cost inflation. An important and ongoing focus within the Group is the enhancement of product gross margins through technical assisted value engineering and our increasing procurement scale and more sophisticated and wider supplier partnerships. We made significant progress in the year with these initiatives, both with existing Group brands and the new additions to the Group.

Organic growth was slightly higher in the second half of the year, with a full year growth of 1.5% at cc over the prior year. This growth was delivered against a headwind of significant revenue decline in our OEM activities in the UK, where revenue reduced by 36%. Adjusting for this significant decline in revenues, the Group delivered a stronger organic growth in line with our long-term range of expectations. The revenue decline in OEM led us to bring forward the implementation of a two-into-one site consolidation in Swindon, which was completed early in the new financial year 2025.

Cash generation is an essential enabler of our M&A-led compounding growth strategy. An excellent adjusted operating cash conversion of 107% enabled us to bring net debt leverage levels down to the lowest ratio since listing in 2014. Early in the year, we completed the acquisition of DVS in New Zealand and successfully integrated both this business and the two acquisitions completed towards the end of the previous financial year. Volution operates in three key geographic areas: UK, Continental Europe and Australasia, with acquisitions focused primarily in the latter two areas. Our ambition over time is to become one of the leading ventilation providers for residential and commercial buildings in these chosen three geographical areas – we made further good progress on this ambition in the year. Our pipeline of opportunities remains interesting, and we will continue to exhibit pricing discipline and agility in pursuit of further deals.

On 20 September 2024, the Group announced an agreement to acquire Fantech, subject to anti-trust approvals. Fantech is a leading provider of commercial ventilation solutions in Australia and New Zealand, and complements our existing local market positions in Ventair, Simx and DVS very well. Post the anticipated completion of the Fantech transaction and on a proforma basis, Australasia will represent over 30% of the Volution's revenue.

Ever mindful of the significant year-on-year expansion ambitions of the Group, we continue to invest in our people. Management Development Programme number four completes in October 2024, with plans for the fifth programme already underway and earmarked to kick off in spring 2025. New hires were made to the Senior Management Team and our bench was further strengthened by these new joiners. Our first Group-wide employee engagement survey was a huge success with nearly 80% of employees taking part, and we will soon embark on our annual follow-up with positive expectations of progress made in the year.

Our markets

Volution's revenue continues to be weighted towards the refurbishment market and towards residential applications. We operate in an environment that is increasingly aware of the importance of indoor air quality and with local market agenda's firmly focusing on decarbonising buildings. There is a more material influence of regulations on our new build activities, as very clearly demonstrated by our UK new build residential activities in 2024, and these trends are becoming more impactful everywhere in all local jurisdictions. This has been an underpinning factor in the performance and resilience of Volution's ventilation activities in the last year. Our lesser exposure to new build activities has been a decisive factor in our outperformance of the wider market as we believe that ventilation refurbishment activities are more resilient and far less discretionary than other product categories. With many examples in recent years of the inextricable link between poor indoor air quality, insufficiently ventilated properties and the ill-health of tenants, ventilation demand today is more structurally underpinned than at any time in our history.

We continue to repeat an important statistic whereby over 40% of energy use and 36% of carbon emissions in Europe is from buildings. Every year we see examples of where local regulations are changing to support the decarbonising of buildings. Mostly starting with the reduced air leakage and increased insulation of a building, ventilation strategies become essential in avoiding 'sick building syndrome' or the build-of up harmful humidity causing propagation of mould and condensation problems.

Volution is present in most local trade associations and actively participates in consultation processes formulating the regulations that will exist for new and existing buildings for the future. Although the pace of these regulatory changes is increasing, sometimes the immediate impact can be quite limited, instead building up over the medium term. For example, the changes to Part F and Part L of UK building regulations in 2022 only had a material impact on the type of ventilation solutions fitted in new homes in the UK in 2024, Volution's Vent-Axia brand benefiting hugely as a result of a new range of ultra low-carbon efficient ventilation solutions launched over two years ago.

Results

The Group delivered revenue of £347.6 million (2023: £328.0 million), an increase of 6.0% (8.0% at cc), with organic decline of 0.3% (growth of 1.5% at cc) and inorganic growth from the acquisition of DVS in the year, as well as from the full-year effect of the acquisition in the prior year, of 6.3% (6.5% at cc). Adjusted operating margins increased from 21.3% in the prior year to 22.5%, a strong performance and an impressive margin expansion despite the immediately margin-dilutive impact of the three most recent acquisitions (i-Vent, VMI and DVS). Reported profit before tax was £56.6 million (2023: £48.8 million), an increase of 15.9%.

8.0%
revenue growth at cc

22.5%
adjusted operating profit margin

70.9%
revenue from our low-carbon products

1
acquisition during the year

Chief Executive Officer's Review continued

Sustainability

This year we have continued to make good progress on our key Sustainability KPI's. Recycled plastics content in our own production increased in the year to 78.1% of total consumption. With such a high proportion of the Group's injection moulding and PVC extrusion production taking place at our Reading facility in the UK, the team there has done a great job of finding, trialling and ultimately using a range of new materials from different sources. The learnings from our Reading site have enabled us to develop robust processes and testing regimes helping us to understand the properties and suitability at a batch level. We have been able to leverage these learnings and to help increase the adoption in the Nordics, where our run rate exiting the year sets us up well for improvement in FY25.

Revenue from our low-carbon products has increased to 70.9%. We continue to see strong regulatory tailwinds helping to drive the adoption of more energy efficient solutions across our geographies. This year's acquisition of DVS in New Zealand has helped contribute to our low-carbon sales in addition to a full year's contribution from VMI in France and i-Vent in Slovenia. More detail is provided within the regional reviews.

Our Sustainability Committee, comprising our Senior Management Team and our non-executive director, Amanda Mellor, met twice in the year, where we reviewed progress against our published targets and key initiatives for the years ahead. In addition, we have now submitted our targets under the Science Based Target Initiative and have passed the Eligibility Verification and Technical Screening stages. We are now awaiting the Target Evaluation stage to begin.

This year both the UK and Nordic teams have started to provide customers with embodied carbon data and expect to issue our first Environmental Product Declarations during FY25.

Strategy

Organic growth

We delivered Group organic growth of 1.5% at cc, though the underlying picture behind this was mixed. UK organic growth was 3.1% with strong residential outperformance offset by weaker commercial market demand and significant weakness in our OEM activities.

Volution has a long-term target to consistently deliver organic growth in the range of 3 – 5% and whilst we were below that level at 1.5% in 2024, our performance was ahead of the wider market, which remained very challenging. As interest rates fall and new home affordability improves, coupled with ever tightening regulation, we expect new build activity to improve. In the UK we are seeing what we believe is a multi-year refurbishment and standards improvement agenda underway in public housing, as well as a target to hit Energy Performance Certificate (EPC) level 'C' by 2030. All of this is driving increased demand for low-carbon and continuous running ventilation solutions.

Acquisitions

We completed one acquisition in the year. In August 2023, we announced the completion of the acquisition of DVS in New Zealand for an initial consideration of £8.5 million (NZ$17.7 million), net of cash acquired, with further contingent cash consideration of up to NZ$9.0 million. DVS supplies directly to consumers and installs a range of energy-efficient centralised ventilation systems, incorporating positive input, heat recovery, heat transfer, and heating and cooling solutions, supplying into both new build and refurbishment applications. A combination of difficult market conditions in New Zealand coupled with slower than originally planned implementation of key product cost initiatives meant that performance in the first year was short of our forecast. Progress is now being made with the initiatives and we are confident that DVS will be a key contributor to our Australasian business and provide an additional sales channel to supply low-carbon solutions

Operational excellence

Maintaining our long-term adjusted operating margin at, or above, 20% is an important objective for Volution. In the year we delivered a 120bps margin improvement to 22.5% despite the dilutionary impact of the three most recent acquisitions and the continuing inflationary pressures across mainly labour and infrastructure costs. Our technically led value engineering initiatives and Group procurement-led sourcing programmes have again delivered good support for our gross margin improvement.

During the period we announced two UK site closures. Due to lower demand in our OEM activities in Swindon, we have consolidated our two production facilities into one on the original 'Greenbridge' site. Investment has been made in improving the facility, reducing our carbon emissions and improving the working environment. Our Soham facility is also closing, with the production of natural and hybrid ventilation moving to our existing facility in Dudley, West Midlands. These changes, whilst regrettable due to the redundancy of valued colleagues, was necessary to maintain our competitiveness for both product ranges. These projects will be completed early in financial year 2025.

People

I am hugely proud that we completed our first Group-wide employee engagement survey in the year with c1,500 employees participating and a participation rate of 80%. Volution is absolutely committed to involving and inspiring our colleagues to deliver 'Healthy air, sustainably' and without this engagement we will not fulfil our true potential.

Since joining us in early 2022, our Group Head of HR, Michelle Dettman, has made significant progress with our employee engagement agenda, and we are delighted to have signed up to the Construction Inclusion Coalition in 2024. We believe that a diverse and rich culture across our workforce is a source of strong competitive advantage, and I am honoured to lead such an incredible group of people.

Our fourth Management Development Programme completes at the end of October 2024 and our 17 participants from across all areas of the Group have been working hard to assist us on our carbon emissions reduction journey. The feedback from the programme is that it has been rewarding and stimulating, and we are pleased to feature some of the programme participants in this year's annual report. Such is the importance of developing our employees, we have already earmarked our fifth programme cohort who will embark on their programme in spring 2025.

As Group Chief Executive I believe it is important to be visible in the business. During the year I was able to attend many of our locations and to take part in employee briefing and Q&A sessions. These are a rich source of information and an important part of the fully inclusive culture we want to perpetuate. As in previous years we held two Group-wide employee and engagement communication meetings attended by Claire Tiney, Non-Executive Director, and chair of the Remuneration Committee, as well as multiple senior managers' briefing meetings virtually attended by approximately one hundred senior and middle management colleagues.

Our strengthening of the team continued with several new key hires in the year. Martin Goodfellow, with significant experience in the nuclear industry and with a long career of technical leadership, joined us in the spring of 2024 as Group Technical Director. Martin has made great progress in further harnessing the talented group of technical experts and focusing the team on our exciting pipeline of new product development. Koen Groenewold started on 1 January 2024 as Managing Director of ClimaRad, succeeding the previous owner, as we prepare to acquire the balance of the 25% of shares of the company on a predetermined and previously announced basis, completing by 31 December 2024. And finally, in Australasia, Jeff Nicol joined us in June 2024, as Regional Managing Director elect, taking over from Ian Borley, our previous local leader who has been with us since Simx joined the Group in 2018 and who is retiring this year. I would like to thank Ian for his significant contribution to the group since 2018, developing a sizeable market position in Australasia.

Chief Executive Officer's Review continued

I continue to believe we have a strong culture of success at Volution, but also a culture where our teams work closely together and have a lot of fun in providing 'Healthy air, sustainably'.

Outlook

Volution has delivered another strong set of results and made further good progress against our strategic and financial priorities in the year that we celebrated our tenth year as a listed company. I am incredibly proud of how, during this time, we have moved from being a largely UK centric ventilation leader to having a broad-based presence across the UK, Continental European and Australasian ventilation markets.

The further enhanced operating profit margin delivered in the year, against continuing challenging markets, is a testament to our scale, diversification, and strong cohesion between the local operating areas, as well as our group-wide technical, procurement and product management functions. We continue to be equally focused on converting profitability into cash, and I was delighted to see another year of excellent cash conversion, well above our 90% target.

The new financial year has started as anticipated, with both revenue and adjusted operating profit ahead of the same period last year. Also, in an exciting post year-end development, we have announced an agreement to acquire Fantech's ventilation activities in Australia and New Zealand, which would represent our largest acquisition to date by some considerable distance. This, along with the momentum we have across many parts of the business, provides the Board with confidence of another year of good progress across the Group.

Ronnie George
Chief Executive Officer
9 October 2024

In conversation with our Chief Executive Officer

Q. How is the overall market for Volution's products evolving?

The market for our products is continually evolving. With a wider imperative to reduce carbon emissions from buildings and the heightened awareness of the impact of poor indoor air quality on health we are seeing ongoing and supportive trends across our markets. Consumers are demanding quieter, more silent, better performing and easier to control products. Building architects and specifiers are tuned in to the positive impact correctly specified ventilation can have on the building's performance. As a result we have seen a counter intuitive impact in some of our markets where the impact of these trends has enabled us to deliver revenue growth at a time when new build construction volumes have been declining.

Q. How will the evolving regulatory landscape impact Volution?

The global energy transition, moving away from the use of fossil-based fuels to renewable and more sustainable solutions is having a significant impact on the regulatory landscape. Two good examples in the last year include UK residential new house construction and our Australian new and refurbishment supply of more energy efficient ceiling fans. In both instances we are seeing the positive impact of more stringent regulations drive increased demand for more energy efficient ventilation and cooling solutions with a higher unit value. These changes are set to continue and when we overlay the greater awareness of the importance of indoor air quality on health and wellbeing, we are also experiencing positive demand drivers for more energy efficient and more silent refurbishment solutions.

Q. What are the biggest challenges Volution will face in the short to medium term?

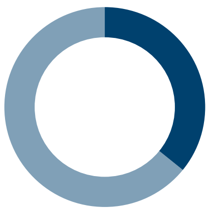
Our business model is well established and has enabled us to deliver successfully for many years. We are focussed on continuing to grow the business both organically and by acquisition, and so I am acutely aware that having high levels of organisational bandwidth and talent across the Group is essential to our future success. In the last few years, we have successfully added to our already strong management team with new hires in Group HR, UK Operations Director, Group Technical Director and orderly succession planning for retirement in ClimaRad NL and Australasia. I am also very proud of the success of our most recent management development program (MDP4) and we will kick off our fifth cohort of managers in MDP5 during spring 2025. I believe that Volution is an inspiring and exciting place to work as we provide our customers with leading ventilation solutions underpinned by a sustainability focussed business model. It is this compelling purpose that helps us attract and retain the most talented and committed employees.

Regional Review – UK

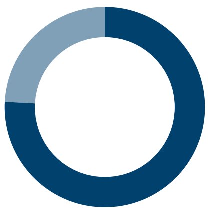
£160.8m
Revenue

↑3.1%
Revenue growth at cc

£40.2 million
Adjusted operating profit



New Build 36%
RMI 64%



Residential 76%
Commercial 24%

Vent-Axia MANROSE Diffusion torin AIRTECH NATIONAL VENTILATION Breathing Buildings

	2024 £m	2023 £m	Growth %	Growth (cc) %
Residential	**105.0**	89.7	17.1	17.1
Commercial	**28.2**	30.2	(6.6)	(6.6)
Export	**12.1**	12.1	–	1.2
OEM	**15.5**	24.1	(36.0)	(35.6)
Total revenue	**160.8**	156.1	3.0	3.1
Adjusted operating profit	**40.2**	35.3	13.9	
Adjusted operating profit margin (%)	**25.0**	22.6	2.4pp	
Reported operating profit	**34.6**	28.1	22.9	

The UK delivered good organic revenue growth over the prior year. UK revenues increased from £156.1 million to £160.8 million, a 3.0% increase (3.1% at cc). The standout performance was residential ventilation activity which was a huge underpinning factor in the good results delivered by the Group. Given our end markets were generally challenging, with commercial and OEM activities quite weak, overall organic revenue growth of 3.1% was a good achievement.

Adjusted operating profit increased from £35.3 million to £40.2 million with a significant increase in the adjusted operating profit margin at 25.0% up 240 bps from 22.6% in the prior year. Our gross margins expanded through a combination of favourable product mix, initiatives to reduce product cost and increased utilisation of our Reading, Crawley and Dudley factories. Indirect costs were tightly controlled although there were higher than usual bonus payments made to the teams that helped deliver the 17.1% revenue growth in the residential market.

Residential

Sales in our residential market sector were £105.0 million (2023: £89.7 million), representing impressive organic revenue growth of 17.1%, and building on last year's strong organic growth.

The structural growth drivers in the residential segment were reassuringly similar to the prior year. The importance of indoor air quality in homes and the need to properly ventilate to deal with the risks of mould and condensation are better understood than ever before. We have now seen further examples in the last twelve months where both private and public landlords have been taken to court and prosecuted for failing to prevent mould and condensation inside rental properties. Our sales teams are set up to help and assist with these issues and our offering extends beyond product supply to include expert analysis of problems via site surveys and remediation strategies.

During the year we further enhanced our product ranges, and specifically in the refurbishment, maintenance and improvement market we upgraded many of our already successful product lines. Revive, already one of the most successful continuous ventilation solutions for the public refurbishment market, benefited from a significant upgrade directed at reducing the size and improving the aesthetics of the solution whilst still maintaining its' market leading performance. Public housing landlords are undertaking a significant and what we expect to be, a multi-year improvement programme, to ensure mould and condensation problems are reduced. Alongside this, there is a stated Government target to improve the energy efficiency of the public housing stock to achieve Energy Performance Certificate (EPC) level "C" by 2030. The new Government has also recently indicated a commitment to introduce the same requirement for private sector rented housing. Improving the quality of a dwelling to EPC C requires in some cases much more structural refurbishment, often increasing levels of insulation and air tightness therefore requiring a more sophisticated higher added value ventilation solution. Quite often these solutions include decentralised heat recovery, an area where Volution is one of the European leaders with probably the widest range of solutions available to customers.

Volution is the leading provider of ventilation solutions in the UK residential market with a preferred route to market through distribution. We actively work with our distributors to maintain good levels of key products in inventory to support the many thousands of contractors who install our products on a daily basis. During the year our engagement with distributor partners reached new heights. Through supporting buying conferences, hosting sales meetings at our facilities, providing training on our products and ventilations standards, we further intensified our efforts to remain the first-choice supplier for our key customers. I also had the benefit of attending some key distributor annual conferences where I was able to witness first-hand the strength of our relationships with our distribution partners.

Our successful business model is the result of us focusing on some key basics. Firstly, we continue to innovate and improve our product solutions staying in close contact with all stakeholders to understand what is important to consultants, specifiers, contractors and all parts of the supply chain. Equally critical is our focus on continuing to deliver outstanding customer service levels, making the widest range of product solutions available for customers and ensuring that we can respond in a way where we continually exceed customer expectations.

Regional Review – UK continued

Our key residential ventilation brands in the UK; Vent-Axia, Manrose, National Ventilation and Airtech again delivered excellent levels of customer service whilst delivering an impressive 17.1% organic revenue growth in the year.

Residential new build revenue performed strongly in the year and ahead of our expectations at the start of the year. With housing completions down markedly on the previous year the significant revenue growth achieved is even more pleasing. The previously advised changes to Part F and Part L of the building regulations are now beginning to have an impact and there was a material shift to continuous ventilation solutions in the year. These solely low carbon, more energy efficient and more comprehensive solutions are now the default minimum standard of ventilation in new homes. Volution benefited from these changes as well as achieving considerable market share gains with many new accounts coming on board. In addition, new product innovation supported our new build activity levels. The range was further augmented in the year with new decentralised continuous solutions added and a new range of mechanical heat recovery units incorporating an element of refrigerant cooling to assist with the delivery of regulation Part O where overheating is a concern in the design and building of new homes. Investment in both our Dudley factory, to further scale up assembly capacity as well as increasing our injection moulding and extrusion capacity in our Reading factory, leaves us well placed to support further growth in residential new build in the UK.

There has been much discussion around the potential recovery of housebuilding in the UK. The new Government's ambitious target to build 1.5 million homes in the next five years would benefit Volution hugely and we are continuing to invest in all aspects of our product range and service capability.

Commercial

Sales in our commercial sector were £28.2 million (2023: £30.2 million), an organic revenue decline of 6.6%. Whilst the commercial ventilation market in the UK has been challenging, we were nonetheless disappointed by our performance. Historic product range gaps as well as sales team leadership and resourcing have played a part in this relative underperformance, and we have taken decisive action to address these issues.

In the commercial ventilation market, Volution is not currently a leading player, and we see this as a significant opportunity to grow revenue for the long term. During the year we further strengthened the sales team, new commercial leadership joined towards the end of the year, and we are fully focused on growing this area.

In 2024 we brought several new commercial product ranges to the market. A new and improved range of mechanical ventilation with heat recovery (Apex) was launched at the beginning of the year. Mid-year we launched a new range of hybrid ventilation solutions, and during the year, we started the process of upgrading our range of fan coils to be more modular and easier for the contractor to flex during the install. At our manufacturing facility in Dudley, we are consolidating the previous production capability from our Soham site that closed in August 2024.

With the new ambitious sales leadership, the additional specification selling roles we added during the year coupled with the newly enhanced product ranges we are confident of delivering improved results in the commercial ventilation market in the future. Whilst currently subdued the outlook for new high rise commercial construction in London is positive and we are well placed to capitalise on this opportunity with our leading and improved range of fan coil ventilation.

Export

Sales in our UK Export sector were £12.1 million (2023: £12.1 million), an organic revenue growth rate of 1.2% at cc. The mix of export sales changed markedly in the year. Whilst exports excluding Ireland declined, our revenue in Ireland grew well via our strong relationship with our exclusive Vent-Axia partner. The outlook for the Irish market in 2025 is positive and the introduction of our new Passivhaus approved Mechanical Ventilation with Heat Recovery (MVHR) has already secured some exciting projects for the new financial year.

OEM

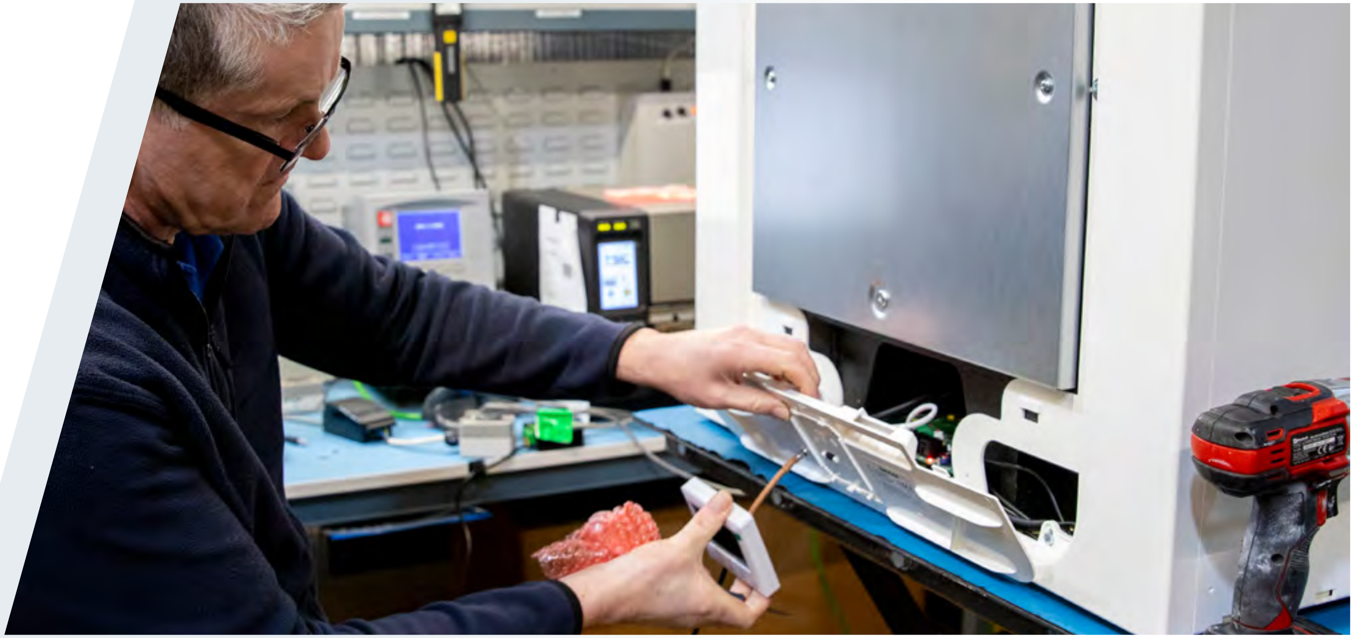
Third party Sales in our OEM sector were again disappointing at £15.5 million (2023: £24.1 million), an organic decline of 35.6% at cc. The significant decline in revenue, due to a combination of much lower customer demand, customer overstocking and the need to de-stock was a significant headwind for the group. Early in 2024 we took decisive action to stabilise the business and to consolidate production into one of our two production facilities. This site consolidation project was completed in early FY25, and we now operate from one site with significantly lower overhead costs than in the prior year. Further investment has been made to enhance our range of EC3 motorised impellers. Whilst third party demand declined during the year there was a further material step up in the use of our motorised impeller solution inside our own group products.

Regional Review – UK continued

Legislation update – UK

Volution products support legislative transition as we decarbonise.

In the UK the built environment is responsible for c30% of total CO_2 emissions. If the country is to meet its 2050 net zero targets, it must deal new build houses and with the existing building stock.



New build

The Future Homes Standard (FHS), planned for England in 2025, follows a public consultation that ran from November 2023 to March 2024.

The standard aims to make new homes and non-residential buildings energy-efficient and 'zero carbon ready'. That means that no further work will be required for them to become zero carbon as our electricity grid decarbonises.

Metrics

The standard retains existing metrics of operational carbon, as used in the current national calculation method, as this already supports decarbonisation of buildings. However, a new calculation tool is proposed called the Home Energy Model (HEM) which is an alternative to the Standard Assessment Procedure (SAP).

Fabric and fixed building services

The standard proposes improvements to the guidance and to minimum standards for heat losses from building services, which directly supports the installation of 'zero carbon ready' technologies, including heat recovery ventilation.

What does this mean for Volution

Q. How will the FHS positively impact Volution?

Continued tightening of the building fabric with better insulation levels will mean a greater opportunity for heat recovery technologies to help reduce carbon further.

In addition, the increasing requirements for passive and active cooling offers Volution new opportunities. Indeed, this important new income stream is already being seen in new build housing.

Q. What are the potential threats rapidly changing regulation pose to Volution?

With any changes to a calculation method, there is always a risk that the new calculations may treat our products differently. However, the product characteristic database that carries the energy efficiency data for our products will be retained in HEM. We are also engaged with the Department for Energy Security and Net Zero (DESNZ) through our trade association as they develop the new tools.

Regional Review – UK continued

Improving the health of social housing in the UK

Following the tragic death of 2-year-old Awaab Ishak, the Social Housing (Regulation) Act, which received royal assent in July 2023, has been introduced. In addition, the Renters' Rights Bill means it will be extended to cover the private rental sector. This law aims to ensure that landlords address health hazards including damp and mould within specified timeframes.

Under Awaab's Law, landlords are required to investigate reported hazards within 14 days and provide a written report. For significant health risks, repair work must begin within seven days, and emergency repairs must be completed within 24 hours. If landlords fail to comply, tenants can take legal action to enforce the necessary repairs.

Provision of ventilation

With greater focus on healthy, energy-efficient homes, we have continued to see wide-reaching programmes to upgrade ventilation provision in social housing.

There are approximately 4.4 million social housing homes in the UK, including council housing and housing association properties. The number has declined over time through policies such as Right to Buy which has led to more social housing homes being sold than replaced.

Awaab's Law and the Decent Homes Standard from 2022 are both playing a significant role in ensuring that social housing meet minimum quality criteria including being free from serious hazards such as mould.

In December 2023, the English Housing Survey identified that around 15% of the total housing stock in England (around 3.7 million homes) failed to meet the Decent Homes Standard.

Energy Efficiency

For both social and private rental properties in the UK, the Government has set a long-term target to achieve an energy performance certificate (EPC) band 'C' or above from 2030.

The Social Housing Decarbonisation Fund (SHDF) will upgrade a significant quantity of the social housing stock currently below EPC band C up to that standard. It will support the installation of energy performance measures in social housing homes in England and facilitate the subsequent widespread adoption of decarbonised heating systems and energy-efficient ventilation to help:

- deliver warm, energy-efficient homes
- reduce carbon emissions
- tackle fuel poverty
- support green jobs
- develop the retrofit sector
- improve the comfort, health and wellbeing of social housing tenants.

During the year, we have seen Waves 2.1 and 2.2 of the SHDF close, which allocated £858 million to improve approximately 90,000 homes, and Wave 3 open with £1.25 billion dedicated to supporting 140,000 social housing homes between 2025 and 2028. In total £3.8 billion has been allocated over a ten-year period.

Regional Review – Europe

£134.4m
Revenue

↑10.5%
revenue growth at cc

£32.1 million
adjusted operating profit

New Build	36%
RMI	64%

Residential	70%
Commercial	30%

	2024 £m	2023 £m	Charge %	Change (cc) %
Central Europe	87.0	75.4	15.4	17.1
Nordics	47.4	49.1	(3.6)	0.4
Total revenue	134.4	124.5	7.9	10.5
Adjusted operating profit	32.1	28.4	13.9	
Adjusted operating profit margin (%)	23.9	22.8	1.1pp	
Reported operating profit	29.1	25.1	16.0	

Our Continental Europe revenues increased from £124.5 million to £134.4 million, growth of 10.5% at cc, within which organic revenue was flat. The sector benefited from the full-year effect of the acquisitions of VMI in April 2023, and i-Vent in June 2023 with inorganic growth of 10.5% at cc. Adjusted operating profit was up 13.9% at £32.1 million versus a prior year of £28.4 million. The adjusted operating profit margin increased in the year by 110bps to 23.9% (2023: 22.8%).

Central Europe

Sales in the Central Europe region grew 17.1% at cc to £87.0 million compared to the prior year of £75.4 million. Organic revenue declined by 0.3% on a cc basis, with inorganic growth (17.4%) coming from the full-year effects of the acquisition of VMI and i-Vent.

Revenue in Central Europe was a mixed picture, with significant revenue growth in ClimaRad in the Netherlands and revenue declines in Germany and Ventilair Belgium and Netherlands.

ClimaRad in the Netherlands delivered stronger organic revenue growth. Our decentralised heat recovery product range, within which some of the products include a heat emitter that can be connected to a heat pump, made excellent progress in the year. Our revenue is mainly for significant refurbishment projects, where we support housing association landlords with investment opportunities with a tangible payback in reduced energy costs. This provides a unique and unrivalled solution in the marketplace. The project order pipeline and confirmed order book also grew significantly in the year and the outlook is very positive. The Netherlands market was one of the first in Europe to ban the adoption of gas boilers in new residential builds and has a hugely proactive approach to low-carbon refurbishment of existing housing stock. During the year we hired a new Managing Director, Koen Groenewold, part of our succession planning to replace the ClimaRad founder, and in readiness for the final purchase of the 25% of the ClimaRad shares, scheduled for the end of calendar year 2024.

In Germany our revenues declined in the year as our greater exposure to new house construction compared with the rest of the Group, struggled to recover. In the last two years we have increased our proportion of revenue in the German refurbishment market, however this was insufficient to offset the difficulties in the new build market. We continue to introduce new products to the market and our new 'Taris' exhaust fan, launched later than anticipated, has started to gain early traction in the market. Further new product developments are planned early in 2025, including a low-cost sound insulation cover for new project sales and retrofittable as an upgrade to past installations. Good cost control by the local team and continued value engineering initiatives, supported by the wider Group technical and procurement functions, enabled us to maintain a similar operating profit margin albeit at lower revenue.

In Belgium, like Germany, our exposure is more weighted towards new residential construction. It was another difficult year, and our revenues declined on the previous year. Our new range of MVHR, branded Econiq, successfully launched in the year and we have plans to further extend the range in early 2025. Ventilair Belgium, with the new enhanced product range, is well placed to capture the anticipated recovery in new build residential activity.

Energy Recovery Industries (ERI), our leading proposition of aluminium cross counterflow and thermal wheel heat exchangers, reported a small revenue decline in the year. Significant new innovation, initiatives to improve the product cost and further factory efficiency gains delivered an improvement in operating profit. ERI is significantly exposed to new construction activity, and we are actively investing to increase our installed capacity to underpin the expected revenue growth as new construction demand recovers and the proportion of ventilation in buildings utilising heat recovery further develops.

Within the two businesses we acquired in FY23, VMI, in France, and i-Vent, in Slovenia, we have progressed well with planned initiatives. In VMI we have substantially increased the product range available to our distribution customers in France. Our investment thesis is to utilise the brand to grow our coverage in the French market, and we made good progress with the execution of this strategy in the year. Further new product introductions are planned for 2025. In Slovenia we introduced several new products from across the Group, including a proprietary exhaust fan solution to replace a previously third party sourced solution. The model is direct to consume,r and we have increased our marketing effort to greater establish the i-Vent brand in the market place in the face of increased competitor activity.

Regional Review – Europe continued

Nordics

Sales in the Nordics region were £47.4 million (2023: £49.1 million), organic revenue growth of 0.4% at cc compared with the previous year.

The Nordic picture was very much a contrast between refurbishment and new build markets. We saw good revenue growth in our refurbishment activities, where typically revenues are routed through distribution customers, with the second half of the year much improved over the first half. In our more new build construction focused markets, most notably in Denmark and Finland, revenues declined in the year. The ongoing higher interest rate levels have constrained new build construction, despite there still being a structural shortage of homes in the region.

Customer destocking with our distribution customers was largely completed in the prior year, so demand for our products better reflects the end market customer behaviour. We continue to have a leadership position for residential refurbishment in Sweden and further strengthened our position in Norway during the year, where we have increased our market share relative to our key competitor. Initiatives to increase sales of decentralised heat recovery solutions in refurbishment performed well and helped underpin our organic growth in the refurbishment market. In the new build market, we introduced the Econiq range of MVHR in Denmark and have further improved our range of heat recovery solutions in Finland. Across the region we continued with strong cost control, and despite modest organic revenue growth in the Nordics, there was an improved contribution to the Group's profitability in the year.

Legislation update – Europe

Buildings are responsible for around 40% of the EU's energy consumption, more than half of EU gas consumption (mainly through heating, cooling and domestic hot water), and 35% of the energy-related greenhouse gas emissions. At present, about 35% of the EU's buildings are over 50 years old and almost 75% of the building stock is energy inefficient. At the same time, the average annual energy renovation rate is only about 1%.

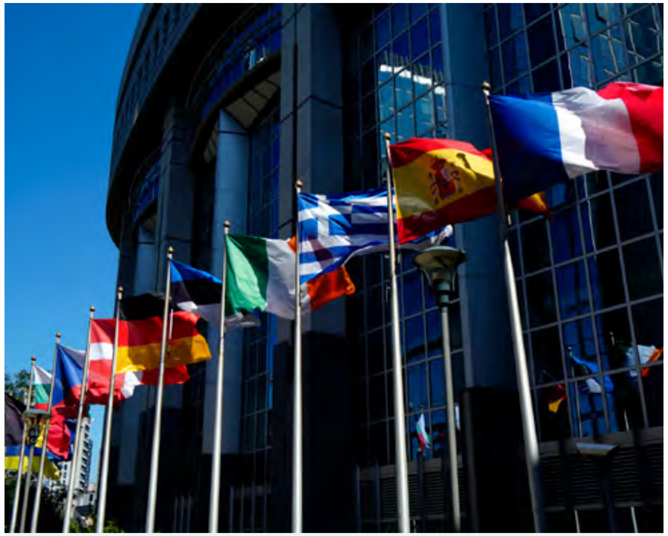
The Directive is a key building block in the EU's efforts to transition away from fossil fuels and to double the rate of energy efficiency improvements and triple renewable energy capacity by 2030, as agreed with global partners at COP28. This year's adoption builds on the completion and entry into force of the 'Fit for 55' legislation, and will contribute to reducing greenhouse gas emissions by at least 55% by 2030.

Revised Energy Performance of Buildings Directive

In May 2024, the European Commission finally adopted the strengthened Energy Performance of Buildings Directive (EPBD). This represents another milestone of the European Green Deal.

This legislation sets the framework for Member States to reduce emissions and energy use in buildings across the EU, from homes and workplaces to schools, hospitals and other public buildings. This will help improve people's health and quality of life.

Each Member State will adopt its own national trajectory to reduce the average primary energy use of residential buildings, by 16% by 2030 and 20 – 22% by 2035. For non-residential buildings, they will need to renovate the 16% worst-performing buildings by 2030 and the 26% worst-performing buildings by 2033.



What does this mean for Volution

Q. How will the new EPBD positively impact Volution?

The Directive sets zero-emission buildings as the new standard for new build. All new buildings must have zero-onsite emissions from fossil fuels from 1 January 2030. This will support the adoption of heat recovery ventilation systems.

In addition, Member States have to establish national Building Renovation Plans to decarbonise the building stock and must enable the deployment of sufficient national-level finance and help leverage private investment at scale.

Investment mobilisation through the European Investment Bank, Just Transition Mechanism, and Sustainable Europe Investment plan will all help unlock investment in buildings.

Q. How does this work together?

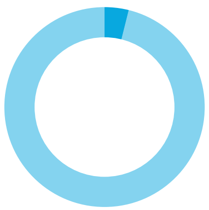
By aligning regulatory frameworks, offering financial incentives and mobilising significant investment, both the European Green Deal and the EPBD facilitate access to funding for energy efficiency improvements in buildings. This integrated approach ensures that financial resources are available to support the EU's ambitious climate change goals.

Regional Review – Australasia

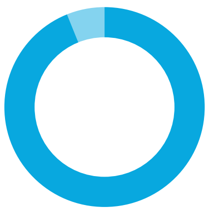
£52.4m
Revenue

↑17.5%
revenue growth at cc

£11.9 million
adjusted operating profit



New Build 4%
RMI 96%



Residential 94%
Commercial 6%

	2024 £m	2023 £m	Change %	Change (cc) %
Total revenue	**52.4**	47.4	10.6	17.5
Adjusted operating profit	**11.9**	11.3	5.3	
Adjusted operating profit margin (%)	**22.7**	23.9	(1.2)pp	
Reported operating profit	**11.1**	10.7	3.6	

Sales in our Australasia region were £52.4 million, with organic growth of 0.1% at cc. The sector benefited from the acquisition of DVS in August 2023 with inorganic growth of 17.4%. Adjusted operating profit increased by 5.3% to £11.9 million from £11.3 million in the prior year in spite of a significant earnings translation headwind resulting from the weaker local currencies versus GBP. Adjusted operating profit margins were down by 120bps to 22.7% versus 23.9% in the prior year, the dilution being related to the lower margin contribution from the newly acquired DVS.

The market in New Zealand was more challenging in the year following a good period of growth in the prior year which impacted revenue in both Simx and DVS. Revenues in Simx declined in the period, however operating margins were maintained through gross margin improvement initiatives and initiatives to control our indirect cost base. In the year we added the direct-to-consumer sales opportunity through the acquisition of DVS. Having these two different routes to market in the residential space gives us greater flexibility and opportunity to introduce new products to the New Zealand market. Whilst we are delighted to have acquired DVS, the business traditionally operates with a much lower operating margin than our core activities. We have identified and are now implementing significant product cost reduction initiatives, most notably in the area of pcb electronics, and these benefits provide the potential for a meaningful margin expansion in DVS. There is greater seasonality in DVS than the rest of our New Zealand activities, with almost 50% of our annual revenue being generated in the Southern Hemisphere winter months of May, June and July.

In Australia, our Ventair business had another very successful year. Our updated ranges of DC low-carbon ceiling fans have gained significant traction in the market, as revenues of these new product lines replace older, lower price point AC driven technology faster than we had anticipated. Regulations in the market favouring low-carbon technology and the use of ceiling fans as a more energy-efficient and effective way to provide cooling in a warmer climate have driven overall market volumes in the last few years.

Regional Review – Australasia continued

Legislation update – Australasia

Public consultation on the Commercial Building Disclosure (CBD) Programme expansion

The Commercial Building Disclosure (CBD) Programme requires energy-efficiency information to be provided, in most cases, when commercial office space of 1000 square metres or more is offered for sale or lease.

The aim of the CBD Programme is to improve the energy efficiency of Australia's large office buildings and to ensure prospective buyers and tenants are informed. The CBD Program is established by the Building Energy Efficiency Disclosure Act 2010 (the BEED Act) and is managed by the Australian Government Department of Climate Change, Energy, the Environment and Water (the 'Department').

The CBD Programme has driven considerable energy savings for large commercial office buildings by empowering building owners and operators to make informed decisions to enhance energy efficiency and reduce consumption. Since 2010, there has been a 35% reduction in base building energy usage per square meter for disclosure-affected office buildings.

In Australia, non-residential buildings contribute around 10% of total emissions in the economy, most of this outside the office sub-sector. Expanding the scope to the other building types represents a significant opportunity to decarbonise. The feasibility study includes a suggested roadmap for introducing mandatory disclosure to most major commercial building sectors by 2035.

The following key principles support the proposed roadmap for change:

- Emphasising the early expansion of scope to include larger building types where National Australian Built Environment Rating System (NABERS) rating tools are accessible.
- Gradually extending coverage to all major sectors of commercial buildings, ultimately addressing a significant portion of their emissions and energy consumption through effective regulations.
- Introducing minimum energy performance standards (MEPS) for building types that have initially been subjected to disclosure requirements.
- Providing specific information regarding timing, size thresholds, trigger points, and disclosure/consideration requirements after conducting a more thorough cost-benefit analysis, regulatory impact statement (RIS), and consultations with the industry.

The Department is inviting feedback on this roadmap, recognising that the implementation of CBD expansion will necessitate additional analysis of the costs and benefits specific to the sector being considered.

What does this mean for Volution

Q. How will wider disclosure positively impact Volution?

NABERS provides a rating across four areas including indoor environment (IE). A NABERS IE rating measures the indoor environment quality of a building, based on factors that impact people's cognitive performance, satisfaction and productivity, including air quality, lighting quality, temperature and thermal comfort, and acoustics.

Q. What is included in a NABERS IE rating?

Indoor air quality is a specific measure. This includes ventilation effectiveness and levels of pollutants as well as maintenance of air systems and cleaning practices for the building in general. This will help continue to drive demand for higher specification ventilation systems for commercial buildings.

Our Business Model

What drives us

We are driven by our purpose to provide 'Healthy air, sustainably' and are committed to supporting the legislative transition as we decarbonise.

Healthier spaces

In modern well-insulated and airtight buildings, good ventilation is required to ensure that we maintain a healthy indoor atmosphere. Requirements are driven by regulations.

Read more on pages 28 and 29

Cleaner air

Volution's focus on low-carbon products reduces energy and avoids carbon emissions from buildings, leading to a cleaner planet.

Read more on pages 30 and 31

Comfort redefined

During summer periods, modern buildings are at risk of overheating. Our energy-efficient products reduce this risk and create comfortable living environments.

Read more on pages 32 and 33

Resources we rely on to deliver on our purpose

People We rely on our dedicated workforce to deliver on our purpose.	**1,869** employees
Brands Our trusted brands across the UK, Continental Europe and Australasia provide us with a strong customer base and unique market selling opportunities.	**22** brands operating across three main markets
Relationships We rely on the strong partnerships that we build with our customers, regulators and suppliers.	**c20,000** customers
Financial capital Our strong balance sheet allows continued investments in the Group, facilitating the acquisition of value-adding companies further strengthening our proposition.	**£85.8m** adjusted operating cash flow
Natural capital We keep sustainability at the heart of everything we do, utilising wherever possible the use of recycled materials in our designs.	**78.1%** recycled plastic processed in our own factories

Our Business Model continued

Our value chain

Our value chain

Innovate

We design and create innovative products across our business utilising the wealth of expertise from our employees , feedback from partners and our years of experience to deliver bespoke air quality solutions for our customers.

Manufacture

With continued product innovation we manufacture products with sustainability at their heart. We aim to use high-quality, sustainable products, eliminating waste in our value chain.

We aspire to close the loop on our circular economy by recycling end-of-life products.

Grow

Our acquisition strategy allows us to continually integrate value-adding businesses that provide new expertise, additional routes to market, and product development opportunities.

Distribute

Our 22 brands operate across three key geographies. Our scale allows us to maximise cross-selling opportunities, maximising our market reach, setting us apart from our peers. We aim to collaborate with distribution partners who prioritise sustainable practices.

Shareholders

Delivering attractive returns

+11.8%
adjusted basic EPS 5-year CAGR

Suppliers

Develop long-term relationships with suppliers to grow together while meeting social commitments

c2,000
suppliers

Customers

Provide innovative air quality solutions to support their needs

>20,000
SKUs

Environment

Continue to reduce our environmental impact within our value chain

2021
Green Economy Mark since 2021

Employees

Create a working environment within which our employees can develop their skills

74
overall employee engagement score

Government

Support regulatory change through the continued development of clean air ventilation systems

Read more on pages 16 to 23

Underpinned by our strategic pillars and commitment to sustainability

Strategic pillars

- Organic growth
- Value-adding acquisitions
- Operational excellence

Read more on pages 34 to 37

Sustainability commitments

- Product
- Planet
- People

Read more on pages 60 to 87

Our Solutions

Leading range of products and solutions

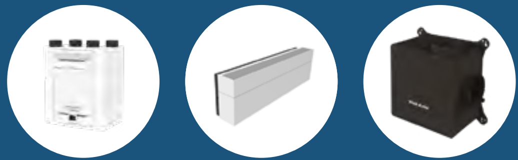
Residential:

New build houses

Ventilation systems in homes are not only fitted to bathrooms, utility rooms and kitchens, but can be supplied to the whole house.

Apartments

Apartments, and other multi-occupancy properties such as care homes, are also often more complex than houses so need more bespoke solutions.



Housing refurbishment

Existing buildings are harder to retrofit complex duct routes to. Refurbishment solutions for individual properties are therefore generally simpler to nature.

Our Solutions continued

Non-residential

Schools

In classrooms specialist solutions are needed to maximise the energy efficiency throughout the seasons, minimising energy loss in winter and keeping them cool in summer.

Hospitality

Restaurants, bars, hotels and the like all have a high density of people where air quality and comfort are key. We offer a wide range of energy-efficient solutions.

Workplaces

Offices, factories, warehouses, retail spaces and government buildings, plus many more workplaces, can all be served by our non-residential solutions.

Healthier spaces
Cleaner air
Comfort redefined

84%

We spend over 84% of our time indoors.

In modern well-insulated and airtight buildings, good ventilation is required to ensure that we maintain a healthy indoor atmosphere. Requirements are driven by regulations.

Build tight, ventilate right

As we decarbonise, our buildings will become more airtight with much better insulation, all added to make our buildings more energy efficient. However, the air inside these buildings runs the risk of becoming full of indoor pollutants and condensation leading to mould growth and poor health.

Making buildings healthier

"Our windows used to be completely covered in water, but after installing the Vent-Axia PureAir Home PIV the condensation has gone. After a while I wondered whether the condensation had disappeared just because the weather was warmer so I turned the unit off for a week and guess what? – the condensation came back."

Rob Ford, UK customer

The Vent-Axia PureAir Home is a positive pressure unit designed for easy retrofit into an existing house. It's deigned to help reduce the condensation by helping prevent the migration of humidity around the home.

Healthier spaces
Cleaner air
Comfort redefined

Volution's focus on low-carbon products helps reduce the energy used in buildings.

Heat recovery avoids carbon emissions

Recovering energy from the air when ventilating reduces the amount of heating or cooling needed in a building, which in turn reduces carbon emissions from the energy network.

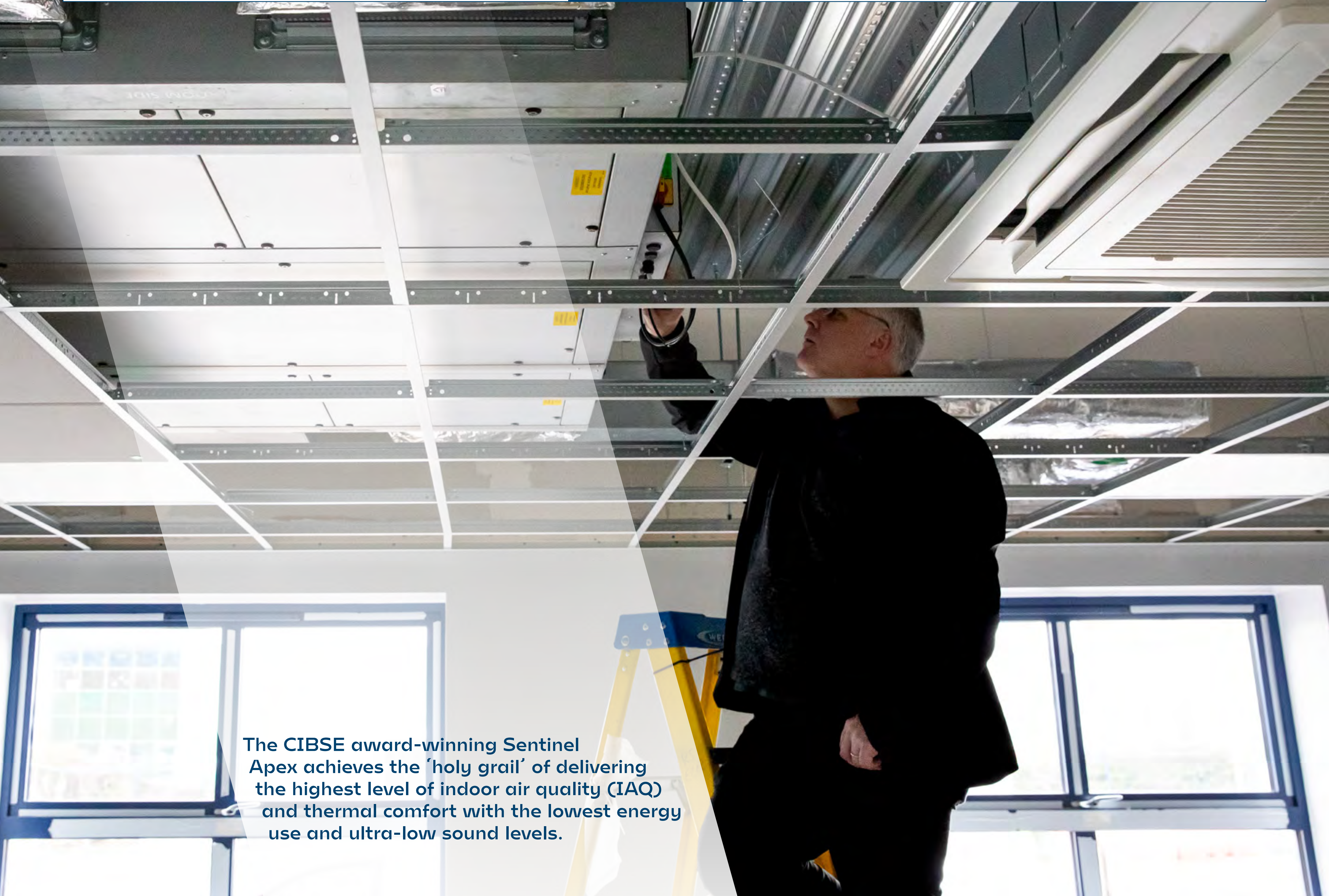
93%

Volution supplies products with up to 93% heat recovery.

Making buildings cleaner

"Energy efficiency is at the heart of everything we do for our customers, so for our own new workplace, we wanted to demonstrate the capability of today's products in delivering carbon neutral buildings in operation and hopefully inspire others".

Paul Hooker, owner and Managing Director of ECO MEP after installation of CIBSE award-winning Sentinel Apex to provide ventilation for ECO MEP's highly efficient commercial office environment in Ashford, Kent.



The CIBSE award-winning Sentinel Apex achieves the 'holy grail' of delivering the highest level of indoor air quality (IAQ) and thermal comfort with the lowest energy use and ultra-low sound levels.

Healthier spaces Cleaner air Comfort redefined

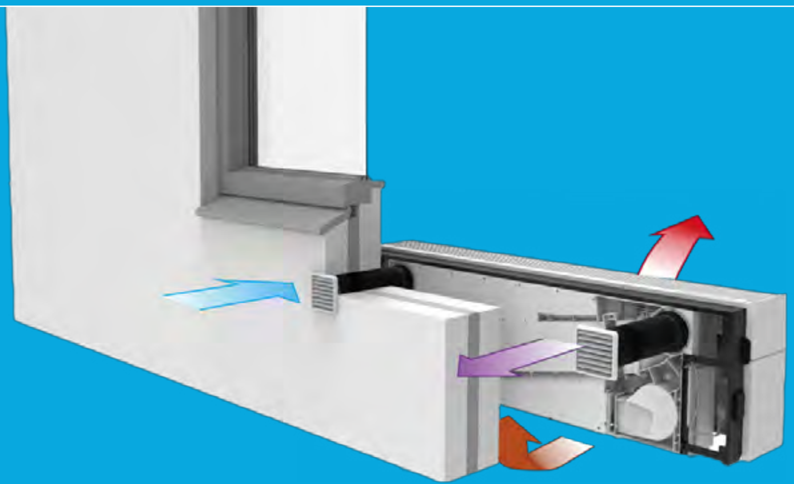
90%

of UK homes will overheat under a 2°C Global Warming Scenario

Our products reduce the risk of overheating and create comfortable living environments.

Insulation and global warming will lead to overheating

Modern, well-insulated buildings, along with increasing temperatures driven by climate change, increase the risk of overheating buildings. Regulators are starting to increase legislation to mitigation of the risk, and specifiers are responding by including cooling solutions into their designs. It is key, however, that cooling is provided in the most efficient way so that emission reduction targets can still be met. Volution has a range of products designed to do just that.



Making buildings more comfortable

Remodelling of the Stationsstraat office building was needed as, during the summer, temperatures above 30°C were recorded in the workplace: "We had previously equipped a number of rooms with ClimaRad units as a pilot and the experiences of the users were very positive. The indoor climate was considerably improved by ventilation via heat recovery in combination with low temperature output."

Tiwos Tilbug housing association

The ClimaRad H1C unit has a built-in heat exchanger and various sensors that measure air quality. A convector with additional ventilators is placed above the unit. This convector can be used to heat or cool. The unit provides ventilation, heating and cooling for each room, mounted on the external wall.

Our strategy

Providing healthy air sustainably through our four strategic pillars

1 Organic growth

What this means & how we do it

We will grow through a focused sales strategy for each of our market sectors. We will promote the benefits to health of higher-value ventilation solutions to grow our markets and increase margins. We will invest in innovative new products and deliver benefits from recently acquired businesses and drive cross selling initiatives.

Progress

- Organic revenue growth at 1.5% on a constant currency basis.
- Launched a range of energy-efficient commercial ventilation systems.

Priorities for FY25

- Continue the focus on cross selling across our organisation.
- Improve our focus on innovation and the introduction of new products.

2 Value-adding acquisitions

What this means & how we do it

We will continue to acquire and integrate complementary businesses in the residential market and, where appropriate, in the commercial ventilation market. Our focus will be in businesses with clear synergistic benefits available.

Progress

- Inorganic growth at 6.5% on a constant currency basis.
- Completed the acquisition of DVS in New Zealand, a provider of low-carbon whole-home ventilation systems.

Priorities for FY25

- Continue to focus on delivery of targeted synergistic benefits including cost reduction and intercompany trade.
- Focus on acquisitions which open new channels or product categories helping to diversify and reduce risk.

3 Operational excellence

What this means & how we do it

Our dedication to operational excellence continues. We have been focused on improving the efficiency of all our operations and processes, reducing waste and optimising packaging and logistics.

Progress

- Adjusted operating margin of 22.5% (+120bps).
- Consolidated manufacturing sites in the UK increasing our operational efficiencies.

Priorities for FY25

- Move to a new improved flow line layout in our Dudley facility.
- Leverage Group procurement to optimise supply chains and maximise synergistic benefits available.

4 Sustainability at our core

What this means & how we do it

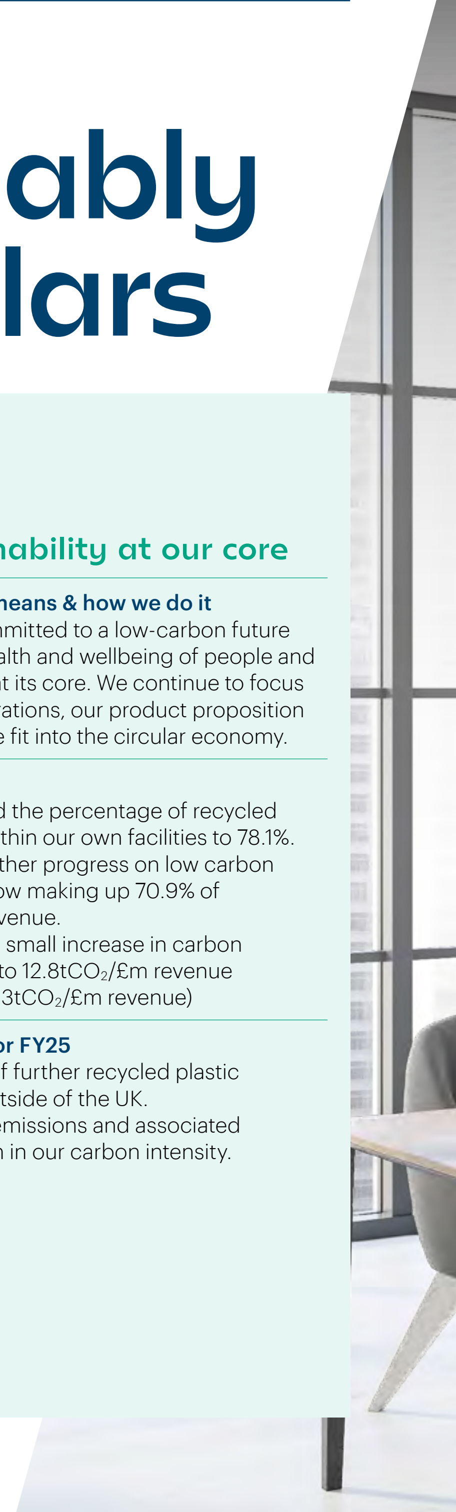
We are committed to a low-carbon future with the health and wellbeing of people and the planet at its core. We continue to focus on our operations, our product proposition and how we fit into the circular economy.

Progress

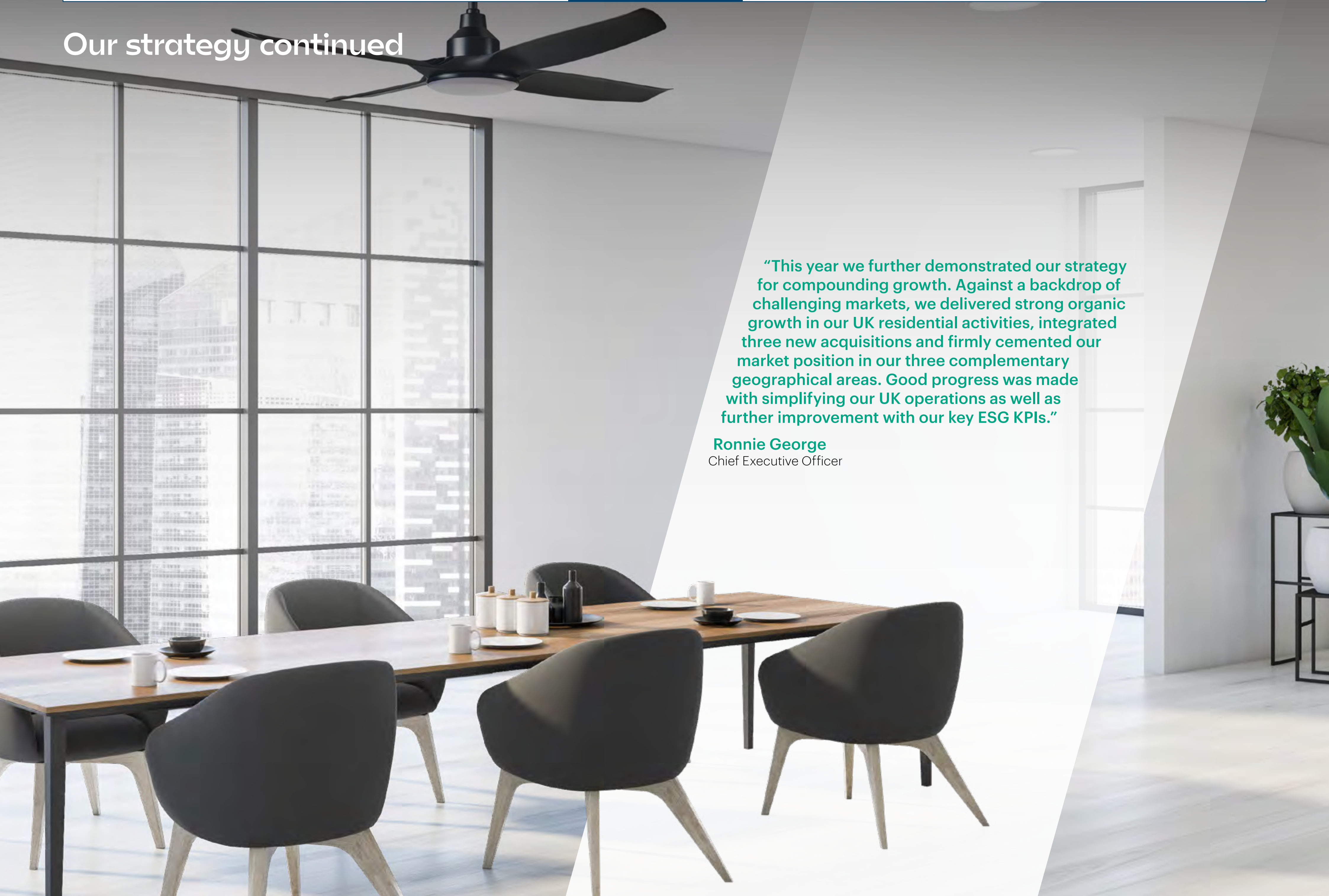
- Increased the percentage of recycled plastic within our own facilities to 78.1%.
- Made further progress on low carbon sales – now making up 70.9% of Group revenue.
- We saw a small increase in carbon intensity to 12.8tCO_2/£m revenue (2023: 12.3tCO_2/£m revenue)

Priorities for FY25

- Roll out of further recycled plastic usage outside of the UK.
- Reduce emissions and associated reduction in our carbon intensity.



Our strategy continued



"This year we further demonstrated our strategy for compounding growth. Against a backdrop of challenging markets, we delivered strong organic growth in our UK residential activities, integrated three new acquisitions and firmly cemented our market position in our three complementary geographical areas. Good progress was made with simplifying our UK operations as well as further improvement with our key ESG KPIs."

Ronnie George
Chief Executive Officer

Our strategy in action

1 Organic growth

Expanding our market opportunity in Australia

In the second half of the year, we launched a range of new products into the Australian market. The range of DC motor-powered ceiling fans, exhaust fans and 3 in 1 heat, fan and light bathroom heaters all provide a new low-carbon product offer – all designed for quiet, continuous operation.

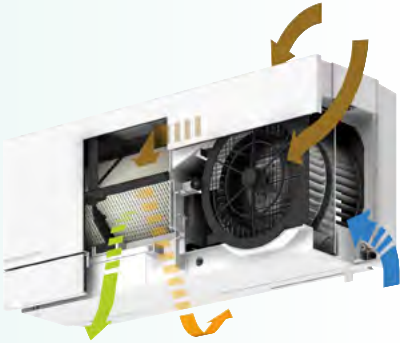
Expanding our market opportunity in UK non-residential

Expanding on our multi-award-winning NVHR range, we have designed a market leading, natural ventilation system that delivers heat recycling and heat recovery with hybrid technology, delivering maximum efficiency. Sustainability benefits were key at every stage of the product design to ensure the heat recovery system helps our customers on the road to reducing their carbon footprint and net zero carbon emissions.

2 Value-adding acquisitions

Acquisition of DVS

Founded in 1996, DVS is a market-leading ventilation supplier based in New Zealand. For more than two decades, they have been dedicated to making New Zealand homes healthier and more comfortable to live in. DVS supplies and installs a range of energy-efficient centralised ventilation systems, incorporating positive input, heat recovery, heat transfer, and heating and cooling solutions. Their products can be installed in both new and existing properties and are sold under the DVS Home Ventilation brand.



Expanding our product offer in France

The acquisition of VMI in France provided us with a new platform through which to launch new and existing Group products. In March 2024 we launched a new product VMI branded offer including extract fans, single room heat recovery products and additional positive pressure units. These products are now available in the distribution channels in France and are just the start of widening the categories sold through VMI.

VMI® DEMANDEZ PLUS À LA VENTILATION

Our strategy in action continued

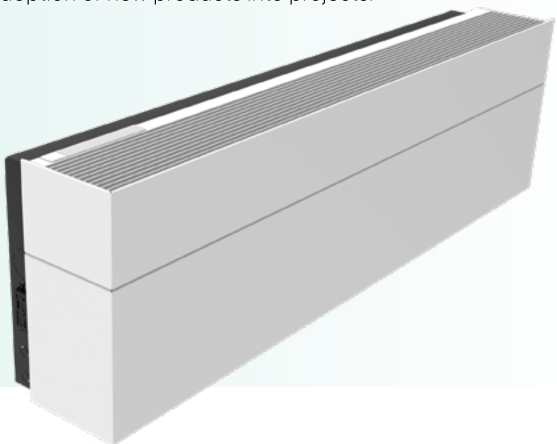
3 Operational excellence

Operational efficiencies in the UK

In the first half of the year, we consolidated our Torin facilities in Swindon into a single location at Greenbridge helping to optimise our footprint. In addition, we integrated our facility in Soham, where we were assembling the Breathing Buildings Product range, into our facility in Dudley. To facilitate the move, we invested circa £1 million upgrading the employee facilities, equipment and the addition of new flowlines.

Insourcing metal fabrication in Bosnia

With the introduction of our new Vita unit in ClimaRad, we made the decision to internalise the metal fabrication of the unit rather than outsource. This not only provided a cost reduction after the investment of €0.3 million in metal cutting and bending, but provides greater flexibility in production, helping to manage the quick adoption of new products into projects.



4 Sustainability at our core

Sustainability at our core

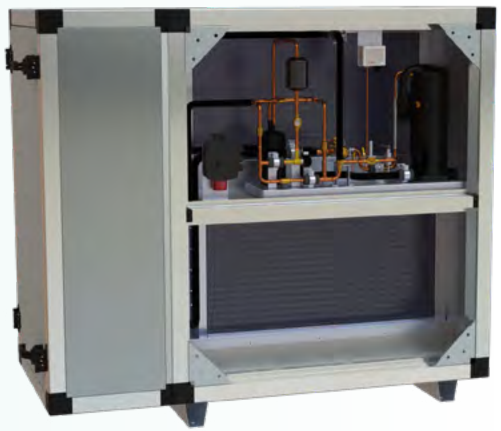
This year we identified new sources of polymers helping us to increase the range of products incorporating recycled plastic. We have invested in new test facilities enabling us to test on site at Reading. This has enabled us to speed up approval of new sources ad helps drive the adoption of alternative materials.

Expanding our market opportunity in centralised heat recovery

Lo-Carbon Sentinel Econiq Cool-Flow is Vent-Axia's latest flagship MVHR system combined with our Intelligent Econiq Cool-Flow Module offering up to 3.78KWh of cooling. In the cooler months the Lo-Carbon Sentinel Econiq Cool-Flow provides up to 93% heat recovery ensuring heating bills are kept to a minimum. In the warmer months our Intelligent controller automatically switches between heat recovery, summer bypass and active cooling via the Econiq Cool-Flow Module, continuously measuring internal and external temperatures to maintain comfort thresholds efficiently.

New integrated heat pump

With the increasing demand for low-carbon heating and increasing cooling demand, Pamon have developed an integrated heat pump and centralised energy recovery air handling unit for commercial applications.



Key Performance Indicators (KPIs)

Strong and sustainable performance

We have identified a number of key performance indicators (KPIs) that monitor performance against our strategy and priorities, and enable investors and other stakeholders to measure our progress consistently.

Financial performance

Revenue growth

£m

+8.6%

Five-year average

Strategic pillars measured by this KPI

This KPI tracks our performance against our strategic aim to grow the business. We expect to grow via a combination of both organic growth and via acquisitions of attractive businesses with strong brands that expand our access to markets and are aligned with our purpose.

Comments

- Revenue grew 6.0%, or 8.0% constant currency (cc)
- 1.5%cc growth was organic, 6.5%cc growth through acquisitions

Organic revenue growth

%

+4.5%

Five-year average

Strategic pillars measured by this KPI

This KPI tracks our revenue performance from existing businesses excluding the impact of acquisitions. We expect to deliver growth ahead of GDP, leveraging our strong brand positions and market leading product portfolios, supported by regulatory trends and increasing customer awareness of air quality and the importance of ventilation.

Comments

- Comments
- Organic revenue growth of 1.5%cc
- Full-year organic growth delivered in the UK (3.1% at cc) and Australasia (0.1% at cc), with Continental Europe being flat on prior year.

Note

1. The Group uses some alternative performance measures (APMs) to track and assess the underlying performance of the business. These measures include adjusted operating profit, adjusted operating profit margin, adjusted profit before tax, adjusted basic EPS, adjusted operating cash flow, return on invested capital, net debt, net debt (excluding lease liabilities) and adjusted operating cash conversion. The reconciliation of the Group's reported profit before tax to adjusted profit measures of performance is summarised in the table on page 43 and in detail in note 2 to the consolidated financial statements. For a definition of all the adjusted and non-GAAP measures, see the glossary of terms in note 33 to the consolidated financial statements.
2. Definitions, basis of preparation, calculation methodology and historical data related to sustainability KPIs and other measures of sustainability performance can be found on pages 200 to 202.

Link to strategic pillars key

Organic growth | Value-adding acquisitions | Operational excellence | Sustainability at our core

Link to Directors' remuneration key

LTIP Long Term Incentive Plan | ABP Annual Bonus Plan

Key Performance Indicators (KPIs) continued

Adjusted operating profit margin[1]

% of revenue

+20.3%

Five-year average

Strategic pillars measured by this KPI

This adjusted measure tracks the underlying financial performance and quality of the Group's earnings. We aim to achieve and sustain attractive operating margins by leveraging the benefits of product innovation, and through economies of scale in sourcing and operational efficiencies in our production and indirect costs.

Comments

- Full-year adjusted operating margin up 120bps to 22.5% (2023: 21.3%)
- Strongest margin growth was in the UK, supported by enhanced mix and by cost initiatives

Link to Directors' remuneration LTIP ABP

Adjusted operating cash conversion[1]

%

+102%

Five-year average

Strategic pillars measured by this KPI

This KPI tracks the efficiency of cash generation at the operational level (important for our acquisition strategy), after movements in working capital and capital expenditure.

Comments

- Working capital inflow of £2.6 million in the year.
- Capital expenditure of £7.2 million (2023: £7.8 million).

Working capital

% of LTM revenue

+14.9%

Five-year average

Strategic pillars measured by this KPI

This KPI tracks our working capital efficiency; optimisation of our working capital, especially inventories across the Group, is an important stream of our operational excellence focus.

Comments

- Working capital inflow of £2.6 million in the year primarily due to improvement in inventory offset by slightly higher receivables and lower payables.
- Inventory (excluding new acquisitions) was down £6.8 million in the year.

Link to Directors' remuneration LTIP ABP

Link to strategic pillars key

Organic growth | Value-adding acquisitions | Operational excellence | Sustainability at our core

Link to Directors' remuneration key

LTIP Long Term Incentive Plan | ABP Annual Bonus Plan

Key Performance Indicators (KPIs) continued

Adjusted basic earnings per share[1]
Pence

+15.9%

Five-year average

Strategic pillars measured by this KPI

This KPI measures how successful we have been in growing the business relative to capital allocation and tax considerations. We target double digit adjusted EPS growth.

Comments
- Adjusted basic EPS grew 8.5%
- Our adjusted operating profit grew strongly at 11.7% growth, however this reduced to 8.5% EPS growth due to higher finance costs as a result of significantly increased bank interest rates.

Link to Directors' remuneration LTIP ABP

Reported basic earnings per share
Pence

+31.7%

Five-year average

Strategic pillars measured by this KPI

This KPI measures how successful we have been in growing the business relative to capital allocation and tax considerations.

Comments
- Reported basic EPS grew 18.6%.

Return on invested capital
(ROIC) %

28.0%

Three-year average

Strategic pillars measured by this KPI

This KPI measures the returns for the Group as a whole and helps demonstrate the underlying quality of the business and its ability to generate shareholder value.

It is measured as adjusted operating profit for the year divided by average net assets excluding net debt, acquisition related liabilities, and historic goodwill and acquisition related amortisation charges. The measure also excludes the goodwill and intangible assets arising from the original transaction that created the Group as a result of the leveraged buy-out transaction by private equity house Towerbrook Capital Partners in 2012.

Comments
- 2024 ROIC of 27.8% (2023: 27.4%) is significantly ahead of the Group's estimated Weighted Average Cost of Capital
- Growth in ROIC in the year was due to adjusted operating margin expansion part offset by the impact of acquisitions on our invested capital.

Link to strategic pillars key

Organic growth | Value-adding acquisitions | Operational excellence | Sustainability at our core

Link to Directors' remuneration key

LTIP Long Term Incentive Plan | ABP Annual Bonus Plan

Key Performance Indicators (KPIs) continued

Sustainability performance

Revenue from Low-carbon products

% of revenue

70.9%

Group

Strategic pillars measured by this KPI

LTIP

- This KPI measures our aim to champion the energy saving potential of our products to support the drive to net zero.
- We made further progress in FY24, already surpassing our FY25 target of 70.0%

Recycled plastic used in our own manufactured products

%

78.1%

Group

Strategic pillars measured by this KPI

LTIP

- This KPI measures our aim to reduce our environmental impact
- We made progress in FY24. Although we fell short of our stretching target for the year of 83.4%, our Q4 FY24 exit rate was over 83.0%

Scope 1 & 2 Carbon intensity

tCO_2/£m revenue

12.8

Group

Strategic pillars measured by this KPI

LTIP

- This KPI measures progress on our commitment net zero.
- In FY24 we saw an increase in carbon intensity, impacted by the addition of our recent acquisitions, changes to carbon conversion factors, and some increases in vehicle and gas use.

Reportable accident frequency rate

Reportable accident rate per 100,000 hours worked

0.20

Group

Strategic pillars measured by this KPI

- This KPI measures our first priority to keep everyone safe.
- In FY24, our focus and investment lead to a significant improvement in our reportable accident frequency rate compared to last year.

Financial Review

Excellent cash generation continues to underpin our growth model

Andy O'Brien
Chief Financial Officer

Results Review

I am pleased to report that despite a year of varied, and in many countries quite challenging, market conditions, the Group was able to grow organically and delivered a strong performance in terms of both adjusted operating profit (+11.7%) and adjusted operating cash flow (+13.4%).

Group revenue grew 6.0% to £347.6 million (2023: £328.0 million), with organic growth at constant currency (cc) of 1.5% and a 6.5% (cc) contribution from acquisitions, part offset by an adverse 2.0% impact from movements in foreign exchange. All three regions grew revenue, with the UK up 3.0% (all organic) whilst in Europe and Australasia organic revenue (cc) was flat with growth coming from the acquisitions completed in late FY23 and early FY24. Further information on the performance and market drivers per region is given in the regional reviews on pages 16 to 23 of this report.

Gross margins increased by 290bps to 51.3%, benefiting from effective supply chain management and procurement savings, as well as good levels of factory efficiency and performance. Price benefit of c2% was primarily the result of the annualised impact from prior year increases. An increase of £11.3 million in administration and distribution costs was primarily due to the new acquisitions (£8.1 million) with the 'direct to consumer' business models of both i-Vent and DVS bringing a higher level of marketing and advertising costs. The remaining increase in administration and distribution costs was primarily attributable to staff costs, with average salary increases of approximately 4.8%.

Adjusted operating profit grew by 11.7% to £78.0 million (2023: £69.9 million) with adjusted operating margins expanding to 22.5%, up from 21.3% in the prior year. Reported operating profit grew by 23.2% to £70.4 million (2023: £57.1 million). Adjusted earnings per share increased by 8.5% to 28.0 pence (2023: 25.8 pence).

Our capital allocation for long-term sustainable growth

- Investment for organic growth
- Value added acquisitions
- Reliable return to shareholders

Financial Review continued

	Year ended 31 July 2024			Year ended 31 July 2023		
	Reported £m	Adjustments £m	Adjusted results £m	Reported £m	Adjustments £m	Adjusted results £m
Revenue	**347.6**	**–**	**347.6**	328.0	–	328.0
Gross profit	**178.3**	**–**	**178.3**	158.9	–	158.9
Administration and distribution costs excluding the costs listed below	**(100.3)**	**–**	**(100.3)**	(89.0)	–	(89.0)
Amortisation of intangible assets acquired through business combinations	**(9.3)**	**9.3**	**–**	(11.1)	11.1	–
Contingent consideration	**1.9**	**(1.9)**	**–**	(0.6)	0.6	–
Costs of business combinations	**(0.2)**	**0.2**	**–**	(1.1)	1.1	–
Operating profit	**70.4**	**7.6**	**78.0**	57.1	12.8	69.9
Re-measurement of financial liabilities	**(0.9)**	**–**	**(0.9)**	0.1	–	0.1
Re-measurement of contingent consideration	**(6.6)**	**6.6**	**–**	(1.9)	1.9	–
Net gain on financial instruments at fair value	**0.1**	**(0.1)**	**–**	(1.6)	1.6	–
Other net finance costs	**(6.4)**	**–**	**(6.4)**	(4.9)	–	(4.9)
Profit before tax	**56.6**	**14.1**	**70.7**	48.8	16.3	65.1
Income tax	**(13.8)**	**(1.6)**	**(15.4)**	(11.3)	(3.0)	(14.3)
Profit after tax	**42.8**	**12.5**	**55.3**	37.5	13.3	50.8

Adjusted net finance costs of £6.4 million were up 31.6% compared to prior year (2023: £4.9 million) despite the relatively low levels of gross debt but reflecting the higher interest rates prevailing for the year. The adverse variance to prior year did moderate in the second half both as a result of reduced debt levels (closing net debt excluding lease liabilities at 31 July 2024 was 45.7% lower than prior year closing) coupled with the stabilisation of interest rates. The weighted average interest rates on gross debt in the year was 6.8% (2023: 4.4%).

Reported profit before tax was £56.6 million, an increase of 15.9% from £48.8 million in 2023. Adjusted profit before tax was £70.7 million, up 8.7% versus the prior year (2023: £65.1 million).

Adjusted basic earnings per share increased by 8.5% to 28.0p (2023: 25.8p). Basic earnings per share was 21.6p (2023: 19.0p), an increase of 13.7%.

Reported and adjusted results

The Group uses some Adjusted Performance Measures to track and assess the underlying performance of the business, as we believe they provide stakeholders with helpful information on the performance of the business, and a useful comparison of underlying business trends and performance from one period to the next.

Amortisation of intangible assets acquired through business combinations was £9.3 million (2023: £11.1 million), down £1.8 million in the year as a number of our older intangible assets reached the end of their amortisation life.

Contingent consideration of £1.9 million consists of £1.6 million in respect of i-Vent in Slovenia, where a strong finish to calendar year 2023 was followed by a more difficult trading period in spring/summer 2024 which led to a reduction in our expectation of contingent consideration payable. A small adjustment of £0.3 million was also made in respect of estimated contingent consideration for ERI. Costs associated with business combinations were £0.2 million (2023: £1.1 million), down £0.9 million due to the lower level of acquisitions completed in the year compared to the prior year. Re-measurement of contingent consideration was £6.6 million for the increase in expected consideration for the purchase of the remaining 25% of the shares of ClimaRad due to the strong earnings performance of the ClimaRad business through FY24.

Financial Review continued

Currency impacts

Aside from Sterling, the Group's key trading currencies for our non-UK businesses are the Euro, representing approximately 23% of Group revenues, Swedish Krona (approximately 9%), New Zealand Dollar (approximately 6%) and Australian Dollar (approximately 8%). We do not hedge the translational exchange risk arising from the conversion of the results of overseas subsidiaries, although we do denominate some of our borrowings in our non-Sterling trading currencies, which offsets some of the translation risk relating to net assets.

In 2024 we experienced a significant currency headwind of £6.7 million at a revenue level with a £1.7 million impact to adjusted operating profit. All of our principal non-Sterling currencies weakened relative to Sterling in the year, as shown in the below table.

	Average rate 2024	Average rate 2023	Movement
Euro	1.17	1.15	1.5%
Swedish Krona	13.40	12.80	4.7%
New Zealand Dollar	2.08	1.97	5.9%
Australian Dollar	1.92	1.80	6.6%

The Group had Euro denominated borrowings as at 31 July 2024 of £49.8 million (2023: £79.4 million). The Sterling value of these foreign currency denominated loans, decreased by £1.1 million because of exchange rate movements (2023: increased by £1.3 million).

Transactional foreign exchange exposures arise principally from our US Dollar denominated purchases of materials from our suppliers in the Far East. We aim to purchase a substantial proportion of our expected requirements approximately 12 months forward, and as such, we have forward currency contracts in place for approximately 80% to 85% of our forecast average forward requirements for the 2025 financial year (approximately $20 million).

Taxation

Our adjusted effective tax rate of 21.8% (2023: 21.9%) is broadly in line with last year, with the increase in the UK Corporation Tax rate from 19% to 25% partially offset by favourable business mix effect and an increase in UK Patent Box relief.

We expect our medium-term adjusted effective tax rate to be in the range of 21% to 25% of the Group's adjusted profit before tax, depending on the business mix and the profile of acquisitions. With a current tax rate of 30% in Australia, the anticipated addition of Fantech would be expected to increase the current rate.

Our reported effective tax rate for the year was 24.4% (2023: 23.4%); the increase of 1.0pp driven by higher non-deductible expenses, primarily movements in contingent consideration.

Excellent cash generation

Volution's high operating margins and asset light business model and operations drives a profile of strong cash generation. Underpinned by a working capital inflow of £2.7 million in the year (2023: inflow of £2.8 million), principally due to inventory optimisation, the Group delivered a strong adjusted operating cash flow of £85.8 million (2023: £75.7 million). Group cash conversion, defined as adjusted operating cash flow as a percentage of adjusted earnings before interest, tax and amortisation (see the glossary of terms in note 33 to the consolidated financial statements) was 107% (2023: 106%). Performance against this KPI has now beaten our target of 90% in all bar one of the Group's ten years as a listed business.

A summary of the year's cash flow is shown in the tables below, with the principal outflows being in relation to dividends (£16.4 million) and tax paid (£16.8 million), acquisitions (£13.2 million including acquisitions, contingent consideration, earn-outs and associated fees), and capital expenditure (£7.1 million).

Net debt at 31 July 2024 was £57.9 million (2023: £89.3 million), and is set out in the table below. With lower leverage of net debt (excluding lease liabilities) to adjusted EBITDA of 0.4x at 31 July 2024 (2023: 0.8x), our strong balance sheet and reliable high levels of cash conversion give us significant capability for future growth investment.

Movements in net debt position for the year ended 31 July

	2024 £m	2023 £m
Opening net debt 1 August	(89.3)	(85.8)
Movements from normal business operations:		
Adjusted EBITDA	89.0	79.3
Movement in working capital	2.7	2.8
Share-based payments	1.2	1.4
Capital expenditure	(7.1)	(7.8)
Adjusted operating cash flow:	85.8	75.7
• Interest paid net of interest received	(5.0)	(3.7)
• Income tax paid	(16.8)	(14.0)
• Cash flow relating to business combination costs	(0.2)	(1.0)
• Dividend paid	(16.4)	(14.8)
• Purchase of own shares	(2.7)	(1.8)
• FX on foreign currency loans/cash	0.8	(3.1)
• Issue costs of new borrowings	–	(0.3)
• IFRS 16 payment of lease liabilities	(5.7)	(4.5)
• IFRS 16 decrease/(increase) in lease liabilities	4.8	(6.2)
Movements from business combinations:		
• Business combination of subsidiaries, net of cash acquired	(8.5)	(29.7)
• Contingent consideration relating to I-Vent	(2.6)	–
• Contingent consideration relating to ERI	(1.9)	–
• Business combination of subsidiaries, debt repaid	(0.2)	(0.1)
Closing net debt 31 July	**(57.9)**	**(89.3)**

Financial Review continued

Reconciliation of Bank debt to Net debt

	2024 £m	2023 £m
Bank debt	**(49.8)**	(79.4)
Cash	**18.2**	21.3
Net debt (excluding lease liabilities)	**(31.6)**	(58.1)
Lease liabilities	**(26.3)**	(31.2)
Net debt	**(57.9)**	(89.3)

Reconciliation of reported to adjusted operating cash flow

	2024 £m	2023 £m
Net cash flow generated from operating activities	**75.7**	68.5
Net capital expenditure	**(6.9)**	(7.8)
UK and overseas tax paid	**16.8**	14.0
Cash flow relating to business combination costs	**0.2**	1.0
Adjusted operating cash flow	**85.8**	75.7

Funding facilities and liquidity

As at 31 July 2024, the Group had in place a £150 million multi-currency 'Sustainability Linked Revolving Credit Facility', together with an accordion of up to £30 million. As at 31 July 2024, the Group had £100.2 million of undrawn, committed bank facilities (2023: £70.6 million) and £18.2 million of cash and cash equivalents on the consolidated statement of financial position (2023: £21.3 million).

On 10 September 2024, the Group refinanced its bank debt. The Group now has in place a £230 million multi-currency 'Sustainability Linked Revolving Credit Facility', together with an accordion of up to £70 million. The facility matures in September 2027, with the option to extend for up to two additional years. The previous facility was repaid in full.

Value-adding acquisitions

Acquisition spend in the year net of cash acquired was £13.0 million (2023: £29.7 million). We completed the acquisition of DVS (New Zealand), for an initial consideration of £8.5million, (NZ$17.7 million), net of cash acquired, with further contingent cash consideration of up to NZ$9.0 million based on stretching targets for the financial results for the 12 months ended 3 August 2024 and the 12 months ended 31 March 2026. DVS supplies directly to consumers and installs a range of energy-efficient centralised ventilation systems, incorporating positive input, heat recovery, heat transfer, and heating and cooling solutions. Their products can be installed in both new and existing properties and are sold under the DVS Home Ventilation brand. DVS is being integrated into our Australasian business and provides an additional sales channel to supply low-carbon solutions.

Contingent consideration of £2.6 million for the first year measurement period of the FY23 acquisition of i-Vent was paid during the year, as was a deferred payment of £1.9 million related to the FY22 acquisition of ERI.

On 20 September 2024, the Group signed an agreement to acquire Fantech for an initial consideration of AUD$220 million (£113.4 million) on a debt free cash free basis, with further non-contingent consideration of AUD$60 million (£30.9 million) payable 12 months after the completion date. The transaction will be financed using proceeds of the new facility, plus cash on the balance sheet.

High Returns on Invested Capital (ROIC) maintained

Strong profit and cash generation is a key focus of Volution's financial model, and allied to our asset light business model means the Group generates a high Return on Invested Capital (ROIC).

The Group's ROIC (pre-tax) for the financial year was 27.8% (2023: 27.4%), measured as adjusted operating profit for the year divided by average net assets adding back net debt, acquisition-related liabilities, and historic goodwill and acquisition-related amortisation charges (net of the associated deferred tax). The measure excludes the goodwill and intangible assets arising from the original transaction that created the Group when it was bought via a leveraged buy-out transaction by private equity house Towerbrook Capital Partners in 2012.

The increase of 40bps versus prior year reflects the improvement in operating profit in the year from revenue growth allied to the Group's continued operating margin expansion in the period, offset by the effect of acquisitions with the full-year invested capital impact from our 2023 acquisitions (VMI and i-Vent) and two-thirds impact of DVS.

Volution continues to have ambitious plans for growth, both through organic and inorganic investment, with the post year-end agreement to acquire Fantech being a clear demonstration of our ambition in what (subject to completion) will be by some considerable distance the Group's largest acquisition to date. Although, at the time of entry to the Group, acquisitions will be dilutive to ROIC, our track record of improving returns post-acquisition, coupled with continued organic growth, provides confidence in maintaining Group ROIC above 20% over the medium term while continuing to invest to grow the business.

Recommended dividend

The Board is recommending a final dividend of 6.2 pence which, together with an interim dividend paid of 2.8 pence per share, gives a total dividend per share of 9.0 pence (2023: 8.0 pence), up 12.5% in total. The final dividend is subject to approval by shareholders at the Annual General Meeting on 11 December 2024 and, if approved, will be paid on 17 December 2024.

Employee Benefit Trust

During the year £2.7 million of non-recourse loans (2023: £1.8 million) were made to the Volution Employee Benefit Trust for the purpose of purchasing shares in Volution Group plc to meet the Company's obligations under its share incentive plans. The Volution Employee Benefit Trust acquired 770,000 shares at an average price of £3.903 per share in the period (2023: £3.334) and 1,019,886 shares (2023: 920,250 shares) were released by the trustees with a value of £3,942,724 (2023: £3,018,420). The Volution Employee Benefit Trust has been consolidated into our results and the shares purchased have been treated as treasury shares deducted from shareholders' funds.

Andy O'Brien
Chief Financial Officer
9 October 2024

Stakeholder Engagement

Delivering value for all

Employees

Why engagement matters

Employee engagement is critical to our long-term success. Interaction between our employees and customers is also one of the main ways of experiencing our brands. We work to create a diverse and inclusive workplace where every employee can reach their full potential. This ensures we can retain and develop the best talent.

How does Volution engage

- Employee Representative Forum.
- Employee Engagement Survey.
- Training and development.
- Individual performance reviews.
- Recognition and reward.
- Apprenticeships.
- Regular communications such as newsletters.

Board engagement

- Employee Representative Forum attended by Claire Tiney, designated Non-Executive Director for workforce engagement.
- Review of Employee Engagement Survey results and Group-wide Action Plans.
- Oversight of employee remuneration and gender pay gap data.
- Monthly health and safety reports.
- Annual Report and Accounts.

Customers

Why engagement matters

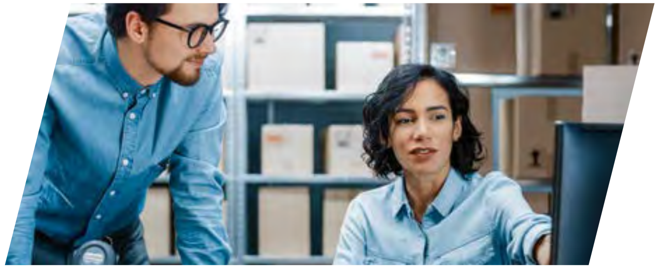
Understanding our customers' needs and behaviours allows us to deliver relevant products and services, retain customers and attract new ones and improve product performance. It also highlights opportunities for innovation of sustainable products and growth and challenges to be met.

How does Volution engage

- Management of ongoing customer relationships.
- Customer events and product launches.
- Participation in industry forums and events.
- Brand websites and social media.
- Annual Report and Accounts.

Board engagement

- New product development reports.
- CEO Board report updates the Board on material customer matters.



Suppliers

Why engagement matters

Our suppliers make a vital contribution to our performance. Engaging with our supply chain means that we can ensure security of supply and speed to market. Carefully selected high-quality suppliers ensure our brands deliver market leading innovative products meeting our customer expectations and requirements.

How does Volution engage

- Supplier audits and inspections.
- Ongoing supplier relationship meetings.
- Responsible, sustainable and ethical procurement.
- Engagement on our Code of Conduct and policies on the prevention of anti-bribery and corruption and modern slavery.
- Through our China–Britain Business Council sourcing office in Hangzhou.

Board engagement

- CEO Board report updates the Board on material supplier matters and progress on ethical and sustainable supply.
- Supplier audit reviews are presented to and discussed by the Audit Committee as part of its work in connection with the Group modern slavery policy and statement.

Stakeholder Engagement continued

	Shareholders	Communities and the environment	Government/industry bodies
Why engagement matters	Continued access to capital is vital to the long-term success of our business. We work to ensure that our investors and investment analysts have a strong understanding of our strategy, performance and ambition. As a Company with shares listed on the Main Market of the London Stock Exchange, we must provide fair, balanced and understandable information about the business to enable informed investment decisions to be made.	We do business responsibly. We value our brands and have a reputation built on transparency and proven sustainability expertise. We have strong environmental objectives and targets, driven by our strategic pillars. We are committed to human rights. We aim to contribute positively to the communities and environment in which we operate. We focus on supporting communities and groups local to our operations. ESG principles and responsible business provide the foundations for sustainable growth. Volution has a sustainability strategy and has been awarded the Green Economy Mark by the London Stock Exchange. In addition we have a Sustainability Linked Revolving Credit Facility.	National governments set the regulatory framework within which we operate. We engage to ensure we can help in shaping new policies, regulations and standards, which assist in improving indoor air quality, and ensure compliance with existing legislation. We continually innovate to ensure our products become more energy efficient in line with the sustainability policies set out by most national governments. We conduct business in accordance with the principles set out in the Bribery Act 2010.
How does Volution engage	• Annual Report and Accounts. • Annual General Meeting. • Corporate website including dedicated investor section. • Results presentations and post-results engagement with major shareholders. • Investor roadshows, site visits, face-to-face meetings and addressing regular investor and analyst enquiries. • Regulatory announcements.	• Signatories to the UN Global Compact and the CEO Water Mandate. • Community investment initiatives. • Sponsorship and employee volunteering. • Contributing to national initiatives in society such as International Women's Day and Global Recycling Day. • A number of employee-led charitable initiatives during the year.	• Participation in industry bodies and working groups, in particular BEAMA, the UK trade association for manufacturers and providers of energy infrastructure technologies and systems. • Engagement with tax authorities. • Responding to industry and government consultations. • Conferences and speaking opportunities. • Effective and clear policies against bribery and supporting the elimination of modern slavery with training for staff and business partners.
Board engagement	• Through regular shareholder feedback to the Board by the CEO and CFO. • The CEO and CFO (and Chairman if appropriate) hold meetings with shareholders as part of the investor roadshows and ad-hoc meetings as appropriate. • The Chair of the Remuneration Committee engages with shareholders on Remuneration Policy and practice. • The Board reviews the voting of shareholders.	• Active engagement with the Group's ESG matters and sustainability strategy. • Amanda Mellor, Non-Executive Director, has been appointed as the Board's representative to attend and report back on the Management Sustainability Committee's decisions and actions. • The Board receives regular updates on sustainability including in relation to the development of sustainable new products and progress against sustainability targets.	• The Board provides direction in support of the UN Global Compact's principles, and policies relating to modern slavery and anti-bribery.

Stakeholder Engagement continued

Section 172 Statement

Businesses do not operate in isolation. Without a good understanding of who the key stakeholders are and their needs, a business will fail to deliver sustainable value to shareholders and other stakeholders.

Under s172 of the UK Companies Act, a director of a company must act in the way they consider, in good faith, would most likely promote the success of the company for the benefit of its shareholders. In doing this, the director must have regard, amongst other matters, to the:

- likely consequences of any decisions in the long term;
- interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and environment;
- company's reputation for high standards of business conduct; and
- need to act fairly as between members of the company.

The Directors are focused on their duties under s172 (1) of the Companies Act 2006 and consider that they have acted in the way they consider, in good faith, would promote the success of the Company for the benefit of its members as a whole, having regard to the stakeholders and matters set out in s172 (1) (a–f) in the decisions taken during the year ended 31 July 2024.

For examples of some of the key strategic decisions reached by the Board in the year end and how s172 factors have been considered, see pages 99 and 100.

The Strategic Report was approved by the Board and signed on its behalf by Ronnie George, Chief Executive Officer, on 9 October 2024.

Ronnie George
Chief Executive Officer
9 October 2024

Risk Management and Principal Risks

Effective risk management is integral to our objective of delivering sustainable long-term value.

The Board is committed to protecting and enhancing the Group's reputation and assets in the interests of shareholders as a whole, while having due regard to the interests of all stakeholders. It has overall responsibility for the Group's system of risk management and internal control.

The Group's businesses are affected by a number of risks and uncertainties. These may be impacted by internal and external factors, some of which we cannot control. Many of the risks are similar to those found by other companies of similar scale and operations.

The risks and uncertainties facing the Group have been considered in the context of the political and macroeconomic uncertainties that have arisen since the invasion of Ukraine in early 2022 and from the changes in the trading relationship between the UK and the EU from 1 January 2021. A specific assessment of the potential risks and our approach to management of these risks can be found on pages 53 to 58.

Emerging risk	Description of risk	Time horizon
Geo-political tension	Global political and economic instability could disrupt markets or limit access to certain regions hindering deal flow.	Short/ Medium term
AI driven innovation	AI presents many opportunities but also considerable risks around cyber security. AI must be developed in an ethical way.	Medium term

Board
- Overall responsibility for risk management
- Reviews principal risks and uncertainties, along with actions taken, where possible, to mitigate them

Audit Committee
- Assurance oversight of the internal controls and risk management process

Executive management
- Day-to-day management of risk
- Design and implementation of the necessary systems of internal control

Our approach

Risk management and maintenance of appropriate systems of control to manage risk are the responsibilities of the Board and are integral to the ability of the Group to deliver on its strategic priorities. The Board has developed a framework of risk management which is used to establish the culture of effective risk management throughout the business by identifying and monitoring the material risks, setting risk appetite and determining the overall risk tolerance of the Group. To enhance risk awareness, embed risk management and gain greater participation in managing risk across the Group, a programme of employee communication continues with all new employees receiving a brochure on joining Volution.

The Group's framework of risk management is monitored by the Audit Committee, under delegation from the Board. The Audit Committee is responsible for overseeing the effectiveness of the internal control environment of the Group. Our In-house Internal Audit function provides independent assurance that the Group's risk management, governance and internal control processes are operating effectively.

Risk appetite

During the year, the Board reviewed its risk appetite in depth and improved the framework used for assessing appetite, including adjusting from the previous five risk appetite categories to three (Averse, Cautious, Open) which it felt more appropriately represents the Board's approach to risk appetite.

The Board also approved a risk appetite statement:

"The Board recognises that continuing to deliver returns for shareholders and other stakeholders is dependent upon accepting a level of risk. We balance risk and opportunity in pursuit of our strategic objectives and the acceptable level of risk is assessed on an annual basis by the Board, which defines its risk appetite against certain key indicators, including potential impact of risk, likelihood of risk and ability to reduce risk through mitigation. This ensures alignment between acceptable risk exposure and the strategic priorities of the Group."

Risk Management and Principal Risks continued

Risk updates

This year we have added two risks, and combined two previous risks into one new risk.

We have added a specific risk that the Group or other stakeholders fail to comply with relevant laws and regulations in contravention of our Code of Conduct and Group policies. Relevant laws include but are not limited to Anti-Bribery & Corruption, Sanctions and Export Controls, Data Protection, Competition, Environmental and Health & Safety ('Compliance with laws and regulations risk'). The increasing legal and regulatory environment combined with the growth of the Group means that this is an increasingly complex area that the Board has raised to the level of a principal risk.

We have also added a specific risk related to the failure of one of our products through fire, product recall or otherwise, and the impact that this could have in brand reputation ('Product failure risk'). Our product design process, quality control and compliance with all relevant regulations means the likelihood of a significant failure is low, but the Board believes it is appropriate to raise to the level of principal risk.

We have combined 'Regulatory environment risk ' and 'Innovation risk ' into a single principal risk called 'Innovation risk'. Regulations relating to the carbon efficiency of buildings, the efficiency of electrical products and compliance may change and we may fail to innovate commercially or technically viable products to maintain and develop our product leadership position. The two risks are inextricably linked, and best presented as a combined risk that also highlights our strengths and the opportunities we gain from our deep understanding of the ventilation market, its economic and regulatory drivers, and our role in influencing the regulatory environment through trade bodies.

Identifying and monitoring material risks

Material risks (including emerging risks) that may lead to threats to our business model, strategy and liquidity are identified through our framework of risk management, our analysis of individual processes and procedures (bottom-up approach) and a consideration of the strategy and operating environment of the Group (top-down approach).

The risk evaluation process begins in the operating businesses with an annual exercise undertaken by local management to identify and document the significant strategic, operational, financial and accounting risks facing the businesses. This process ensures risks are identified and monitored and management controls are embedded in the businesses' operations.

The risk assessments from each of the operating businesses are then considered by Group management, which evaluates the principal risks of the Group with reference to the Group's strategy and operating environment for review by the Board.

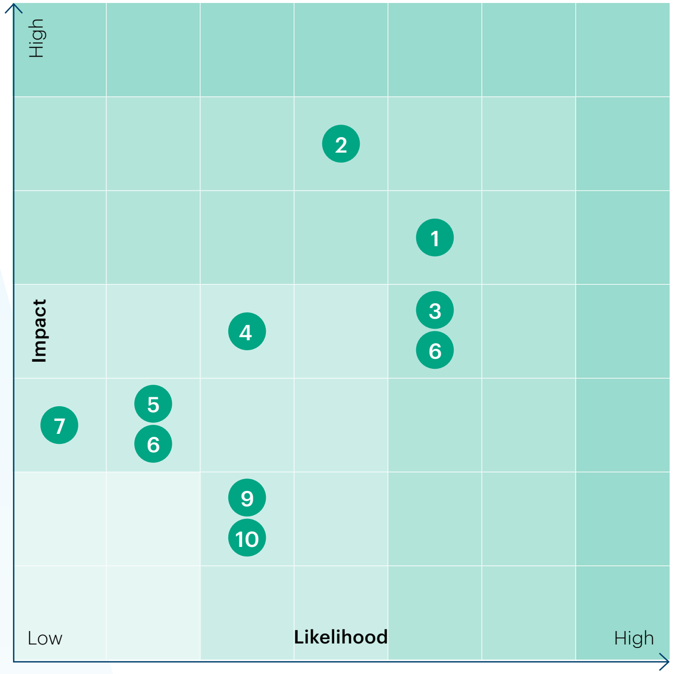
Our principal risks and uncertainties

The 2018 UK Corporate Governance Code (the 2018 Code) states that the Board is responsible for determining the nature and extent of the risks it is willing to take in achieving its strategic objectives and that it should maintain sound risk management and internal control systems. In accordance with provision 28 of the 2018 Code, the Directors confirm that they have carried out a robust assessment of the principal and emerging risks facing the Group, including those which would threaten the business model, future performance, solvency or liquidity.

Set out in this section of the Strategic Report are the principal risks and uncertainties which could affect the Group and which have been determined by the Board, based on the robust risk evaluation process described above, to have the potential to have the greatest impact on the Group's future viability. For each risk there is a description of the possible impact of the risk to the Group, should it occur, together with strategic consequences and the mitigation and control processes in place to manage the risk. This list is likely to change over time as different risks take on larger or smaller significance.

Climate risks have again been considered to be most appropriately managed by including their potential impact within existing principal risks where relevant, rather than defining a separate principal risk.

Risk heatmap



1. Economic risk
2. Acquisitions
3. Supply chain and raw materials
4. IT systems including cyber breach
5. Compliance with laws and regulations
6. Innovation
7. People
8. Product failure
9. Customers
10. Foreign exchange risk

Risk Management and Principal Risks continued

Viability statement

The Board has considered the viability of the Group over a three-year period to 31 July 2027, taking into account the Group's current position and the potential impact of the principal risks and uncertainties. While the Board has no reason to believe that the Group will not be viable over a longer period, it has determined that three years is an appropriate period as it aligns with the Group's business planning cycle. The Board believes that this approach provides greater certainty over forecasting and, therefore, increases reliability in the modelling and stress testing of the Group's viability. In addition, a three-year horizon is also the performance-based period over which awards granted under Volution's share-based incentive plan are measured.

As part of the annual budgeting process, the Board considers projections for subsequent years. The output of this plan is used to perform central debt and headroom profile analysis, which includes a review of sensitivity to principal risks and a combination of those risks. It also considers the ability of the Group to raise finance and deploy capital.

Our financial position remains robust. At 31 July 2024, the Group had in place a £150 million multi-currency 'Sustainability Linked Revolving Credit Facility', together with an accordion of up to £30 million. On 10 September 2024, the Group refinanced its bank debt and now has in place a £230 million multi-currency 'Sustainability Linked Revolving Credit Facility', together with an accordion of up to £70 million. The facility matures in September 2027, with the option to extend for up to two additional years. The old facility was repaid in full.

With respect to the longer-term viability of the Group, we believe the business model will remain highly relevant. The regulatory and consumer drive towards making new and existing homes more efficient and therefore airtight will continue, meaning that the opportunities to solve the problems of indoor air quality will only grow, strengthening the vital role ventilation has to play in creating a healthy indoor environment. We believe that one of the legacy consequences of Covid-19 is a heightened awareness of the importance of indoor air quality to health and the role played by good ventilation systems. Customer requirements in terms of enhanced functionality, energy efficiency and aesthetics of products are also supportive trends.

The Board carried out a robust assessment of the principal risks and emerging risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. Principal risks are identified through our risk management process and are set out on pages 53 to 58. They are recorded in a Group Risk Register, which is reviewed and discussed by the Board at least twice a year.

Whilst the review has considered all the principal risks identified by the Group, a selection of risks was considered which if they occurred together would be considered a severe but plausible downside scenario with which to assess the viability of the Group.

The severe but plausible downside has been modelled, representing the impact of macroeconomic uncertainty including the actions of central banks in raising interest rates to curb inflation and the impact that this may have on the housing and construction industry (principal risk 1) combined with supply chain difficulties and availability issues (principal risk 3 and 4). Combined, this severe but plausible downside assumed a reduction in revenue of 15% and a reduction in gross margin of 10%.

The sensitivities modelled used the same assumptions as for the going concern assessment, as set out below, for the years ending 31 July 2025 and 31 July 2026 with further assumptions applied for the year ending 31 July 2027.

The geographic and sector diversification of the Group's operations, further demonstrated by the announced acquisition of Fantech in September 2024, helps to mitigate the risk of serious business interruption in one area materially impacting the Group. Furthermore, our business model, structured so that the Group is not reliant on a concentration of customers or sectors, and our ability to flex our cost base, will continue to protect our viability in the face of current and foreseeable future uncertain and adverse economic conditions. We demonstrated our ability to maintain and increase margins across our geographies in FY21, FY22 and in FY23, when the Covid-19 pandemic, the impact of the invasion of Ukraine, and general inflation impacting all input costs were mitigated through early and decisive pricing action.

The Board has also considered the impact of climate change, particularly in the context of the risks and opportunities identified in the TCFD disclosure of this Annual Report (pages 80 to 87 and 190 to 196).

We carried out a full analysis of the physical risks of climate change under our chosen scenarios in FY22. The analysis shows that under the Paris aligned scenario, physical risks to our assets are not expected to be material. The analysis shows that none of our significant assets are in areas of significant physical risk over the time periods assessed. Under the 4c scenario, there is increased risk to some of our assets, but these risks only occur over the long term, outside of the viability assessment period. Over the time period of our viability assessment, we have concluded that there is no material adverse impact of climate change which could impact the viability of the Group.

Whilst we do not currently expect any material short- and medium-term impacts from climate change under the scenarios we have considered, the risks over the long term are more uncertain and we will continue to assess these risks against judgements and estimates made in preparation of the Group's financial statements.

The Board has also considered the impact of the announced acquisition of Fantech Australia and modelled the impact of the Board-approved base business case as well as the Board-approved downside business case.

The Board has carefully considered the principal risks of the Group and the impact of those risks on the viability of the Group and has concluded there is a reasonable expectation that the Group will be able to meet its liabilities as they fall due and will continue in operation over the period assessed.

Risk Management and Principal Risks continued

Going concern

The financial position of the Group, its cash flows and liquidity position are set out in the financial statements. Furthermore, note 27 on pages 175 to 178 to the consolidated financial statements includes the Group's objectives and policies for managing its capital, its financial risk management objectives, details of its financial instruments and its exposure to credit and liquidity risk.

The financial statements have been prepared on a going concern basis. In adopting the going concern basis, the Directors have considered all of the above factors, including potential scenarios arising from the political and macroeconomic uncertainty that has arisen post-Covid and since the invasion of Ukraine early in 2022, including the actions of central banks in raising interest rates to curb inflation and the impact that this may have on housing and construction, and from its other principal risks set out on pages 53 to 58. Under a severe but plausible downside scenario, the Group remains within its debt facilities and the attached financial covenants under the 18-month from the balance sheet date period of assessment, and the Directors therefore believe, at the time of approving the financial statements, that the Company is well placed to manage its business risks successfully and remains a going concern. The key facts and assumptions in reaching this determination are summarised below.

Our financial position remains robust with the new debt facilities of £230 million, and an accordion of a further £70 million, maturing in September 2027.

The financial covenants on these facilities are for leverage (net debt/adjusted EBITDA) of not more than 3x and for adjusted interest cover of not less than 4x.

Our base case scenario has been prepared using robust forecasts from each of our operating companies, with each considering the risks and opportunities the businesses face.

We have then applied a severe but plausible downside scenario in order to model the potential concurrent impact of:

- a general economic slowdown reducing revenue by 15% compared with plan: and
- supply chain difficulties or input price increases reducing gross profit margin by 10%.

A reverse stress test scenario has also been modelled which shows a revenue contraction of c.21% against the base case with no mitigations would be required to breach covenants, which is considered extremely remote in likelihood of occurring. Mitigations available within the control of management include reducing discretionary capex and discretionary indirect costs.

The Board have also considered the potential impact of the announced acquisition of Fantech Australia and modelled the impact of the Board-approved base business case as well as applying the same downside scenario applied to the existing business.

Over the short period of our climate change assessment (aligned to our going concern assessment), we have concluded that there is no material adverse impact of climate change and hence have not included any impacts in either our base case or downside scenarios of our going concern assessment. We have not experienced material adverse disruption during periods of adverse or extreme weather in recent years, and we would not expect this to occur to a material level over the period of our going concern assessment.

The Directors have concluded that the results of the scenario testing combined with the significant liquidity profile available under the revolving credit facility confirm that there is no material uncertainty in the use of the going concern assumption.

Risk Management and Principal Risks continued

Strategic consequence Organic growth | Value-adding acquisitions | Operational excellence | Sustainability at our core

1. Economic risk

Likelihood

Unlikely Possible Likely

Potential impact

Low Medium High

Risk change
No change

Risk appetite
Cautious

Strategy link

Risk and impact

A decline in general economic activity and/or a specific decline in activity in the construction industry, including, but not exclusively, a decline caused by economic uncertainty, inflation, high interest rates and impacts of the Russian invasion of Ukraine.

Demand for our products serving the residential and commercial construction markets would decline. This would result in a reduction in revenue and profitability.

Our ability to achieve our ambition for continuing organic growth would be adversely affected.

Change during the year

Economic uncertainty in part as a result of post-Covid economic upheaval and the Russian invasion of Ukraine has continued across the world during FY24, albeit arguably significantly reduced compared with FY23.

Governments and central banks took strong actions to reduce inflation, primarily by raising key interest rates. Inflation has now fallen in most of our geographies – with inflation in the UK back to 'normal' levels (c.2%).

As a result of this, central banks have begun to reduce interest rates, albeit cautiously.

There remains considerable uncertainty as to the speed of potential interest rate reductions, and the strength of the underlying economies, and hence the impact on the housing and construction industry in unclear.

As such, it is appropriate that 'economic risk' remains our first principal risk. The likelihood of the risk occurring remains 'Likely' with the potential impact remaining as 'Medium'.

Risk mitigation

Geographic spread from our international acquisition strategy helps to mitigate the impact of local fluctuations in economic activity.

New product development, the breadth of our product portfolio and the strength and specialisation of our sales forces allows us to outperform against any general economic decline.

Our end-market diversity, with exposure to both residential and commercial and to new build and RMI provides mitigation to economic and housebuilding cycles. Our business is not capital intensive and our operational flexibility allows us to react quickly to the impact of any decline in volume.

Link to climate change risks

Over the longer term, a decline in general economic activity or economic disruption could be caused by physical or transitional risks of climate change. Relevant climate change risks described in further detail in our TCFD section include: Climate risk 1 – Physical risk, Climate risk 2 – Transition risk – reputation, Climate risk 3 – Transition risk – policy and legal, and Climate risk 4 – Transition risk – Policy and technology.

However, it is important to note that our sustainability ambition is to champion the energy saving potential of our products and solutions and support the net zero ambitions of the countries in which we operate. The regulatory tailwinds should significantly increase demand for our sustainable and innovative ventilation solutions, while our leadership position in the UK, Continental Europe and Australasia means that we are well positioned to seize this opportunity (Transition opportunity 1 – Products and markets).

Risk Management and Principal Risks continued

Strategic consequence Organic growth | Value-adding acquisitions | Operational excellence | Sustainability at our core

2. Acquisitions

Likelihood

Unlikely Possible Likely

Potential impact

Low Medium High

Risk change
Increased potential impact

Risk appetite
Open

Strategy link

Risk and impact
We may fail to identify suitable acquisition targets at an acceptable price or we may fail to complete or properly integrate the acquisition. Revenue and profitability would not grow in line with management's ambitions and investor expectations.

Failure to properly integrate a business may distract senior management from other priorities and adversely affect Group revenue and profitability, or the acquired business may not perform as expected.

Financial performance could be impacted by failure to integrate acquisitions and to secure intended synergies. Our strategic ambition to grow by acquisition may be compromised.

Change during the year
Whilst the likelihood has not increased, the potential impact has increased, reflective of the likelihood of larger scale acquisitions

Risk mitigation
The ventilation industry in Europe and across our geographies remains fragmented with many opportunities to court acquisition targets.

Senior management has a clear understanding of potential targets in the industry and a track record of acquisitions since IPO in June 2014.

Management is experienced in integrating new businesses into the Group.

Our policy of rigorous due diligence prior to acquisition and a structured integration process post-acquisition have been maintained.

Link to climate change risks
N/A

3. Supply chain and raw materials

Likelihood

Unlikely Possible Likely

Potential impact

Low Medium High

Risk change
No change

Risk appetite
Cautious

Strategy link

Risk and impact
Raw materials or components may become difficult to source because of material scarcity or disruption of supply including but not exclusively, as a consequence of economic uncertainty, the Russian invasion of Ukraine, supply interruptions in China, and the evolution of the relationship between the UK and the EU, post-Brexit.

The increased friction and potential for a trade war or other geopolitical disputes including between the US and China could destabilise supply chain activity.

Prices for input materials may increase and our sales and profitability may be impacted during any period of constraint.

Organic growth may be reduced. Our product development efforts may be redirected to find alternative materials and components.

Change during the year
Potential for disruption to supply chains, especially relating to products and materials sourced from China, continues to be a specific risk that we are managing very closely. Potential impacts could include inability to service customer demand due to non-availability of products as well as input cost increases due to the need to airfreight.

Risk mitigation
We establish long-term relationships with key suppliers to promote continuity of supply and where possible we have alternative sources identified.

We continue to monitor stock levels and order patterns and where deemed necessary will adjust inventory levels to help mitigate any disruptions in supply.

Link to climate change risks
Over the longer term, supply chain issues could be caused by physical or transitional risks of climate change. Relevant climate change risks are described in further detail in our TCFD section include: Climate risk 1 – Physical risk, Climate risk 2 – Transition risk – reputation, Climate risk 3 – Transition risk – policy and legal, and Climate risk 4 – Transition risk – policy and technology.

Risk Management and Principal Risks continued

Strategic consequence Organic growth | Value-adding acquisitions | Operational excellence | Sustainability at our core

4. IT systems including cyber breach

Likelihood

Unlikely Possible Likely

Potential impact

Low Medium High

Risk change
No change

Risk appetite
Averse

Strategy link

Risk and impact

We may be adversely affected by a breakdown in our IT systems or a failure to properly implement any new systems.

We could temporarily lose sales and market share and could potentially damage our reputation for customer service.

Change during the year

The risk of cyber attack and cyber fraud continues to be a threat for all businesses.

Risk mitigation

Disaster recovery and data backup processes are in place, operated diligently and tested regularly.

Our decentralised IT systems mean that it is unlikely that a material proportion of the Group could be compromised at any one time.

We have a three-layered system of network security protection against cyber attacks or breaches of security. This infrastructure is maintained to withstand increasingly sophisticated worldwide cyber threats. We also undertake regular cyber security testing and training of our employees. We have a process of annual internal and external penetration testing with quarterly monitoring checks and have carried out an audit review of all third party IT suppliers.

Since last year-end, the Group has entered an insurance contract to provide cover for business loss and associated costs as a result of a cyber attack. As part of the agreement we have collaborated with the insurer to review our cyber incident Response Plan.

Link to climate change risks

N/A

5. Compliance with laws and regulations

Likelihood

Unlikely Possible Likely

Potential impact

Low Medium High

Risk change
New risk for FY24

Risk appetite
Averse

Strategy link

Risk and impact

The Group or other stakeholders may fail to comply with relevant laws and regulations in contravention of our Code of Conduct and other Group policies resulting in a potential one-off fine or penalty and a significant adverse impact on brand reputation.

Relevant laws include but are not limited to Anti-Bribery & Corruption, Sanctions and Export Controls, Data Protection, Competition, Environmental and Health & Safety.

Change during the year

New risk for FY24.

Risk mitigation

Processes are in place to ensure that all relevant laws and regulations are identified and followed.

Training is carried out when required, and policies are published and issued to colleagues, suppliers and other stakeholders clearly stating responsibilities and obligations of those doing business with the Group.

A whistleblowing hotline is available to all employees and third parties to raise concerns including any in relation to potential breaches of compliance and misconduct. These are independently followed up and investigated.

Link to climate change risks

Climate risk 3 – Transition risk – policy and legal,

Risk Management and Principal Risks continued

Strategic consequence: Organic growth | Value-adding acquisitions | Operational excellence | Sustainability at our core

6. Innovation

Likelihood

Unlikely Possible Likely

Potential impact

Low Medium High

Risk change
New/combined risk for FY24

Risk appetite
Open

Strategy link

Risk and impact
Regulations relating to the carbon efficiency of buildings, the efficiency of electrical products and compliance may change, and we may fail to innovate commercially or technically viable products to maintain and develop our product leadership position.

Failure to innovate may result in an ageing product portfolio that falls behind that of our competition.

Our organic growth ambitions depend in part upon our ability to innovate new and improved products to meet and create market needs. In the medium term, failure to innovate may result in a decline in sales and profitability.

Change during the year
This is a new risk added in FY24, combining the two previously separate risks of 'innovation' and 'regulatory environment'. The two risks are inextricably linked, and are best presented as a combined risk that also highlights our strengths and the opportunities we gain from our deep understanding of the ventilation market, its economic and regulatory drivers, and our role in influencing the regulatory environment through trade bodies.

Risk mitigation
We participate in trade bodies that help to influence the regulatory environment in which we operate and therefore we are well placed to understand future trends in our industry. Favourable regulatory tailwinds have continued to develop.

We are active in new product development and have the resource to react to and anticipate necessary changes in the specification of our products.

Our product innovation is driven by a deep understanding of the ventilation market and its economic and regulatory drivers. The Group starts with a clear marketing brief before embarking on product development.

Link to climate change risks
Our sustainability ambition is to champion the energy saving potential of our products and solutions and support the net zero ambitions of the countries in which we operate. The regulatory tailwinds should significantly increase demand for our sustainable and innovative ventilation solutions, while our leadership position in the UK, Continental Europe and Australasia means that we are well positioned to seize this opportunity (Transition opportunity – Products and markets).

7. People

Likelihood

Unlikely Possible Likely

Potential impact

Low Medium High

Risk change
Reduced likelihood

Risk appetite
Cautious

Strategy link

Risk and impact
Our continuing success depends on retaining key personnel and attracting skilled individuals.

Skilled and experienced employees may decide to leave the Group, potentially moving to a competitor. Any aspect of the business could be impacted with resultant reduction in prospects, sales and profitability.

Our competitiveness and growth potential, both organic and inorganic, could be adversely affected.

Operational excellence may be adversely affected.

Change during the year
Whilst our continuing growth has increased the size and complexity of our business, our improvements to our HR and People organisation and processes has reduced the likelihood of this risk having a significant impact. This is demonstrated in our strong employee engagement scores received during the year, significantly above external benchmarks.

Risk mitigation
Regular employee appraisals allow two-way feedback on performance and ambition.

A Management Development Programme is run periodically to provide key employees with the skills needed to grow within the business and to enhance their contribution to the business.

The Directors regularly review succession planning and key roles.

Link to climate change risks
N/A

Risk Management and Principal Risks continued

Strategic consequence: Organic growth | Value-adding acquisitions | Operational excellence | Sustainability at our core

8. Product

Likelihood

Unlikely | Possible | Likely

Potential impact

Low | Medium | High

Risk change
New risk for FY24

Risk appetite
Cautious

Strategy link

Risk and impact
The failure of one of our products through fire, product recall or otherwise, could have a significant adverse impact on brand reputation.

Change during the year
This is a new risk added in FY24.

Risk mitigation
Our product design process, quality control and compliance with all relevant regulations means the likelihood of a significant failure is low.

Our companies manufacture and assemble a wide variety of product types across different geographies and end markets. They are, as a result, experts in their areas and carry the responsibility for complying with relevant product safety and quality requirements, obtaining relevant accreditations and all necessary product certifications. Quality control processes include clear requirements for and careful selection and management of suppliers, quality checking of products and components from suppliers, and appropriate testing of products once assembled.

We typically operate on a product supply only basis and generally do not take responsibility for installation of our products.

Link to climate change risks
Transition risk – policy and technology.

9. Customers

Likelihood

Unlikely | Possible | Likely

Potential impact

Low | Medium | High

Risk change
No change

Risk appetite
Cautious

Strategy link

Risk and impact
A significant amount of our revenue is derived from a small number of customers and from our relationships with heating and ventilation consultants. We may fail to maintain these relationships.

Any deterioration in our relationship with a significant customer could have an adverse significant effect on our revenue from that customer.

Our organic growth ambitions and operational excellence would be adversely affected.

Change during the year
The current macroeconomic uncertainty means that certain customers could fall into financial difficulties. However, we have not seen a material increase in the number of customers failing or of bad debt.

Risk mitigation
We have strong brands, recognised and valued by our end-users, and this gives us continued traction through our distribution channels and with consultants and specifiers.

We have a very wide range of ventilation and ancillary products that enhance our brand proposition and make us a convenient 'one-stop-shop' supplier.

We continue to develop new and existing products to support our product portfolio and brand reputation.

We focus on providing excellent customer service.

Link to climate change risks
Our sustainability ambition is to champion the energy saving potential of our products and solutions and support the net zero ambitions of the countries in which we operate. The regulatory tailwinds should significantly increase demand for our sustainable and innovative ventilation solutions, and strengthen the industry as a whole, including our customers (Transition opportunity – Products and markets).

Risk Management and Principal Risks continued

Strategic consequence Organic growth | Value-adding acquisitions | Operational excellence | Sustainability at our core

10. Foreign exchange risk

Likelihood

Unlikely Possible Likely

Potential impact

Low Medium High

Risk change
No change

Risk appetite
Cautious

Strategy link

Risk and impact
Foreign exchange rates between currencies that we use may move adversely.

The commerciality of transactions denominated in currencies other than the functional currency of our businesses and/or the perceived performance of foreign subsidiaries in our Sterling-denominated consolidated financial statements may be adversely affected by changes in exchange rates.

Our ambition to grow internationally through acquisition exposes us to increasing levels of translational foreign exchange risk.

Change during the year
The ongoing macroeconomic uncertainty could lead to large movements in exchange rates.

Risk mitigation
Significant transactional risks are hedged by using forward currency contracts to fix exchange rates for the ensuing financial year.

Revaluation of foreign currency-denominated assets and liabilities is partially hedged by corresponding foreign currency bank debt.

Link to climate change risks
How each government and economy respond to the risks of climate change over the long term may impact the macroeconomic outlook for the countries in which we operate, and hence move foreign exchange rates adversely.

Non-Financial and Sustainability Information Statement

This section of the Strategic Report constitutes Volution's Non-Financial and Sustainability Information Statement and is produced to comply with Sections 414CA and 414CB of the Companies Act 2006.

The Companies (Strategic Report) (Climate-related Financial Disclosure) Regulations 2022 amend these sections of the Companies Act 2006, placing requirements on the Group to incorporate climate disclosures in the annual report. We believe these have been addressed within this year's climate-related disclosures on pages 80 to 87 and 190 to 196 and as such we have referenced the location of these within our statement on TCFD on page 190.

Reporting requirements	Relevant policy/code	Section within Annual Report
Environmental matters	• Sustainability Policy	• Sustainability (pages 62 to 87) • Climate (pages 80 to 87 and 190 to 202)
Employees	• Code of Conduct • Health and Safety Policy • Anti-Bribery and Corruption Policy • Whistleblowing Policy • Modern Slavery Policy • Data Protection Policy	• People (pages 66 to 75) • Board diversity (page 93) • Gender diversity (page 93) • Stakeholder engagement (pages 46 to 48) • Principal risks (pages 49 to 58)
Human rights	• Code of Conduct • Modern Slavery Policy • Stakeholder Engagement	• People (pages 66 to 75) • Stakeholder engagement (pages 46 to 48)
Social matters	• Code of Conduct • Stakeholder Engagement	• People (pages 66 to 75) • Governance (pages 88 to 133) • Stakeholder engagement (pages 46 to 48)
Anti-bribery and anti-corruption	• Anti-Bribery and Corruption Policy • Whistleblowing Policy	• People (pages 66 to 75) • Governance (pages 88 to 133)
Principal risks		• Risk management (pages 49 to 58) • Principal risks and uncertainties (pages 49 to 58)
Business model		• Business model (pages 24 and 25)
Non-financial key performance indicators		• Key performance indicators (pages 38 to 41)

Sustainability

We are committed to a low-carbon future with the health and wellbeing of people and the planet at its core.

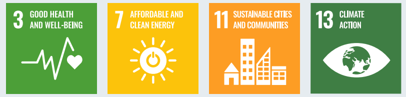
Link to United Nations Sustainable Development Goals (SDGs)

People

Our ambition

To continue to develop an engaged and inclusive workforce where our employees feel valued and can fulfil their potential. To build relationships with the local community, provide support where needed, and leave a lasting legacy. To place the highest priority on health and safety as we continue to pursue our zero-harm ambition.

Product



Our ambition

To champion the energy saving potential of our products and solutions and support the net zero ambitions of the countries in which we operate. To continue to develop clean air solutions that protect people's health and increase their comfort in an ethical and responsible way.

Planet

Our ambition

To reduce our environmental impact by improving business efficiencies and minimising our impact on the climate. To focus on the quality of materials we use, to support the creation of a circular economy, and eliminate all forms of waste across our value chain.

Definitions, basis of preparation, calculation methodology and historical data related to sustainability KPIs and other measures of sustainability performance can be found on pages 200 to 202.

Sustainability continued

Key to status:
- Achieved
- Partially achieved
- Not achieved

Category	Performance	Status	Comment	
Employee engagement	**74** overall score /100	Achieved	Overall engagement score of 74/100 surpassing both UK and global external benchmarks for employee engagement.	See more on pages 68 and 69
Accident frequency rate	**0.20** reportable incidents per 100,000 hours worked	Achieved	We are pleased to report a significant reduction in reportable accident frequency from 0.30 to 0.20 per 100,000 hours worked.	See more on page 67
Developing diverse future leaders	**40%** female participants in our MDP	Partially achieved	We launched our fourth management development programme with diversity and inclusion in mind – 40% of the participants being women.	See more on pages 70 and 71
Low-carbon sales	**70.9%** of total revenue	Achieved	Our low-carbon sales continue to increase, ahead of target for FY24 and already exceeding our FY25 goal.	See more on page 86
Avoided emissions	**1,872,583** avoided emissions (tCO_2e)	Achieved	Avoided emissions resulting from the use of our heat recovery products sold in FY24 over their life time.	See more on page 79
Heat recovery products	**31.7%** revenue from heat recovery products	Partially achieved	Increased heat recovery sales from ClimaRad and recent acquisition I-Vent, offset by weaker demand in InVENTer.	See more on pages 77 and 78
Recycled plastic	**78.1%** recycled plastic processed in our own factories	Achieved	We have increased the use of recycled plastics from 76.2% in FY23 to 78.1% this year.	See more on page 85
Carbon intensity location based	**12.8** scope 1 and 2 location-based intensity (tCO_2e per £m revenue)	Partially achieved	We report an increase in our carbon intensity this year, impacted by acquisitions, adverse changes in carbon conversation factors and increases in car and gas use.	See more on page 84
Total carbon emissions reduction	**-10.3%** Total absolute emissions (tCO_2e)	Achieved	We have calculated a 10.3% reduction in our total perimeter absolute scope 1, 2 and 3 carbon emissions compared to FY23.	See more on page 84

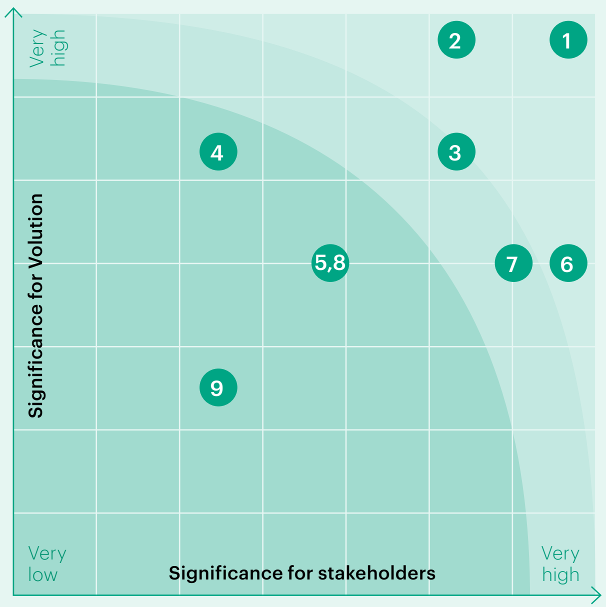
Sustainability continued

We focus on what is most important to our stakeholders

Confronting climate change and carbon emissions remains at the top of our materiality matrix, along with maximising the energy saving potential of the products we produce.

Health, safety and wellbeing of our engaged, diverse and inclusive workforce remains critical to deliver our strategy.

Materiality assessment



1. Climate change and carbon emissions
2. Health and safety
3. Sustainable products
4. Supply chain management
5. Sustainable materials
6. Packaging/waste management
7. Employee engagement
8. Diversity and inclusion
9. Training and development

We have aligned our purpose to the UN SDGs

We have aligned our strategy to the United Nations Sustainable Development Goals, which are the blueprint to achieve a better and more sustainable future for all. We have focused on what we can actually influence and where we can make significant impact across our Group.

3 GOOD HEALTH AND WELL-BEING	The design of Volution's products helps support SDG target 3.9: 'By 2030, substantially reduce the number of deaths and illnesses from hazardous chemicals and air, water and soil pollution and contamination.' Specifically, 3.9.1 – 'Mortality rate attributed to ambient air pollution'.
In action	Our purpose is to provide healthy air, sustainably, supporting the health and wellbeing of people within buildings.

7 AFFORDABLE AND CLEAN ENERGY	The design of Volution's products helps support SDG target 7.3: 'By 2030, double the global rate of improvement in energy efficiency.' Specifically, 7.3.1 – 'Energy intensity measured in terms of primary energy and GDP'.
In action	With a focus on development and sales of low-carbon products, we sell product solutions targeted at reducing carbon emissions of buildings by making them more energy efficient to run.

8 DECENT WORK AND ECONOMIC GROWTH	Volution's ambition to be a diverse and inclusive employer supports SDG target 8.5: 'By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.'
In action	Our ambition is to ensure a diverse and inclusive workplace for everyone.

Sustainability continued

11 SUSTAINABLE CITIES AND COMMUNITIES	Volution's products and its approach to minimising its operational impacts support SDG target 11.6: 'By 2030, reduce the adverse per capita environmental impact of cities, including by paying special attention to air quality and municipal and other waste management.' Specifically, 11.6.2 – 'Annual mean levels of fine particulate matter' (e.g. PM2.5 and PM10 in cities (population weighted)).
In action	Many of the Group's products include filtration designed to remove fine particle matter from the air helping to improve air quality.
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	SDG target 12.5 ('By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse') is core to Volution's approach to sustainability and its ambition to limit its impact on the environment. Specifically, 12.5.1 – 'National recycling rate, tons of material recycled'.
In action	We continue to focus on the adoption of recycled material, with 78.1% of the plastic used within our own facilities from recycled sources in FY24.
13 CLIMATE ACTION	Volution's ambition to reduce carbon emissions and minimise its impact on climate change supports SDG 13.2: "Integrate climate change measures into policies, strategies and planning."
In action	Volution set our ambition in 2021 to achieve net zero. This year we have submitted our net zero targets to SBTi for approval. In addition, we are signatories to the CEO Water Mandate and the UN Global Compact.

We are part of the green economy

FTSE Russell Green Mark

We are proud to be in the FTSE Russell Green Mark 2024 cohort, our fourth year.

The Green Mark is an accreditation which identifies companies whose products and services contribute to meeting important environmental objectives. These include climate change mitigation, adaptation, waste and pollution reduction, the circular economy, protection of water and marine resources, and sustainable agriculture.

70.9%
of Group revenue is derived from 'green' products and services as defined by FTSE Russell's Green Revenues Classification System in FY23 – significantly above the 50% threshold required to be awarded the recognition mark.

Similarly to our Green Economy mark categorisation, 70.9% of our sales are EU Taxonomy-eligible. These sales fall under the EU Taxonomy category '3.5 – Manufacture of energy efficiency equipment for buildings' and are specifically related to climate change mitigation.

A full definition of our low-carbon product categorisation can be found on page 202.

We report transparently and consistently

We present our sustainability-related governance, policies and data in accordance with all the applicable regulations and aim to follow best practice.

We report within this Annual Report and Accounts in line with:

- The Task force on Climate-related Financial Disclosures (TCFD) (pages 80 to 87 and 190 to 197);
- The Sustainability Accounting Standards Board (SASB) (page 199); and
- The SFDR Principal Adverse Indicators (PAI) (page 198) and all relevant company and listing rules.

Our ESG-related policies can be found on our corporate website **https://www.volutiongroupplc.com/about-us/governance**

Read more on our website

Sustainability continued

Sustainability is integrated into Group governance

The Group Management Sustainability Committee and Risk Committee are integral to the decision-making process of the Group.

More details of the governance structure and processes can be found in the Governance sections (pages 88 to 133) and in the TCFD section (page 80 to 87 and 190 to 196).

The Sustainability Committee met twice times during the year and discussed key issues impacting the Group:

The Committee reviewed progress on sustainability matters with senior managers from across the Group. Each business presented their actions, plans and performance against emission reduction targets. It was noted that significant progress was being made, but more needs to be done to ensure future targets are met.

The Committee reviewed the work that had been done in preparation for submission of the carbon emission inventory and targets to the Science Based Targets initiative (SBTi) and recommended it to be approved by the Board and to be submitted to the SBTi.

The Committee was presented with an update on upcoming reporting and regulation changes and agreed that further updates would be provided regularly for their consideration to ensure compliance. The Committee reviewed the requirements under the Corporate Sustainability Reporting Directive (CSRD) – applicable for the Group's Swedish entities from FY26 and the whole Group from FY28.

The Committee noted the increasing demands for sustainability related data both internally and externally, and the need for continuous improvements in measurement and collection methodology.

Board

Sustainability Committee

Responsibility for the development and implementation of the Volution Sustainability strategy and initiatives, covering Product, Planet and People.

The Sustainability Committee is chaired by the Chief Executive Officer and is attended by the designated Non-Executive Director for Sustainability Matters, Amanda Mellor.

Attended by Amanda Mellor

Employee Engagement

Claire Tiney
Designated NED for Employee Engagement

People section Pages 66 to 75

DEI Committee

Reports to the Sustainability Committee.

People section Pages 66 to 75

Sustainability continued


Amanda Mellor, designated Non-Executive Director for Sustainability Matters


Re-useable hemp packing sacks – SIMX


Recycling material for milling – VVUK


Recycled fan casings – DVS

People

Developing a work-environment that is engaging, inclusive and safe

Our ambition

/ To continue to develop an engaged and inclusive workforce where our employees feel valued and can fulfil their potential.

/ To build relationships with the local community, provide support where needed, and leave a lasting legacy.

/ To place the highest priority on health and safety as we continue to pursue our zero-harm ambition.

Definitions, basis of preparation, calculation methodology and historical data related to sustainability KPIs and other measures of sustainability performance can be found on pages 200 to 202.

Link to strategic priorities

4 Sustainability at our core

People continued

Health, safety & wellbeing

In FY24, we sharpened our focus to drive continuous improvement in our health and safety outcomes.

We encouraged a culture of reporting and learning from incidents and near misses, and took corrective actions to prevent recurrence. As a result of this renewed focus, we have seen a reduction in reportable incidents from FY23, to eight incidents or a frequency rate of 0.20 per 100,000 hours worked (FY23: 12 incidents, 0.30 per 100,000 hours worked), and reduced minor incidents from a frequency rate of 0.50 to 0.18 per 100,000 hours worked. We report reportable incident (UK RIDDOR equivalent) frequency rates per 100,000 hours worked as this represents an approximation of the hours worked during a person's lifetime, and allows comparability across our business units and with other companies.

Safety walks and training around health and safety continues to be a priority. We also supported our employees to undertake courses with recognised qualifications in health and safety management such as IOSH Managing Safely, as we believe this will enhance our ability to identify and mitigate risks, as well as foster a culture of excellence and accountability.


ISO45001 certification at our Swindon facility in the UK

Demonstrating our on-going commitment to health and safety, our Swindon operation in the UK achieved ISO45001 certification in FY24 and with this we are now fully ISO45001 certified across all our manufacturing operations in the UK, which is where the largest part of our manufacturing across the Group is located.

In FY24, we expanded our investment in training and certifying Mental Health First Aiders who are available to provide confidential and compassionate support to anyone who needs it.

From 'Wellness Wednesdays' in Australia (a suggestion made in the recent Employee Engagement Survey) to 'Chez Ventilair' in Belgium (a monthly cooking event focused on nutrition), we are committed to offering various initiatives and resources to support our employees on their wellbeing journey.

Reportable incidents

0.20

per 100,000 hours worked

(FY23: 0.30 per 100,000 hours worked)

Minor incidents

0.18

per 100,000 hours worked.

(FY23: 0.50 per 100,000 hours worked)


Safety walk at the Reading facility in the UK


Ventilair Belgium team in fitness training

People continued

Enhancing employee engagement

Employee engagement is pivotal to our success, directly impacting productivity, innovation and employee retention. In October 2023, we launched 'Volution Voices', an extensive engagement survey aimed at gauging employee sentiments across a number of factors including Advocacy, Belonging, Purpose, Collaboration, Commitment, Communication, Diversity & Inclusion and more.

The survey was rolled out to our nearly 2,000 colleagues across the Group in 15 languages and we had a good response rate of 79%. Our overall engagement score was 74, surpassing both the UK and global external benchmarks. The results of the survey have helped us gain a deeper understanding of the needs of different employee groups and identified our areas of strength that we can continue to build on as well as areas of improvement that we need to prioritise. AI-powered text analytics on over 3,000 comments provided us with clear insights to create action plans.

The highest-scoring areas were Purpose (82) and Commitment (79) which indicated that our colleagues understand the Company's strategy, believe in its commitment towards sustainability and are proud to work for the Company. The score on Health & Safety (78) is testament to the efforts we are making in this area and we will continue to reinforce our commitment towards keeping everyone safe and make on-going investments.

Our score on Growth (70) indicated that our colleagues would like to have more opportunities for skill development and career advancement and as part of our action plan we are aspiring to significantly enhance the level of training per employee in FY25. We will continue to roll out our e-learning platform across the Group, providing employees with the opportunity to freely access training modules that are relevant to their current roles or modules aimed at building skills for their future roles. In FY25 we will launch our First-Line Manager training, which will provide managers with a toolkit to develop their skills to effectively lead teams.

Training in action at inVENTer Germany


Dudley operations (UK) win Quarterly Teams Award

People continued
Enhancing employee engagement continued

Communication (71) was another area we prioritised in our action plans. In addition to our regular Employee Forums (which are attended by Claire Tiney, Non-Executive Director) and townhalls during leadership site visits, we launched our Senior Managers' briefing meetings with an aim to further enhance the dialogue between Executive Leadership and leaders from across the Group.

The importance of Rewards & Recognition was another consistent theme that came up in the survey, and we have since launched a quarterly rewards programme in some regions with the rest to follow in FY25.

One of the ways we aim to foster employee engagement is by celebrating various events throughout the year, as we believe that these events help us to appreciate the diversity of our workforce, recognise the contributions of our colleagues, and build a sense of camaraderie and belonging. By celebrating together, we hope to create a positive and fun work environment that inspires everyone to perform at their best.


Celebrations across our group companies

Volution Voices

Our new group-wide employee engagement survey

74	Overall engagement score
79	"I am proud to work for my organisation."
73	"I would recommend my organisation as a great place to work."
82	"My organisation is strongly committed to making a positive impact on the environment and society"
78	"Safety is a top priority in my organisation."
83	"Regardless of background, everyone in my organisation has an equal opportunity to succeed."

People continued

Developing our leaders (Management Development Programme)

We operate in a rapidly evolving business landscape which presents us with challenges and opportunities that require strategic leadership. To win in this environment we recognise the importance of investing in our people and cultivating future leaders from within the business.

We were delighted to launch the fourth cohort of our Management Development Programme (MDP) this year. The MDP is an 18-month programme that takes participants on a learning journey designed to enhance personal effectiveness, build high-performing teams, provide tools to manage change in an uncertain environment and enable a holistic understanding of business strategy and finance.

An important aspect of the MDP is the business case that runs alongside the programme, and in keeping with our commitment to a net zero future, this year's business case was to review our carbon emissions and reduction targets. Participants were tasked with finding the best ways of delivering against our carbon reduction targets and they worked closely with local leaders to gain a deeper understanding of the running of each local business and the impact on carbon emissions. Final proposals will be presented to members of the Volution Board and the Executive Leadership Team. The Executive Team are firmly committed to implementing viable initiatives that will contribute to our net zero ambition.

Find out more about our net zero ambition
www.volutiongroupplc.com/sustainability/planet

People continued
Developing our leaders (Management Development Programme) continued

Zeki Akdeniz, Operations Manager, Volution UK

My biggest take away from the MDP is the opportunity to network and build strong connections with colleagues across Volution worldwide. It's not just about networking with those on the programme but also connections we've made working with local leadership teams through the business case and during our visit to the sites across the Group as part of the programme. I now feel that I am truly a part of the wider global network and I have colleagues I can tap into whenever I need to seek further input and guidance on projects I am working on.

Thanks to the MDP, I am now working with my colleague in Sweden, utilising his knowledge and expertise to support our mouldshop optimisation project in the UK. Seeing other sites outside of the UK, it is clear that we have expertise in the Group and answers to all of our challenges.

Marjorie Goutsmet, Finance Manager, Ventilair Belgium

The learnings from the MDP will significantly aid my career development in several ways. The management modules have equipped me with practical tools and frameworks that I have already begun to implement, such as the change curve, priorities matrix, and the concept of working in a state of flow. These tools have improved my strategic thinking and preparation for important conversations. Secondly, my newfound confidence in my management abilities, reinforced by positive feedback and validation from peers, has diminished my fear of future challenges and limitations. This confidence allows me to pursue new opportunities with a belief that my capabilities exceed my perceived limitations. Lastly, I have discovered a passion for disseminating knowledge, which I plan to cultivate further by continuing to learn and share insights with colleagues and beyond. This holistic development will not only enhance my effectiveness as a leader but also contribute to the growth and success of my part of the Group.

Angel Mircheski, Product Development Director, ERI North Macedonia

I was delighted to be promoted to the position of Product Development Director whilst still on the MDP. I believe I now have a strong foundation to be successful in my new role and feel ready to take on new challenges. The MDP presented me with the opportunity to build strong relationships with colleagues from different functions and Group companies. Throughout the MDP I experienced the power of including different perspectives to effective problem-solving. Along this journey I have been able to sharpen my leadership skills and explore ways in which I can authentically support my team to succeed.

People continued

Strengthening leadership


Martin Goodfellow, Group Technical Director

Innovation is a key pillar to our success and with the appointment of Martin Goodfellow, as Group Technical Director, we have strengthened our executive team. Martin brings with him a wealth of experience and will lead the agenda on new product development for the Group.

Q. Please share a bit about your background and how your past experiences have set you up for success in your role at Volution.

My early career was a deliberate mix between engineering and technical sales roles. This leveraged my degree in physics and once I had a few years' experience I chose to return to academia to complete my Engineering Doctorate. I was able to combine all of this experience to develop through a variety of roles within Rolls-Royce which provided me with incredible opportunities and a solid foundation for my understanding of engineering, business management and delivery. I have sought opportunities to broaden my experience throughout my career and am excited to bring this to Volution.

Q. What drew you to Volution and this specific role? What aspects of the job excite you the most?

It was clear to me that Volution has a strong track record of executing a clear and effective growth strategy. I found the environmental emphasis appealing and the scope of the possibilities that Volution has before it are very exciting; air quality is a significant public health challenge and with the impacts of global warming becoming more apparent the importance of ventilation has never been clearer. Working in a dynamic, growing Group which is well positioned to tackle these future challenges is very exciting.

Q. Volution is known for its culture of innovation. How do you plan to keep that spirit alive and thriving?

My early impression is that we are limited only by our ability to prioritise. The level of competence and inventiveness I see from a whole range of technical teams is strong. The key Is selecting the right innovations to pursue and develop in a timely and effective way – we are not short on good Ideas here! As Volution continues to grow it is important to ensure that the right technical networks develop between each resource centre and business to maximise our strengths and mitigate any capability or capacity risks.

Q. Which emerging technologies will significantly impact our industry, and how are you preparing for them?

In recent years we've seen a drive towards heat recovery in many markets, particularly those with enhanced building codes and standards. This trend will continue and there will be further innovations we can make to products to maximise the effectiveness of such solutions whilst optimising for reliability, cost and sustainability.

Further to this, many of our devices will need to play a role in increasingly 'smart' homes. Internet of Things (IoT) connectivity will start to become normalised across many applications, particularly where clear value propositions exist for home management or estate management in commercial or social housing situations.

In the longer term, understanding how changes in air quality, temperature, energy efficiency and how environmental standards are adopted and adapted in different nations and regions is key to developing the appropriate mix of products and solutions. As we see today, it is unlikely that there will be a single 'universal standard', so a portfolio of solutions will be required, and this will also provide opportunities for diversity and innovation.

Q. How will you prioritise innovation to ensure that our products support the creation of a circular economy?

Already greater than 70% of our R&D spend is towards low-carbon innovation initiatives (we report this via the UN Global Compact). We are market leading in our usage of recycled plastic feedstock. Our customers, investors and staff all firmly believe that these are the right areas to progress and I see only opportunity by being ahead of this broader global trend.

Q. What are the key opportunities for Volution over the next three years? And what are your personal goals for the Company during this time?

Firstly, we must continue to execute the business plan, incorporating the right balance of involvement with recently acquired businesses, whilst leveraging their market access, unique knowledge and growth potential.

Secondly, we will continue to expand both organically and inorganically. For organic growth I think there Is significant potential for us to refine focus of our product ranges which will in turn enable us to adopt platform and modular design approaches that will allow us to offer an enhanced suite of products with a reduction in cost.

Thirdly, with regard to the transition to digitally enabled products and services (as mentioned previously), we have the opportunity to adopt, develop and incorporate new technologies into our products that will delight customers. Determining how we do this, for which products and markets and the appropriate commercialisation strategies is one of our most exciting challenges.

People continued

Reinforcing our commitment to Diversity, Equity and Inclusion

We believe that diversity, equity, and inclusion (DEI) are important elements that shape our culture, encourage innovation, and contribute to sustainable success. Our DEI efforts in FY24 have shown considerable progress, marking an important phase in our journey.

We are committed to increasing the share of women in our workforce especially in leadership roles. One notable achievement is the representation of women in our recent management development programme with nearly 40% of the participants being women. This not only empowers our female colleagues but also enriches our leadership pipeline with diverse perspectives.

We continued to roll-out unconscious bias training in the company. This training is designed to educate and sensitise our leaders on the subtle biases that can influence decision-making and workplace interactions. By doing so, we aim to create a more equitable and inclusive environment.

We know that we are still in the early stages of our DEI journey but we were delighted to see, in our recent employee engagement survey results, that our employees recognise that diverse perspectives are valued (Score 73) and that regardless of background everyone has an opportunity to succeed at Volution (Score 73). Our employees have expressed strong satisfaction with the inclusive environment we are committed to fostering and this reinforces our resolve to continue on this path.

We recognise the importance of collaborating with like-minded organizations to drive change across the industry. In FY24 we joined the Construction Inclusion Coalition (CIC) and committed to the Built on Better pledge, which provides clear guiding principles for businesses in the industry to improve equity, diversity and inclusion. We are excited about the journey ahead and the opportunities to create a more inclusive future for our Company and the industry we operate in.

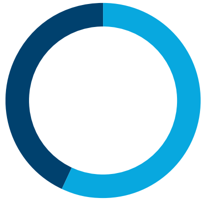
In FY25 we will prioritise data collection to better understand the DEI landscape within our organisation and to effectively guide our strategy.

Simx team in NZ celebrate Pink Shirt Day, an antibullying campaign that celebrates diversity and creates environments where all people can feel safe, valued and respected

CONSTRUCTION INCLUSION COALITION

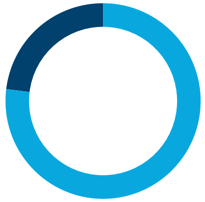
As individual members we pledge to:

- Drive the recruitment, retention and progression of under-represented groups in the industry
- Foster an environment that encourages feedback and higher satisfaction from under-represented groups
- Transform internal processes for concerns and complaints to be raised by any and all colleagues
- Measure and report on our progress year-on-year to ensure continuous progress and development



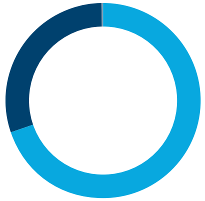
Board

Male: 57%
Female: 43%



Senior managers[1] and direct reports

Male: 77%
Female: 23%



All employees

Male: 69.9%
Female: 30.0%
Prefer not to say: 0.1%

1. Legislation requires that we define "senior managers" as the directors of our subsidiary companies. However, the Board believes this information does not provide a meaningful analysis of how the Group operates so the data shown reflects the proportion of senior managers by our own internal grading system. The number also excludes Board Directors. The statutory reporting requirements can be found on pages 105 to 106.

Find out more about our approach to DEI https://www.volutiongroupplc.com/~/media/Files/V/Volution/sustainability/policies/Volution_Group_-_Responsible_Operations.pdf

People continued

Engaging with our communities

At Volution, we actively encourage our colleagues to make a meaningful impact in the communities we serve. In FY24, our colleagues demonstrated their strong commitment to social responsibility by using their skills and resources to raise funds for worthy causes and to help others in need. We are proud of their creativity and generosity in making a positive difference in the world.

DVS team in NZ come together to raise funds in support of the Asthma and Respiratory Foundation NZ.

Clive Bishop, Sales Director UK, raised £8,500 for Cancer Research UK riding 1,000 miles from Land's End to John o' Groats in 24 hours.

Alan Parkinson, Operations Director at National Ventilation UK, completed the D-Day 44 Challenge (44-mile run) in aid of Combat Stress, the UK's leading charity for veterans' mental health and raised £2,000.

UK team raised £14,600 for Young Lives vs Cancer

Colleagues at ClimaRad Netherlands developed the 'Wonderfoon', a rotary telephone that has been converted into a mini jukebox for the Zozijn foundation residents with dementia.

People continued

Continued commitment to ethical business practices

In our ongoing commitment to social responsibility and ethical business practices, we have taken significant strides in influencing the conditions for workers within our supply chain. Recognising the importance of human rights and labour standards, we have implemented comprehensive strategies and practices to ensure that our suppliers treat their workers with the respect and dignity they deserve.

In FY24, we did the following to contribute to the drive to eradicate modern slavery and improve working conditions:

- 110 people in supply chain, operations and senior management roles were trained on how to identify key indicators that are usually exhibited by victims of modern slavery.
- We conducted 50 site audits & 21 desktop audits for suppliers who fall in scope for enhanced surveillance based on our risk assessment criteria.
- We have continued engagement with 186 suppliers with whom we spend £100,000 or more to ensure that they are constantly reviewing their own supply chains to eliminate modern slavery.
- Our audit checks now include a review of staff working hours. Suppliers who routinely rely on staffing working overtime which is more than prescribed by local laws or guidelines are required to implement a corrective action plan.

Ventilair Belgium awarded Voka Charter for Sustainable Entrepreneurship (VCDO)

VCDO is a practical programme developed by the Flemish Chamber to support companies in contributing to the realisation of the UN SDGs The Chamber and the company study each challenge and draw up a plan of at least ten action points that take into account the specific characteristics and possibilities of each company. After one year, the plan is evaluated by an external evaluation committee. A positive evaluation leads to the award of the Voka Charter for Sustainable Entrepreneurship (VCDO). Some of the actions defined by the Ventilair team include Chez Ventilair – Get Veggie, Cycle to Work scheme, Welt Traject, community partnership projects and fitness activities for employees.

Find out more about our commitment to social responsibility and ethical business practices www.volutiongroupplc.com/~/media/Files/V/Volution/sustainability/policies/Modern_Slavery_Statement_FY23.pdf

Ventilair Belgium awarded Voka Charter for Sustainable Entrepreneurship (VCDO).

Andrew Nyadzo, Head of Group Procurement

Products

Improving air quality and reducing emissions

Our ambition

/ To champion the energy saving potential of our products and solutions and support the net zero ambitions of the countries in which we operate.

/ To continue to develop clean air solutions that protect people's health and increase their comfort in an ethical and responsible way.

Definitions, basis of preparation, calculation methodology and historical data related to sustainability KPIs and other measures of sustainability performance can be found on pages 200 to 202.

Products continued

Our approach

Our products are intrinsically designed to improve air quality and comfort of the buildings in which they are installed. We engineer them to protect our customers from the impact of pollution in the spaces they inhabit, whilst simultaneously supporting the fight to make these spaces less carbon intensive. In addition, we focus on making the products less intrusive, quieter and easier to install and use.

Our commitment to innovation

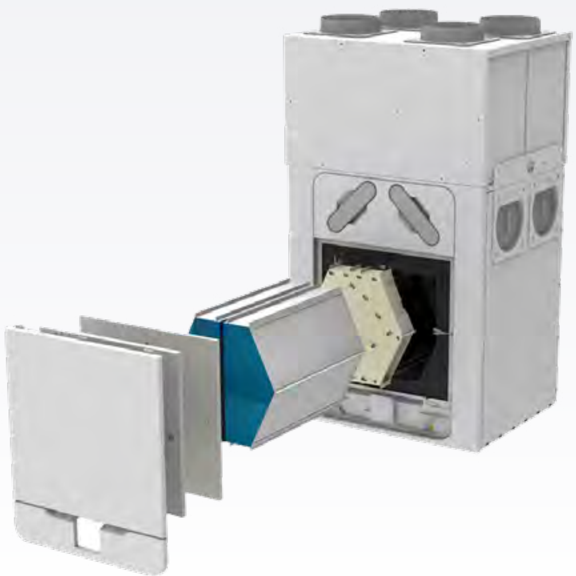
Our commitment to an 'innovation-for-benefit' approach is central to Volution's mission, driving us to deliver products that make a real difference. We emphasise sustainable, user-centric design, ensuring our solutions not only meet market needs but also enhance societal wellbeing. By incorporating recycled materials into our manufacturing processes and developing products that improve air quality, we create eco-friendly solutions that benefit both people and the planet. Our continuous investment in R&D and collaborative efforts with supply chain stakeholders reflect our dedication to progress, functionality and accountability. Looking ahead our focus remains clear: innovating for a better future, creating value, and ensuring a positive legacy for generations to come.

Spotlight on innovation

This year we have launched a range of new products, all with a focus on improving energy efficiency. From the first continuous DC heat fan light in Australia, with the Heatforce DC through to an integrated AHU in Finland with ventilation and a heat pump, our focus on efficiency remains the same.

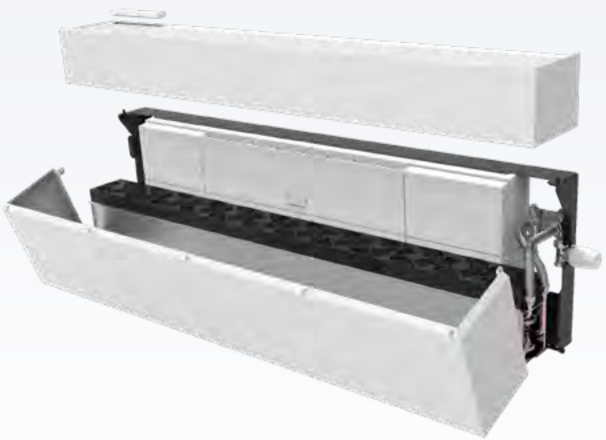
Econiq Cool Flow

The Econiq range are designed to provide effective, comfortable ventilation with low energy consumption and up to 93% heat recovery efficiency. The latest addition to the family also helps to mitigate overheating in the warmer months. Integrated controls mean the unit automatically switches between heat recovery, summer bypass for free cooling when available, and active cooling mode through the integrated, 3.78KWh cooling module.



ClimaRad Vita H1C

The new ClimaRad Vita H1C-S ventilation unit with convector for active heating and cooling is specially designed for low-temperature heating systems, such as heat pumps in residential buildings. The inclusion of heat recovery means the system provides ventilation and heating or cooling on a room-by-room basis and includes sensors for automatic control of the environmental quality.



Products continued

Saving energy and avoiding emissions

How heat recovery ventilation works

Heat Recovery Ventilation (HRV) is a system designed to improve indoor air quality and energy efficiency by exchanging stale indoor air with fresh outdoor air while retaining much of the heat energy. Here's how it works:

- Fresh incoming air from outside
- Warm air introduced to the home after recovering heat
- Air exhausted to outside after the heat has been recovered
- Stale air extracted from the house

1. Air Exchange

- **Incoming Fresh Air:** The HRV system draws fresh air from the outside.
- **Outgoing Stale Air:** Simultaneously, it expels stale air from the inside of the building.

2. Heat Exchange Process

- The key component of an HRV system is the **heat exchanger**. This part of the system allows the two air streams (incoming and outgoing) to pass close to each other without mixing.
- As the stale indoor air exits through the heat exchanger, it transfers much of its heat energy to the incoming cold fresh air. This process happens without the two airflows actually touching or mixing.

3. Efficiency and Energy Savings

- By recovering heat from the outgoing air, the HRV system pre-warms the incoming air during cold seasons, reducing the need for additional heating.
- In warm seasons, some systems can also work in reverse to pre-cool the incoming air, enhancing cooling efficiency.

4. Filtration

- Before the fresh air enters the building, it typically passes through filters, which remove dust, pollen and other contaminants. This ensures that the air quality is improved along with the heat recovery process.

5. Balanced Ventilation

- HRV systems are designed to balance the amount of air being exhausted with the amount being introduced. This prevents pressure imbalances that could cause drafts or affect the performance of other ventilation systems.

Benefits of HRV Systems

- **Energy Efficiency:** Significant energy savings by reducing the load on heating and cooling systems.
- **Improved Air Quality:** Constant supply of fresh, filtered air, while stale air is continuously removed.
- **Comfort:** Maintains a comfortable indoor temperature by reducing the loss of heat (or coolness).

In summary, HRV systems are particularly beneficial in climates with cold winters, where they help maintain indoor warmth without significant energy losses, and they improve overall indoor air quality by ensuring a steady exchange of fresh and stale air.

Products continued

Avoided emissions

Employing heat recovery ventilation solutions in airtight, optimally insulated buildings enables marked reductions in the energy used for heating or cooling. Alongside these energy reductions and correlated financial benefits, there are significant carbon emissions that are avoided when compared with alternative, base-line ventilation.

Building on the model that we designed in collaboration with Arup and updating for carbon conversion factors, this year we have again calculated the avoided emissions from our heat recovery products sold in the current year, over the lifetime of those products sold.

Our heat recovery products consistently reduce energy consumption throughout their useful life, thereby avoiding emissions for more than just a single year. Further, with every successive year, the sales contribute to the growing installed base, leading to cumulative emission reductions. We have, however, assessed only the lifetime emissions of heat recovery products sold in FY24.

The estimates of the equivalent number of homes and cars shown are subject to the same assumptions, limitations and sensitivities of the calculation of the Volution reported avoided emissions, and further by the assumptions and limitations of the average emissions for homes and cars published by the Office for National Statistics (ONS) and the Department for Transport (DfT) and used for the calculations.

Definition – avoided emissions

Avoided emissions are those emissions avoided from the use of Volution Group heat recovery products when compared with alternative measures of ventilation. Avoided emissions are not included within Scope 1, 2 or 3 emissions, and do not form part of reporting of total emissions or net zero targets for the Group.

Details about the methodology used and assumptions and uncertainties inherent in the calculation can be found on page 197

1,872,583 tCO_2e

Avoided emissions from the use of our heat recovery products sold in FY24 over their lifetime of use

The same as:

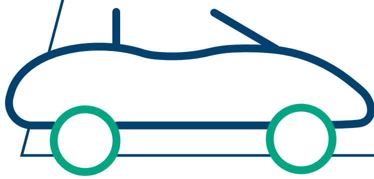
604,059

homes' carbon dioxide emissions for 1 year[1]

or

971,710

cars off road for 1 year[2]



1. Calculated by taking the Volution reported avoided emissions of 1,872,583 tCO_2e and dividing by the median emissions for an existing dwelling in England for one year (ONS, 2023).
2. Calculated by taking the Volution reported avoided emissions of 1,872,583 tCO_2e and dividing by the overall average emissions per mile for UK diesel automobiles, (Department for Transport, 2024) assuming 7,000 miles driven per annum per vehicle (DfT, 2024).

Planet

Volution is committed to a net zero carbon future

Our ambition

/ To reduce our environmental impact by improving business efficiencies and minimising our impact on the climate.

/ To focus on the quality of materials we use to support the creation of a circular economy, and eliminate all forms of waste across our value chain.

Definitions, basis of preparation, calculation methodology and historical data related to sustainability KPIs and other measures of sustainability performance can be found on pages 200 to 202.

Planet continued

Science-based targets

In FY22, Volution committed to a net zero carbon future. Since then, we have worked on continually increasing the perimeter of our carbon inventory, and this year we are reporting on all categories in Scope 1, 2 and 3.

We have revisited the methodology of our carbon assessment to ensure that we are using the most appropriate carbon conversion factors and 'wheel-to-well' methods.

This means that we have restated our reported carbon for the FY23 base year, increasing our total emissions base from which to track our reductions.

We have followed through on our public commitment and this year have submitted our targets for approval by the SBTi.

We believe that this public expression of our science-based targets, joining others who have made the commitment, is critical as we play our part in the global challenge of achieving net zero.

Our SBTi targets and commitments are that:

- we commit to reduce absolute Scope 1, 2 and 3 GHG emissions 65.00% by 2034 from a FY2023 base year; and
- we commit to reduce absolute Scope 1, 2 and 3 GHG emissions 90.00% by 2050 from a FY2023 base year.

We are confident that we can achieve our target reduction goals. The largest portion of our carbon inventory stems from the emissions associated with the use of our products – scope 3 category 11. Since we operate in a sector where our products use electricity, and the grid is increasingly decarbonising, we are already part of the solution. Coupled with the low energy consumption of our products, and our efforts to address the rest of our carbon inventory, we are confident that our targets are within reach and are achievable.

Where and When appropriate:

- We will move all procured electricity to 100% renewable sources
- We will transition to an electric fleet
- We will train and Improve staff energy awareness
- We will implement incentive schemes where appropriate (senior management and Company-wide)
- We will install LED lighting and controls throughout our sites
- We will invest in efficient manufacturing equipment
- We will manage and maintain existing equipment to reduce fugitive emissions risks
- We will Increase energy metering and energy management controls across operational sites
- We will move gas-powered sites to electricity when appropriate
- We will invest in renewable energy production (e.g. solar) at our sites where appropriate.

Where and When appropriate:

- We will work with our supply chain and industry to increase the use sustainable products and inputs
- We will work towards 90% of the plastic processed in our factories to come from recycled sources
- We will continue to increase the proportion of low-carbon product that we sell
- We will continue to increase the energy efficiency of the products that we sell
- We will close the loop on the circular economy, recovering our end-of-life products, recycling and re-using
- We will reduce air freight to the minimum possible

Although our submission to SBTi is a roadmap to net zero by 2050, we aspire to reach net zero earlier.

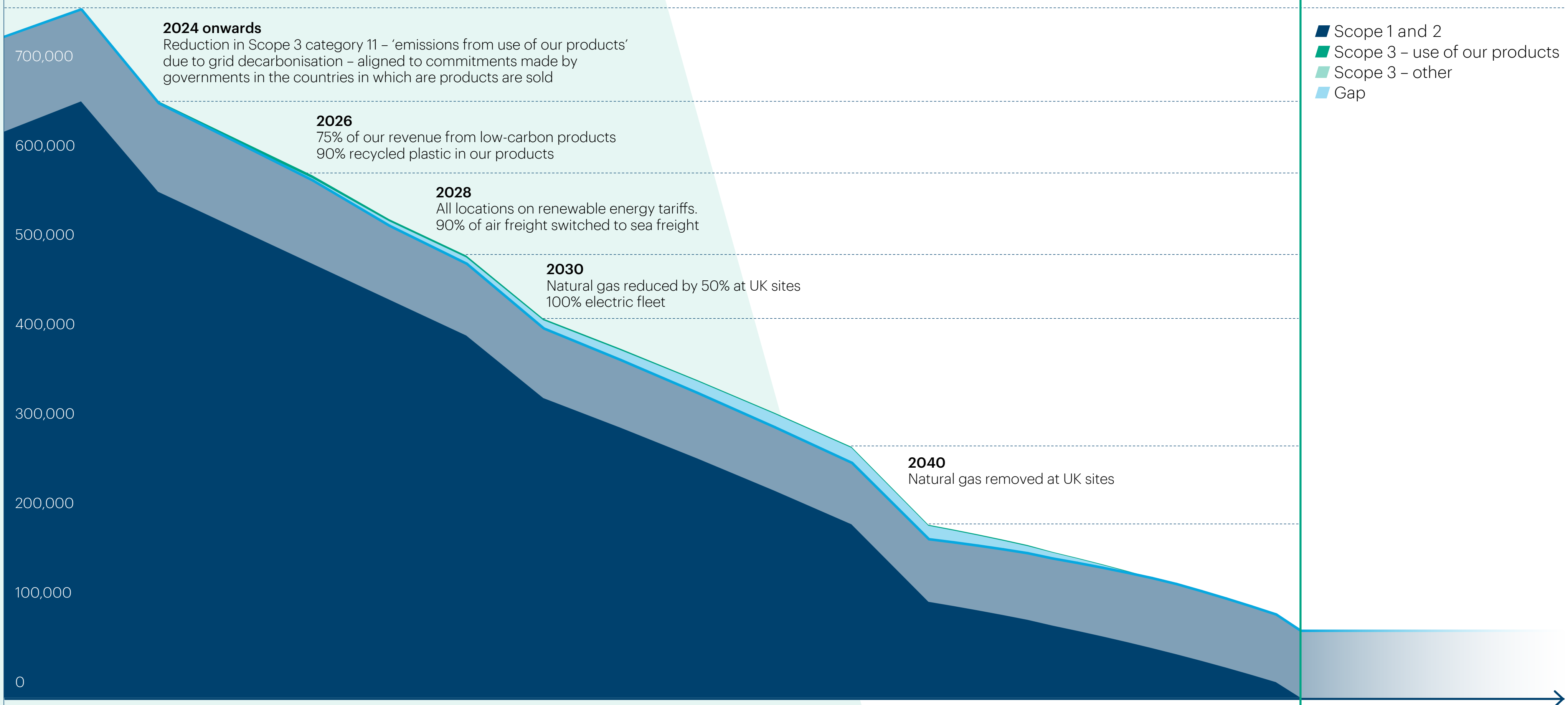
Our aspiration to reach net zero by 2040 that we announced in 2021 was based on a smaller perimeter, excluding scope 3 category 11 emissions, When including these emissions from the use of our products sold, we are reliant on the speed of grid decarbonisation to deliver net zero earlier.

Acting on our SBTi commitment

- **Commit** – Commitment to SBTi target process **October 2022**
- **Develop** – Developed full carbon inventory and targets **FY24**
- **Submit** – Submitted SBTi aligned targets **July 2024**
- **Initial validation** – Completed **July 2024**
- **Technical screening** – Completed **August 2024**
- **Target approval** – Estimated **December 2024**

Planet continued

Our pathway to net zero



2023 baseline

Our targets are aligned with the objective of reducing total absolute emissions by 65% by 2024 and by 90% by 2050. Our targets include an underlying growth in the business of 2% p.a. Working with an independent consultant, we have set a roadmap including active and passive emissions reductions, which, if delivered, would meet these targets.

2050 Net zero

Planet continued

Task Force on Climate-related Financial Disclosures

Compliance Statement

We are committed to consistent and transparent reporting aligned to the recommendations of the TCFD and will continue to work with our stakeholders to provide comprehensive data.

We comply with the Financial Conduct Authority's (FCA's) Listing Rule 6.6.6(8)(a) and within this Annual Report and Accounts and make disclosures consistent with the 2017 TCFD recommendations as well as the updated TCFD 2021 guidance, across all four of the TCFD pillars: Strategy; Governance; Risk Management; and Metrics and Targets.

In preparing our disclosures, we considered the industry-specific guidance for the materials and buildings/construction industry, and so disclose data on our assets vulnerable to climate risks, and executive remuneration. We do not consider other industry-specific metrics as material for the Group.

The highlights are included in this section of the Annual Report, with more detail provided on pages 190 to 196.

We are committed to further improving our reporting and disclosures in future, including, but not limited to, further enhancing the accuracy of our emission data, and the sophistication of our scenario analysis.

TCFD pillars
1. Governance
2. Strategy
3. Rick Management
4. Metrics and Targets

1. Governance

Climate change is embedded in the governance structure of the Group through a decentralised local ownership, overseen by Group leadership and under the ultimate oversight of the Board. The Board is collectively responsible for promoting the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society.

The Governance structure is shown on page 64 and more detailed TCFD Governance pillar disclosures are provided on pages 190 and 191.

2. Strategy

Our sustainability ambition is to champion the energy saving potential of our products and solutions and support the net zero ambitions of the countries in which we operate. The regulatory tailwinds should significantly increase demand for our sustainable and innovative ventilation solutions, while our leading position in the UK, Continental Europe and Australasia ventilation markets means that we are well positioned to seize this opportunity.

Our strategy is shown on page 34 to 37 and more detailed TCFD Strategy pillar disclosures are provided on pages 191 to 193.

3. Risk Management

The opportunities that are available to us are a key driver to our Sustainable Growth Model. Our organic growth is driven by our local businesses taking the opportunities available to them in each market, driven in part by the local regulatory tailwinds (see page 8). Our drive to innovate and develop new products ensures that we are able to maintain a leadership position in low-carbon and heat recovery products. Our growth from acquisition targets successful businesses that specialise in low-carbon and heat recovery products.

The climate risks and opportunities are described in pages 86 and 87 and more detailed TCFD Risk Management pillar disclosures are provided on pages 190 to 192.

4. Metrics and Targets

We disclose all Scope 1, 2 & 3 carbon emissions and have set detailed annual targets, and we have distributed these targets to each of our local businesses.

Our metrics for the percentage of our total revenue that is from low-carbon and heat recovery products tracks the extent to which we are utilising the opportunities that climate change brings. The success of our investments and capital allocation, both in terms of plant and equipment and in the acquisition of low-carbon businesses, is reflected in increased sales from these products.

We have aligned our revenue with the EU Taxonomy and continue to report under the FTSE Russell Green Economy taxonomy. We believe these externally reported metrics allow us to demonstrate the success of our continued delivery against our sustainable growth strategy.

Our FY24 emissions and performance against targets are shown on pages 195 and 196, and more detailed TCFD Metric and Targets pillar disclosures are provided on pages 200 to 202.

Planet continued

Transition to net zero – in action

Carbon emissions – Highlights

Total absolute Scope 1, 2 and 3 emissions

662,043

10.2% lower than FY23 (FY23: 737,898)
13.8% ahead of FY24 target

Scope 1 and 2 Intensity measure tCO_2e/£m revenue

12.8

4.1% higher than FY23 (FY23: 12.3)
11.3% behind FY24 target

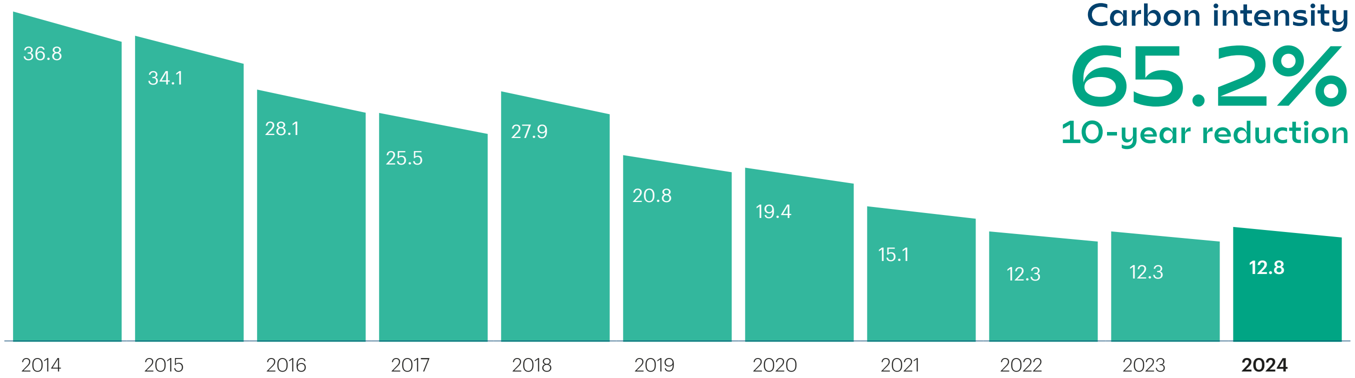
Q. Why is our Scope 1 and 2 Intensity measure up?

Our chosen measure of carbon intensity has increased to 12.8tCO_2/£m revenue (FY23 restated: 12.3tCO_2/£m revenue). This increase is impacted by the inclusion of emissions from our three most recent acquisitions for the first time in FY24, and of increases to the carbon conversion factors of North Macedonia. In addition we used more fuel in car journeys and more gas in our UK facilities. We continue to drive energy efficiencies through the work of our colleagues around the business (page 85).

Q. Why is our total absolute emissions measure down?

Our total absolute scope 1, 2 and 3 emissions is 10.3% lower than FY23 and 13.7% ahead of the target for the year. This decrease is primarily the result of product mix at our heat recovery cell business (ERI), where a lower mix of very large commercial heat cells has reduced the expected emissions from the use of our products sold in FY24 overall their lifetime (Scope 3 – category 11), and the increase in the proportion of our revenue made up of low-carbon products.

Scope 1 and 2 Performance – Carbon intensity (tCO_2e/£m of revenue 2014 to 2024)



Carbon intensity
65.2%
10-year reduction

Impact on financial statements

When preparing the consolidated financial statements on pages 141 to 181, the Directors considered the impact of climate change risks and opportunities, and the actions necessary to achieve the short-, medium- and long-term targets set for carbon emissions reduction.

After careful consideration of these factors, the Directors concluded that there are no material impacts to the assumptions, estimates or judgements used in the preparation of those accounts relating to climate change.

When assessing the carrying value of tangible and intangible assets for impairment at the balance sheet date, we considered the impact of climate change under both the 1.5c and 4c scenarios and concluded that there was no material adverse financial impact over the period of assessment that could lead to impairment. Our analysis of the resilience of our main locations to the physical risk of climate change also showed us that there is no impact on the useful lives of our material physical assets.

Our carbon reduction targets and commitment made to achieve net zero have been carefully considered and we have concluded that the actions that we will take do not have a material adverse impact to future cash flows. Our short-term commitments such as reducing air freight, increasing recycled plastic, moving to 100% renewable tariffs, and moving to a fully electric vehicle fleet do not require material incremental investment, and the longer-term active reductions alongside the passive market reductions do not materially adversely impact future cash flows.

This continued success in delivering carbon reductions whilst not impacting profitability has been demonstrated over the ten years since the Volution Group plc IPO which has seen a reduction of Scope 1 and 2 carbon intensity of 65.2%.

Planet continued

Transition to net zero – in action continued

Our colleagues are engaged and empowered to deliver against the carbon reduction, waste elimination and other sustainability targets we have set ourselves. These are some of the things we have worked on across the Group that show real results this year.

UK

- Reducing waste – all UK sites are now "Zero-Landfill", with recycled waste up from 59% to 67%
- Removing unnecessary journeys – 'DIFOT' Delivery in full on time, to ensure most efficient shipments to customers – c30% improvement year on year
- Efficient production – four new injection moulding machines averaging 30% more energy efficient
- Clean and safe – old paint facility closed – chemicals removed
- Efficient production – site consolidation in Swindon and Dudley with investment to improve the buildings, reducing emissions.
- Clean energy – ongoing feasibility study into solar panels across the UK estate.

Europe

- Product design – ERI designing products for lower pressure loss and hence more energy efficiency
- Working with suppliers – ERI sourcing aluminium which increasingly contains high proportion of recycled content.
- Clean energy – Nordics – final assessment stage to replace oil with geothermal heating
- Efficient production – Nordics – new moulding machine using 25% less electricity
- Removing unnecessary journeys – ClimaRad – only full trucks from factory in Bosnia Herzegovina to warehouse in Netherlands lowering CO_2 and optimising stock
- Product lifecycle – new upgrade kit to retrofit new round product into the existing installed square channel – reducing energy needed to install upgrade, and less waste.

Australia and New Zealand

- Sustainable filters – Change from polyester to wool filters which are 90% biodegradable and traceable from farm to consumer
- Recycle and reuse – Halving number of plastic bags used for filters, moving from a two-bag system to a single branded recycled/recyclable bag. Hemp bags in insulated duct manufacture working well
- Product lifecycle – reuse of plastic fan casings in units, and electronics from used units stripped and recycled.
- Clean energy – discussions with sea freight suppliers to utilize biofuel
- Working with suppliers – 50% key suppliers changed from polystyrene to recyclable packaging.

Recycled plastic in our products

78.1%

1.9pp higher than FY23 (FY23: 76.2%)
5.3pp behind FY24 target of 83.4%

We continued to increase the use of recycled plastics within the products that we manufacture in our facilities.

Although we did not achieve the stretching target we set for FY24, significant progress was made and we exited the year with a Q4 run-rate of over 83% recycled, and with our main plastics facility (in the UK) running at an impressive 90.0% run-rate. We aim to increase usage further as we strive to reach our Group 90% ambition, delivering both cost and carbon savings.

Planet continued

Climate opportunities and risks

Our transition opportunity

Volution products support legislative transition as we decarbonise
Buildings are responsible for around 36% of total CO_2 emissions and 40% of total energy demand. If we are to hit global net zero targets, we must deal with the existing building stock as well as building new compliant buildings. With 90% of the buildings we have today expected to be still standing by 2050, and a current refurbishment rate of just 1% per year, we need new initiatives.

To deliver net zero ready buildings we must make them airtight, insulate them well and decarbonise the heating source. These actions will impact the indoor environment and air quality, and ventilation will be even more important for both health and comfort. Doing that without losing heat, and therefore energy, will require energy-efficient ventilation solutions including heat recovery.

If we are successful and reduce the energy demand in buildings by 80% by 2050, we will save more than 30% of our total energy needs. To achieve this, we need to at least triple the rate of existing building stock renovation, to 3% a year.

As a structural growth driver, In May 2024, the European Commission finally adopted the strengthened Energy Performance of Buildings Directive (EPBD). This represents another milestone of the European Green Deal. These regulations will stimulate the renovation market in the EU and will trigger a wave of renovations and create increased demand for energy-efficient upgrades.

Similar regulatory drivers exist in all our markets and are fully described on pages 18 to 23. These responses to climate change will increase demand for our low-emission products and services.

Strategic response and resilience
The energy saving potential of our products and solutions and ability to support the net zero ambitions of the countries in which we operate. We are part of the Green Economy, evidenced by the LSE Green Economy Mark and the eligibility of our products to the EU Taxonomy.

Impact on financial statements
The opportunity that the just transition to a net zero economy presents, is conservatively built into our going concern and impairment reviews.

Metrics and targets

Low-carbon Sales
70.9%

Avoided emissions
1,872,583
tCO_2e

Heat recovery products
31.7%

Physical risk – acute and chronic

Changing weather patterns, linked to climate change, may directly damage our production facilities or disrupt our supply chain.

Scenario 1.5°C

Likelihood
Short term Long term

Potential impact
Short term Long term

Scenario 4°C

Likelihood
Short term Long term

Potential impact
Short term Long term

Strategic response and resilience
Our main production assets are not exposed to direct risks of extreme weather or other impacts of climate change over the short or medium term. We engage with our supply chain and maintain alternative sources and sufficient inventory to avoid the impact of short-term disruption. Our geographic spread from our international acquisition strategy helps to mitigate the impact of local disruption.

Impact on financial statements
There is no material impact on going concern, impairment, or useful economic lives of our assets, nor any required increase in opex or capex to mitigate or replace our assets.

Associated principal risk
1 2

Metrics and targets
Continued monitoring of each of our significant locations and portfolio of owned properties.

Planet continued

Climate opportunities and risks continued

Potential impact

- Short: Minimal financial impact to the Group
- Medium: Some financial impact to the Group but not material
- High: Material financial impact to the Group

Transition risk – reputation

Investors and lenders may show a preference to allocate capital to businesses with smaller climate impacts, and customers may select competitors which are perceived as having delivered on their plans to reduce carbon.

Scenario 1.5°C

Likelihood

Short term — Long term

Potential impact

Short term — Long term

Scenario 4°C

Likelihood

Short term — Long term

Potential impact

Short term — Long term

Strategic response and resilience

Sustainability is at the heart of our purpose and key to our strategy. We have appropriate governance and KPIs in place to ensure delivery of our strategy. We continue to engage with our investors and lenders and are confident our strategy is well understood.

Impact on financial statements

There is no material risk that we would be unable to raise sufficient funds for future business requirements that could impact our growth strategy, going concern or viability.

Associated principal risk

N/A

Metrics and targets

Availability of financing and share price.

Transition risk – policy and legal

Governments may implement taxes or charges which penalise businesses that do not reduce carbon, also increasing the input cost of energy, freight and materials.

Scenario 1.5°C

Likelihood

Short term — Long term

Potential impact

Short term — Long term

Scenario 4°C

Likelihood

Short term — Long term

Potential impact

Short term — Long term

Strategic response and resilience

We engage with our suppliers to positively challenge and improve our production supply chain with a focus on eliminating waste, minimising emissions and maximising efficiency. Our carbon reduction targets mitigate potential penalties or charges.

Impact on financial statements

There is no material impact on going concern, impairment, or useful economic lives of our assets, nor any required increase in opex or capex to mitigate or replace our assets.

Associated principal risk

4 9

Metrics and targets

Gross profit margin, adjusted operating profit margin.

Transition risk – policy and technology

Governments may implement stricter regulation, rendering elements of our product portfolio non-compliant.

Scenario 1.5°C

Likelihood

Short term — Long term

Potential impact

Short term — Long term

Scenario 4°C

Likelihood

Short term — Long term

Potential impact

Short term — Long term

Strategic response and resilience

As active members of trade associations across our Group, we influence directional change in building regulations and improve industry guidance. We are committed to investing in innovation to support breakthroughs in sustainable living and ensuring that emission reduction is a core consideration in our solution design.

Impact on financial statements

There is no material impact on going concern, impairment, or useful economic lives of our assets, nor any required increase in opex or capex to mitigate or replace our assets.

Associated principal risk

7 9

Metrics and targets

Percentage of revenue from low-carbon and heat-recovery products

The Strategic Report was approved by the Board and signed on its behalf by Ronnie George, Chief Executive Officer, on 9 October 2024.

Ronnie George
Chief Executive Officer
9 October 2024

Governance report

Governance report

Chair's Introduction to Governance

Promoting a sustainable future through high standards of corporate governance

Dear shareholder,

On behalf of the Board, I am pleased to present the Governance Report for the year ended 31 July 2024. The Report provides detail and insights into the work and activities of the Board and its Committees during the period.

The Board remains committed to maintaining the highest standards of corporate governance, with decisions being made for the benefit of our shareholders and other stakeholders by promoting and maintaining the long-term success of the Company.

Compliance with the 2018 UK Corporate Governance Code

The Board believes that good corporate governance supports longer-term shareholder value, and sets the culture, ethics and values for the Group. I am pleased to report that the Company has complied in full with the principles and provisions of the 2018 UK Corporate Governance Code (the 2018 Code). A copy of the 2018 Code can be found at www.frc.org.uk.

The Board has spent time during the year considering the impact of the changes to the UK Corporate Governance Code published in January 2024 (the 2024 Code) as we prepare for compliance with the updated version, which will apply to the Company for the financial period beginning on 1 August 2025 (other than Provision 29 which will apply a year later).

Nigel Lingwood
Chair
9 October 2024

Chair's Introduction to Governance continued

Strategy and sustainability

In line with our annual programme of work, the Board's agenda this year included matters of strategic importance, including M&A, product innovation, capital expenditure decisions, risk appetite, the Group's decarbonisation plans and our people.

In July 2024, the Board attended an off-site strategy session, which involved having an extensive look at current strategy and future opportunities. Facilitated by an external management consultancy, CIL, this provided a highly valuable opportunity for the Board to discuss the Group's markets and opportunities which are the drivers of future growth.

To aid our work on sustainability, we received informative updates from the Group's Management Sustainability Committee and from our Senior Independent Director, Amanda Mellor, who is the nominated Director for oversight of sustainability matters, and who attends the Committee sessions.

A thorough understanding of the Group's sustainability targets, decarbonisation plans, and the contribution to 'avoided emissions' through energy efficient products, is essential due to the integral nature of this important underpin to our commercial strategy.

Board composition and succession planning

There were no changes to the Board in the financial year, following the busy period of the prior year during which I became Chair of the Board and Jonathan Davis was appointed as the new Audit Committee Chair. We are mindful that Claire Tiney will reach her nine-year tenure on the Board in August 2025, and so we will instigate a search for her replacement at the beginning of the next financial year.

Taking into account the continuing expansion of the Group, and therefore the increasing importance of the 'bench strength' to support the Executive Management Team in maintaining high-quality delivery against strategic goals, a detailed presentation was given to the Nomination Committee by the CEO and the Group Head of HR in May 2024. The presentation included a 'deep dive' into the key executive roles across the Group, the skills and the expertise needed in the business. The Committee also focused on proposals for the organisational development of the management of the Group as the business continues to expand. This session provided a valuable insight into the impressive range of talent across the Group, and a deeper understanding of the structure of the global teams.

External Auditors

As reported last year, the Audit Committee conducted a competitive audit tender process in 2023, which resulted in the appointment of PwC as the new External Auditor. One of the key priorities for the Audit Committee this financial year has been to ensure the transition to PwC has been effective. More insights are set out in the Audit Committee Report on pages 108 and 109.

Remuneration

We were pleased with the high level of support that we received at last year's Annual General Meeting (AGM) for the new Directors' Remuneration Policy and Report. Feedback provided during our extensive shareholder consultation last year on the Policy indicated that shareholders would like to see the incorporation of Return on Invested Capital (ROIC) into the Long Term Inventive Plan (LTIP) measures and, pursuant to this, the Committee has proposed a ROIC underpin. Further details on this and the other decisions of the Remuneration Committee are provided in the Directors' Remuneration Report on pages 117 to 129.

Evaluating the Board's effectiveness

Each year, the Board undertakes a formal evaluation of its effectiveness. This year we carried out an internal evaluation to assist in the development of the Board. The results of the Board evaluation confirmed that the Board continues to function well and that there are no significant concerns among the Directors about its effectiveness. The Board members were seen as engaged and committed while the Board's culture remains open, respectful and constructive.

Further details of the recommendations flowing out of the Board evaluation are set out on page 101, together with details of the progress we have made in the year against the previous set of recommendations.

Product presentation by the Sales team, Reading


Facility Tour, ERI, Bitola

Chair's Introduction to Governance continued

People and culture

During the financial year, our designated Non-Executive Director for Workforce Engagement, Claire Tiney, continued to oversee the engagement programme. This included attendance at the Employee Forum in April 2024, which involves employee representatives from across the global business.

I am pleased to report that we issued the first Group-wide Employee Engagement Survey in November 2024. The results were positive and this has provided the Board with vital assurance that engagement levels are at a healthy level. These new and deeper insights into the views and sentiment of our people will further assist the Board with its role in monitoring the Company's culture and ensuring that it is appropriately aligned throughout the Group. We will monitor the outcomes of the action plans which have been developed in all regions, to take on feedback raised as part of the survey. More details can be found in the People section on pages 66 to 75.

Board site visits

The Board's trip to the ERI site in Bitola, North Macedonia, in May 2024 provided an opportunity to meet the local management team and to see the facility and operations first-hand. A number of other senior managers joined the Board, and it was a highly valuable event, deepening our understanding of the business, and enabling open and informal dialogue with employees on their day-to-day activities, priorities and challenges.

In September 2023, we held our Board meeting at our UK site in Reading, incorporating another site tour, and a session with the sales teams, viewing and discussing products, assisting us in understanding the product manufacturing strategy and customer trends. We will continue with our site visit programme in 2025.

Diversity, Equity and Inclusion

The Board supports the FTSE Women Leaders Review and the Parker Review on Ethnic Diversity.

As at the financial year-end, the Board comprised four male and three female Directors, meaning that over 40% of our Board is female, with Amanda Mellor as our Senior Independent Director. In addition, one Board member was of a minority ethnic background.

The Company therefore meets the targets for diversity in the UK Listing Rules, and the Board and the Nomination Committee remain focused on these matters when considering Board and Committee succession.

The Company is also committed to making progress towards improving the number of women on the Senior Management Team, which is currently at a level of 23% female representation.

Although progress is being made, we acknowledge that there is more work to be done in this area. The DEI Committee that was formed in 2023 is working on a number of initiatives, and updates on this work were included in reports provided to the Board by the Group HR Director. For more information, please see the People section on pages 66 to 75.

Re-election of Directors

In accordance with the 2018 Code provisions and following a performance evaluation of those Directors standing for re-election at the 2024 AGM, I can confirm that they all continue to be effective and committed to their roles and have sufficient time available to perform their duties. Margaret Amos has decided not to stand for re-election at the 2024 AGM. Accordingly, the Nomination Committee has recommended that all Directors, save for Margaret, will be offering themselves for election or re-election at the Company's AGM to be held on 11 December 2024.

Annual General Meeting

The AGM of the Company will take place at 12.00 noon on Wednesday 11 December 2024 at the offices of Norton Rose Fulbright LLP, 3 More London Riverside, London SE1 2AQ, UK. All Directors will attend this year's AGM which will again provide an opportunity for shareholders to hear more about our performance during the year and to ask questions of the Board. I look forward to meeting any shareholders who can join us and I extend my thanks to you all for your continued support as we look forward to the year ahead.

Nigel Lingwood
Chair
9 October 2024


The Board, senior management, and local team, ERI, Bitola, North Macedonia

Compliance with the Code

Overview

The Board fully supports the principles laid down in the UK Corporate Governance Code as issued by the Financial Reporting Council in 2018 (the 2018 Code), which applies to the financial year ended 31 July 2024 and is available at www.frc.org.uk.

This report sets out the Company's governance structure and how it complies with the 2018 Code and also includes items required by the Disclosure Guidance and Transparency Rules (DTRs).

The disclosures in this report relate to our responsibilities for preparing the Annual Report and Accounts, including compliance with the 2018 Code to the extent required, our report on the effectiveness of the Group's risk management and internal control systems, and the functioning of our Committees.

Compliance with the 2018 UK Corporate Governance Code

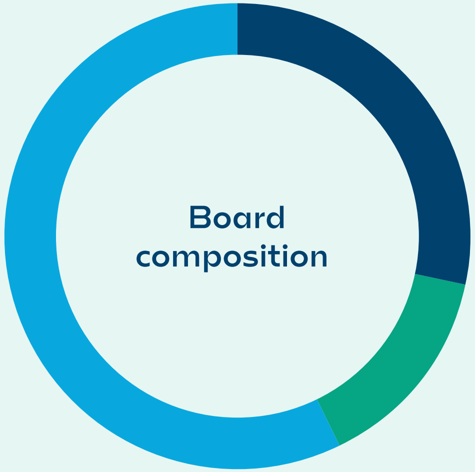
The Board considers that it and the Company have, throughout the year, complied with the provisions of the 2018 UK Corporate Governance Code, which is the version of the Code that applies to the Company for its financial year ended 31 July 2024.

Board Meeting, Reading Site, September 2023

How we comply with the UK Corporate Governance Code 2018

Board Leadership & Company Purpose	
• Section 172 statement	**page 48**
• Board of Directors	**pages 94 and 95**
• Purpose, values and culture	**Inside front cover**
• Board activities	**pages 99 and 100**
Composition, Succession and Evaluation	
• Leadership and experience	**pages 94 and 95**
• Performance evaluation	**pages 101 and 102**
• Nomination Committee Report	**pages 108 and 109**
Division of Responsibilities	
• Corporate governance structure and division of responsibilities	**pages 96 to 98**
• Board and Committee attendance	**pages 93, 108, 110 and 117**
• Director independence	**page 101**
Audit, Risk and Internal Controls	
• Audit Committee Report	**pages 110 to 116**
• Principal risks and uncertainties	**pages 49 to 58**
Remuneration	
• Remuneration Committee Report	**pages 117 to 129**

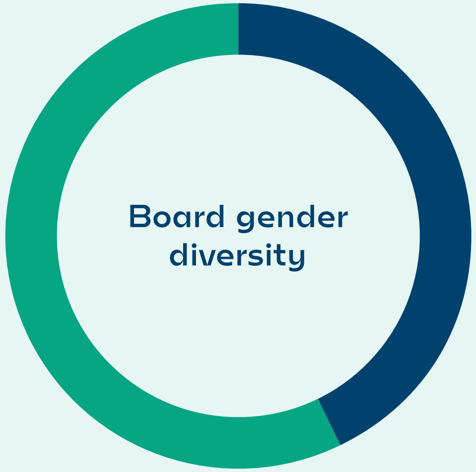
Board Diversity Dashboard



Executive Directors:	2
Non-Executive Chairman:	1*
Independent Non-Executive Directors:	4

* Nigel Lingwood, Non-Executive Chairman, was independent on appointment.

Minority ethnic background:	1
White:	6



Female:	3
Male:	4

1-3 years:	2
4-6 years:	2
7-9 years:	1

Board meetings and attendance

The table opposite sets out the number of Board meetings held during the year and attendance by each Director. The Board normally holds at least six meetings during the year but will meet or pass resolutions, as required, to deal with urgent matters and event-driven items such as acquisitions and trading updates. In the year ending 31 July 2024, there were seven scheduled Board meetings.

Director	Attendance at Meetings
Chair	
Nigel Lingwood	
Executive Directors	
Ronnie George	
Andy O'Brien	
Non-Executive Directors	
Margaret Amos[1]	
Jonathan Davis	
Amanda Mellor	
Claire Tiney	

1 Margaret Amos could not attend the Board and Committee meetings held in July 2024 due to illness.

Board of Directors

All Directors listed below were Directors throughout the financial year ended on 31 July 2024.

Nigel Lingwood
Non-Executive Chair

N R

Appointed
30 April 2020

Career and experience
Nigel joined the Board in April 2020 as an independent Non-Executive Director and Chair of the Audit Committee. He became Chair of the Board on 23 June 2023. He is Chair of the Nomination Committee and a member of the Remuneration Committee.

Nigel was group finance director of Diploma PLC from 2001 to 2020. During his time at Diploma, Nigel oversaw more than 50 international acquisitions across Europe, North America and Australia, during which time the company had grown market capitalisation from c.£60 million to c.£2.7 billion.

Nigel was previously senior independent director and audit committee chair of Creston plc from July 2015 until December 2016 when the company was taken private.

Skills and attributes which support strategy and long-term success:
Nigel brings extensive public company, financial and accounting and acquisition experience. He also has recent and relevant financial and accounting expertise together with extensive public company experience and wide-ranging international business experience, significant strategic and operational expertise together with extensive M&A experience, both in the UK and internationally.

External appointments:
Nigel is currently senior independent director and audit committee chair at Dialight plc.

Ronnie George
Chief Executive Officer

Appointed
15 May 2014

Career and experience
Ronnie joined Volution in 2008 as Managing Director of Vent-Axia Division (now the Ventilation Group) and became CEO in 2012 upon leading the management buy-out backed by TowerBrook Capital Partners LP. Since then he has transformed the Company from a UK-centric provider of air quality solutions into a globally diversified organisation with 22 market leading brands in 17 countries. Ronnie led the successful listing of Volution on the London Stock Exchange in 2014 and has subsequently delivered a strong and consistent financial performance, increasing revenue by over two and a half times, and growing the Company organically and through a total of 26 acquisitions since first becoming CEO. Volution is now one of the leading ventilation companies fully active on an international basis.

Ronnie has extensive industry experience and prior to joining Volution spent 20 years in the wire and cable industry, latterly leading Draka's global activities to supply to the marine, oil and gas sectors.

Skills and attributes which support strategy and long-term success:
Significant strategic and operational expertise together with extensive M&A experience, both in the UK and internationally, and in-depth knowledge of the ventilation industry.

External appointments:
None.

Andy O'Brien
Chief Financial Officer

Appointed
1 August 2019

Career and experience
Andy joined Volution as Chief Financial Officer in August 2019 following nine years at Aggreko plc, a leading global provider of mobile power and temperature control solutions, where he held a number of senior finance roles most recently as finance director, power solutions. Andy's background also includes broad financial leadership, strategy and general management positions in the oil & gas and building materials industries with General Electric and Lafarge S.A.

Andy brings extensive international financial and accounting expertise through a background working in a global business environment, having lived and worked in the Nordics, Middle East and Singapore as well as the UK and Republic of Ireland. Throughout his career, Andy has operated in environments where cost control and strong operational management has been critical.

Skills and attributes which support strategy and long-term success:
Financial and accounting expertise both in the UK and internationally, significant M&A experience, strong track record of building, developing and leading multi-location teams.

External appointments:
None.

Key to Committee membership: A Audit Committee N Nomination Committee R Remuneration Committee ■ Chair of Committee

Board of Directors continued

Amanda Mellor
Senior Independent Non-Executive Director of the Board, Sustainability Oversight

A N R

19 March 2018

Amanda joined the Board in March 2018 as an independent Non-Executive Director and brings experience in international business, shareholder relations, strategy and governance. She is also the Senior Independent Director of the Board.

Amanda also has wide-ranging experience in climate and sustainability matters, and attends Volution's Management Sustainability Committee meetings as representative of the Board, to ensure effective oversight of the Group's environmental and social sustainability agenda.

Amanda is currently the group secretary of Haleon plc and was previously group secretary for Standard Chartered plc and, prior to that, group secretary and head of corporate governance at Marks and Spencer Group plc, where she was also an executive member of the operating committee. As part of these roles, Amanda was involved in numerous sustainability-related and climate transition initiatives.

Experience in international business, consumer and retail, sustainability and ESG, shareholder relations, strategy and governance.

Amanda is currently group secretary of Haleon plc.

Claire Tiney
Independent Non-Executive Director of the Board and for Workforce Engagement

A N R

3 August 2016

Claire joined the Board in August 2016 as an independent Non-Executive Director and was appointed as Chair of the Remuneration Committee on 30 April 2020. Claire is also the designated Non-Executive Director at Volution for Workforce Engagement.

Claire has over 30 years' listed company experience, including a number of executive roles at WHSmith Group plc, Mothercare plc and McArthurGlen Ltd, bringing strengths in business strategy and turnaround, strategic development and change management. Claire was previously senior independent director and chair of the remuneration committee at Topps Tiles Plc and non-executive director and chair of the remuneration committee of Hollywood Bowl Group plc.

Extensive board-level experience with key strengths in business strategy and turnaround, strategic development and change management.

None.

Margaret Amos
Independent Non-Executive Director

A N R

10 March 2022

Margaret joined the Board in March 2022 as an independent Non-Executive Director, and is a member of the Audit, Remuneration and Nomination Committees.

Margaret's career began at Rolls-Royce Plc in 1990, where she gained extensive financial and commercial experience, serving most recently as senior finance business partner, aerospace (from 2013 to 2015) and finance director, corporate, IT and engineering (from 2015 to 2017). Following her time at Rolls-Royce Plc, Margaret founded and managed an aerospace consultancy business from 2018 to 2020.

Extensive board-level experience with expertise in a wide range of fields including finance, business strategy, international M&A and sustainability.

Margaret currently serves as a non-executive director for Pod Point Group Holdings plc (where she is also chair of the audit and ESG committees), Trust Alliance Group (where she is also chair of the audit committee) and Hunting plc (where she is also ethics and sustainability chair).

Jonathan Davis
Independent Non-Executive Director

A N R

23 June 2023

Jonathan joined the Board in June 2023 as an independent Non-Executive Director and Chair of the Audit Committee, bringing strong financial and accounting expertise and extensive public company, M&A and international experience.

He was group finance director at Rotork plc, a FTSE 250 global provider of mission-critical intelligent flow control solutions operating across a diverse range of markets, including the oil & gas, water, power, chemicals, and process industries, from 2010 until his retirement in April 2024.

Recent and relevant financial and accounting expertise, public company and international experience.

None.

Key to Committee membership: A Audit Committee N Nomination Committee R Remuneration Committee Chair of Committee

Governance Framework

Governance Structure

Board

Non-Executive Chair | **Four independent Non-Executive Directors** | **Two Executive Directors**

The Board is collectively responsible for promoting the long-term sustainable success of the Company, generating value for shareholders and other stakeholders, and contributing to wider society. The Board sets the Group's purpose, strategy and values, and ensures that these are aligned with the overall culture of the Group. The Board sets the Group's risk appetite and satisfies itself that financial controls and risk management systems are robust, while ensuring the Group is adequately resourced. It also ensures there is appropriate dialogue with shareholders on strategy and remuneration. The Board's main responsibilities are included in a schedule of matters reserved for the Board. The Board has delegated certain responsibilities to three Committees to assist it with discharging its duties. The Committees play an essential role in supporting the Board to implement its strategy and provide focused oversight of key aspects of the business. The full terms of reference for each Committee are available on the Company's website, www.volutiongroupplc.com.

Board oversight

Nomination Committee

Responsibility for Board composition, succession planning, and Director selection.

Members
Non-Executive Chair and four independent Non-Executive Directors

Nomination Committee Report Pages 108 and 109

Audit Committee

Responsibility for oversight and governance of the Group's financial reporting, internal controls, risk management and the relationship with the External Auditor.

Members
Four independent Non-Executive Directors

Audit Committee Report Pages 110 to 116

Remuneration Committee

Responsibility for the Remuneration Policy and setting individual remuneration levels for Executive Directors and senior management.

Members
Non-Executive Chair and four independent Non-Executive Directors

Remuneration Committee Report Pages 117 to 129

Executive Management Team

Responsibility for the operational delivery of the Group's strategy and the day-to-day management of the Volution business.

Led by the Chief Executive Officer.

CEO Review Pages 12 to 15

Group Risk Management Steering Committee

Responsibility for monitoring risk management throughout the Group and developing and implementing risk management policy.

The Group Risk Management Steering Committee is chaired by the Chief Financial Officer and its membership is made up of members of the Senior Management Team. It reports to the Audit Committee.

Risk Management and Principal Risks Pages 49 to 58

Sustainability Committee

Responsibility for the development and implementation of the Volution Sustainability strategy and initiatives, covering Product, Planet and People.

The Sustainability Committee is chaired by the Chief Executive Officer and is attended by the designated Non-Executive Director for Sustainability Matters, Amanda Mellor.

Sustainability Committee Report Page 64

Attended by Amanda Mellor

Employee Engagement

Claire Tiney
Designated NED for Employee Engagement

People section Pages 66 to 75

DEI Committee

Reports to the Sustainability Committee.

People section Pages 66 to 75

Governance Framework continued

Division of responsibilities

Chair of the Board
Nigel Lingwood

Main responsibilities
- Manages and provides leadership to the Board of Directors and is responsible for the overall effectiveness of the Board.
- Ensures appropriate composition of the Board together with the right skills and talent.
- Acts as a direct liaison between the Board and the management of the Company, through the Chief Executive Officer.
- Ensures that the Directors are properly informed and that sufficient information is provided to enable the Directors to form appropriate judgements.
- In concert with the Chief Executive Officer and the Company Secretary, develops and sets the agendas for meetings of the Board.
- Promotes a culture of open debate between the Executive and Non-Executive Directors.
- Recommends an annual schedule of work including the date, time and location of Board and Committee meetings.
- Ensures effective communications with shareholders and other stakeholders.

Chief Executive Officer
Ronnie George

Main responsibilities
- Responsible for the day-to-day management of the Group.
- Together with the Senior Management Team, is responsible for executing the strategy, once it has been agreed by the Board.
- Creates a framework that optimises resource allocation to deliver the Group's agreed strategic objectives over varying timeframes.
- Ensures successful delivery against the financial business plan, the Sustainability strategy, and other key business objectives, allocating decision-making and responsibilities accordingly.
- Together with the Senior Management Team, identifies and executes new business opportunities and potential acquisitions or disposals.
- Manages the Group with reference to its risk profile in the context of the Board's risk appetite.

Chief Financial Officer
Andy O'Brien

Main responsibilities
- Ensures the Group has adequate financial resources to meet business requirements.
- Responsible for financial planning and record keeping, as well as financial reporting to the Board and shareholders.
- Ensures effective compliance and control and responds to regulatory developments, including financial reporting and capital requirements.
- Management of the financial risks of the Group.

Senior Independent Director
Amanda Mellor

Main responsibilities
- An independent Non-Executive Director.
- Provides a sounding board for the Chair.
- Serves as an intermediary for the other Directors when necessary.
- Is available to shareholders if they have concerns, when contact through the normal channels of the Chief Executive Officer or the Chair has failed to resolve them, or for which such contact is inappropriate.
- Leads the appraisal of the Chair's performance with the other Directors annually.

Independent Non-Executive Directors
Margaret Amos, Jonathan Davis, Amanda Mellor, Claire Tiney

Main responsibilities
- Provide constructive challenge to the Executive Team.
- Provide input on strategy.
- Scrutinise management's performance in meeting agreed goals and objectives.
- Monitor performance reports.
- Satisfy themselves on the integrity of financial information and that controls and risk management systems are robust and defensible.
- Determine appropriate levels of remuneration for Executive Directors, appoint and remove Executive Directors, and ensure appropriate succession plans are in place.

Company Secretary
Fiona Smith

Main responsibilities
- Plays a leading role in the good governance of the Company by supporting the Chair and helping the Board and its Committees to function efficiently, ensuring governance processes remain fit for purpose and considering any improvements as appropriate.
- Ensures compliance with the rules and regulations required by an ESCC listing on the London Stock Exchange including the UK Corporate Governance Code.
- All Directors have access to the services of the Company Secretary, who may facilitate independent professional advice at the Company's expense at their request to fulfil their duties.
- Ensures good information flows within the Board and its Committees and between the Senior Management Team and the Non-Executive Directors, as well as facilitating induction and assisting with professional development as required.
- Acts as secretary to the Board and its Committees and the Management Sustainability Committee.
- The appointment or removal of the Company Secretary is a matter for the Board as a whole.

Governance Framework continued

Division of responsibilities continued

Non-Executive Director for Workforce Engagement

Claire Tiney is the designated Non-Executive Director responsible for overseeing workforce engagement.

Claire has a structured engagement plan involving Group-wide Employee Forum events, through which she has been able to provide the Board with further context to support the view that the Company is undertaking appropriate workforce-related activities and to also provide feedback to the Board regarding the views of employees.

Claire Tiney, Designated Non-Executive Director for Employee Engagement

The matters reserved for the Board include:

- agreeing the Group's strategy and objectives;
- approving acquisitions and disposals;
- changing the capital structure of the Company;
- approving the Annual Report and Accounts, Half-Year Report and stock exchange announcements relating to trading;
- approving the Group's dividend policy and declaration of dividends;
- reviewing the effectiveness of risk identification and management and internal controls;
- approving significant expenditure and material transactions and contracts;
- ensuring a satisfactory dialogue with the Group's shareholders;
- appointing and removing Directors;
- determining the Remuneration Policy for the Executive and Non-Executive Directors;
- reviewing the Company's overall corporate governance arrangements;
- approving the Group's Treasury Policy;
- approving the appointment of advisers;
- reviewing the effectiveness of the Board;
- delegating authority to the Chief Executive Officer; and
- each year, meeting to set an annual budget for the business in line with the current Group strategy. The Board monitors the achievement of the budget through Board reports which include updates from the Chief Executive Officer, the Chief Financial Officer and other functions.

2024 Board Activities

Board site visit to ERI, Bitola, North Macedonia, May 2024

Board activities and priorities during the year ended 31 July 2024

Board meetings consist of a mix of regular and standard items considered at each meeting and special items which arise from time to time, either annually or as part of project-related work. The table below shows the key agenda items discussed during the year:

Matters considered at regular Board meetings:

- Management accounts including current trading and financial performance against budget and forecast
- Operations and new product development updates
- Acquisition opportunities
- Health and safety updates
- Sustainability and environmental updates, including TCFD
- Customers and marketing
- Investor relations including market and sector updates
- HR updates
- Regulatory updates
- Company policies and future governance planning
- Minutes and actions from previous meetings

Other matters considered during the year		Link to Strategy	Stakeholders
Area	**Agenda items**		
Strategy	• Review and discussion of Group strategy, including off-site 'deep-dive' session • Approval of the acquisition of DVS (New Zealand) and, after the year-end, approval of the proposed acquisition of the Fantech Group (Australasia) • Post-investment review of VMI (France) • Consideration of the Group's product innovation plans, including a presentation by the Group's new Technical Director • Review of the Group's tax policy		• Shareholders • Employees • Customers • Suppliers
Financial	• Review and approval of Annual Report and Accounts, AGM Notice and associated documentation for the prior year • Review and approval of trading updates in December 2023 and July 2024 • Review and approval of interim financial statements for the six months ended 31 January 2024 • Review and declaration of interim dividend paid in May 2024 and, after year-end, recommendation of final dividend to be paid in December 2024 • Review and approval of budget for the year ending 31 July 2024		• Shareholders • Employees • Customers • Suppliers
Risk Management	• Consideration of risk framework, significant risks and risk appetite (in conjunction with the Audit Committee)		• Shareholders • Employees • Customers • Suppliers
Shareholder Engagement	• Presentations on the Company's shareholder profile and market perception • Independent feedback from corporate brokers following full- and half-year investor roadshows • Shareholder meetings attended by the Executive Directors and the Chair • AGM 2023 proxy results and review of shareholder voting		• Shareholders

Key to Strategic pillars

- Organic growth
- Value-adding acquisitions
- Operational excellence
- Sustainability at our core

2024 Board Activities continued

Area	Agenda items	Link to Strategy	Stakeholders
Sustainability	• Management presentation on ESG and climate-related reporting requirements • Amanda Mellor's reports to the Board following her attendance at Management Sustainability meetings, held twice a year • Review of climate risks and opportunities and performance against Group ESG targets • Review of the work undertaken to estimate Group Scope 3 emissions		• Communities and environment • Shareholders • Employees • Customers • Suppliers
Governance	• Succession planning • Board composition • Tender process and appointment of new joint corporate broker • Board performance evaluation • Governance, legislation and regulatory updates • Review and approval of the Group's Modern Slavery Act Statement • Updates from Board Committee Chairs as appropriate		• Shareholders • Customers • Employees • Suppliers
Workforce and Culture	• Claire Tiney's reports to the Board following her attendance at the Volution Employee Forum • Update from Group Head of HR on employee matters including pay policy and gender pay gap • Update on the work of the DEI Committee, diversity data and initiatives • Update on the progress of the Company's fourth Group-wide Management Development Programme • Consideration of cultural indicators and assessment of culture in the context of Group values and purpose		• Employees

Provisional agendas for the Board meetings are set out at the beginning of the year and new items are added to this as and when appropriate. All Directors receive an agenda and meeting papers in the week prior to the Board meeting, via an electronic Board portal for security and efficiency. These include a business and market update report with updates from the Chief Executive Officer and the Chief Financial Officer. Members of the Group's Senior Management Team may also be invited to present at Board meetings as appropriate so that Non-Executive Directors keep abreast of developments in the Group. All Directors attended the AGM in December 2023.

Key to Strategic pillars

- Organic growth
- Value-adding acquisitions
- Operational excellence
- Sustainability at our core

Amanda Mellor – Board Representative for Sustainability

Amanda brings extensive experience in climate and sustainability matters to the Board, and attends Volution's Management Sustainability Committee meetings as representative of the Board, to ensure effective oversight of the Group's environmental and social sustainability agenda. The Committee met twice in the year, and has comprehensively discussed and reviewed progress against the Group's published targets and key initiatives for the years ahead. Additional presentations by management were provided to the Board to ensure a deep understanding of this important and ever-changing topic.

Governance Report

Board balance and independence

The Company's Board consists of a Non-Executive Chair, four independent Non-Executive Directors and two Executive Directors. The composition of the Board has remained in compliance with the 2018 Code throughout the financial year ended 31 July 2024. A list of the Directors is provided on pages 94 and 95.

Appointment and tenure

The appointment dates of Directors are shown in their biographies on pages 94 and 95. The Board believes that all Directors are effective and committed to their roles and have sufficient time available to perform their duties. All members of the Board, save for Margaret Amos, who has decided not to stand for re-election at the 2024 AGM, will be offering themselves for re-election at the Company's AGM to be held on 11 December 2024.

All of the Directors have service agreements or letters of appointment, and the details of their terms are set out in the Directors' Remuneration Policy. The service agreements and letters of appointment are available for inspection at the Company's registered office during normal business hours. No other contract with the Company or any subsidiary undertaking of the Company in which any Director was materially interested subsisted during or at the end of the financial year.

Non-Executive Directors and independence

The independence of each Non-Executive Director is considered each year immediately prior to the signing of the Annual Report and Accounts. The Company's Non-Executive Directors provide a broad range of skills and experience to the Board which assists both in their roles in formulating the Company's strategy and in providing constructive challenge to the Executive Directors. All of the Non-Executive Directors are regarded by the Company as independent Non-Executive Directors within the meaning defined in the 2018 Code and free from any business or other relationship which could materially interfere with the exercise of their independent judgement.

During the year, in accordance with the 2018 Code, the Chair held meetings with the Non-Executive Directors without the Executive Directors being present.

Board performance evaluations and effectiveness

In the Annual Report and Accounts 2023, the recommendations resulting from the performance evaluations were set out and are summarised in the table below. The progress made over the last year is set out below the recommendations.

Board performance evaluation 2023 – recommendations

To continue to focus on interaction with the wider Senior Management Team.

The Board spent time in the year interacting with members of the Senior Management Team and employees across the Group-wide business. Such activities included a three-day Board visit to the ERI business in Bitola, North Macedonia, an in-person session with the Sales teams at the Reading site to discuss new products, a number of Board dinners where Group team members were in attendance (including the Group's Business Development Director, Group Head of HR, Group Head of Procurement, the UK Operations Director, and Group Technical Director), a number of management presentations throughout the year, and a dinner in Bitola for over 30 attendees including members of the local team.

To arrange for further information and updates to the Board on climate-related matters and TCFD reporting.

To deepen the Board's understanding of climate-related matters, TCFD reporting, and other regulatory changes such as the CSRD, a detailed Board presentation was delivered in July 2024 covering recent and anticipated regulatory and reporting requirements, decarbonisation initiatives across the Group and performance against the Group's decarbonisation plan.

To increase the time spent by the Board on product strategy and development plans.

Detailed information in relation to product innovation and strategy was provided to the Board in the year and a presentation was given by the new Group Technical Director in September 2024. The Board also attended an in-house event hosted by the Sales team at the Reading, UK site in September 2023, to learn about certain products and ask questions.

To increase the Board's focus on the pipeline of talent across the business.

A 'deep dive' session was held in May 2024 by the Nomination Committee in relation to organisational structure, with extensive discussion on People strategy and a consideration of the skills, experience and competencies needed for the long-term success of the business.

Process for the 2024 Board and Committee evaluation

The process of evaluating the performance of the Board and its Committees, to identify areas for further development, was undertaken internally for 2024. The evaluation process involved the Chair and the Company Secretary discussing and agreeing the scope of the evaluation, and developing a series of web-based questionnaires tailored to the specific circumstances of the Company.

Directors were required to score certain aspects of the Board's and Committees' performance, and to comment on the areas of focus, which included leadership and accountability, strategy and risk, Board culture, Board composition, and roles and responsibilities.

The responses to the evaluation of the Board and its Committees were collated and analysed by the Company Secretary and then reviewed by the Chair prior to being considered by the full Board. The Chair also appraised the performance of individual Directors.

Governance Report continued

Process for the 2024 Board and Committee evaluation

The Chair of the Board and each Committee Chair discussed with the Company Secretary areas of focus for the 2024 review.

The Chair and Directors completed a web-based questionnaire

Reports were produced and reviewed and discussed with the Chair and each Committee Chair

Reports were discussed at the Board meeting

Recommendations were agreed

The results of the evaluation demonstrated that the composition and performance of the Board and its Committees (and the performance of the Chair) were rated highly and continue to operate effectively. Whilst there are no significant concerns among the Directors about the Board's effectiveness, some observations and recommendations were made which were considered by the Board. The key areas of recommendation are set out below.

As a separate exercise the Senior Independent Director, together with the Non-Executive Directors, conducted the Chair's performance evaluation.

Board performance evaluation: 2024 recommendations:

- To ensure that the Board spend additional time on strategy;
- To continue to oversee, understand and discuss the views of employees and Company culture; and
- To dedicate time on the Audit Committee and Board schedule to oversee the preparation for compliance with the new Corporate Governance Code 2024.

Director induction

A formal induction programme has been developed in line with the 2018 Code, to ensure that any new Director receives an appropriate induction to the Group with the support of the Company Secretary. The programme covers, amongst other things, the operation and activities of the Group (including site visits and meeting members of the Senior Management Team); the Group's principal risks and uncertainties; the role of the Board and the decision-making matters reserved to it; the responsibilities of the Board Committees; the strategic challenges and opportunities facing the Group; and the opportunity to meet the Company's main advisers. On the appointment to the Board of a new Non-Executive Director, a formal induction programme is developed, tailored to their experience and background.

Stakeholder engagement

Directors' s172 statement

Businesses do not operate in isolation. Without a good understanding of who the key stakeholders are and their needs, a business will fail to deliver sustainable value to shareholders and other stakeholders.

Under s172 of the UK Companies Act, a director of a company must act in the way they consider, in good faith, would most likely promote the success of the company for the benefit of its shareholders. In doing this, the director must have regard, amongst other matters, to the:

- likely consequences of any decisions in the long term;
- interests of the company's employees;
- need to foster the company's business relationships with suppliers, customers and others;
- impact of the company's operations on the community and environment;
- company's reputation for high standards of business conduct; and
- need to act fairly as between members of the company.

The Directors are focused on their duties under s172 (1) of the Companies Act 2006 and consider that they have acted in the way they consider, in good faith, would promote the success of the Company for the benefit of its members as a whole, having regard to the stakeholders and matters set out in s172 (1) (a–f) in the decisions taken during the year ended 31 July 2024.

The Board considers its key stakeholders to be its employees, customers, suppliers, shareholders, the communities and environment in which we operate and governments and industry bodies in the countries in which we operate. The Board takes into account the views of these stakeholders in setting and implementing our strategy and believes that good engagement is key to the long-term success of Volution. Stakeholder considerations form part of the Board's discussions leading to decision-making, and some real examples are set out below.

We have invested in the development and involvement of our stakeholder groups as we believe it is in the long-term interests of the Group and the stakeholder groups themselves.

We set out on pages 46 to 48 how Volution and the Board have engaged with key stakeholders. Our business model on pages 24 and 25 outlines our engagement with stakeholders and the value the business creates for each of them, and this engagement sets the context for the strategy set out on pages 34 and 35.

In particular, our engagement with governments and industry bodies in the countries in which we operate has assisted in shaping policy on improving indoor air quality, such improvement being part of the Group's purpose.

Our purpose is set out on the inside front cover and our Sustainability strategy is set out in the Sustainability Report on pages 62 to 87.

Our employees are fundamental to the execution of our strategy. We aim to be a responsible employer providing a fair package of pay and benefits including opportunities for personal development and sharing in the financial success of the Group. Claire Tiney is the designated Non-Executive Director for Workforce Engagement and attends the Employee Representative Forums, reporting back to the Board. Volution's Sustainability Strategy is key to ensuring our ESG ambitions are realised and Amanda Mellor is the designated Non-Executive Director for Sustainability and attends the Management Sustainability Committee meetings, reporting back to the Board.

Governance Report continued

Board decision-making during the year

The following are some of the principal decisions made by the Board during the year under review which demonstrate how employee interests, the need to foster business relationships with other key stakeholders and other Section 172 matters have been taken into account in discussions and decision-making.

Decision	What happened
Acquisition of DVS	In line with Volution's long-term strategy for growth and purpose, the Board completed one acquisitions in the year: DVS, based in New Zealand. As part of the decision-making process, the long-term consequences of the acquisition on all stakeholders was considered. The Board also considered the potential synergies and financial benefits of the acquisition as well as the environmental aspects of the business. The benefit of the acquisition to shareholders and other stakeholders in terms of the long-term growth of the enlarged Group also formed part of the decision-making process. Further details on acquisitions may be found in the CEO's Review on pages 12 to 15.
Further development of the Sustainability strategy	The Management Sustainability Committee held two meetings in the year, attended by Non-Executive Director Amanda Mellor. Findings from the Committee meetings were communicated to the Board by Amanda, and the Board in turn provided feedback on the direction of the Group's Sustainability Strategy. In addition, in order to ensure full awareness of the Group's performance against its sustainability targets, regular updates on performance against sustainability KPIs were submitted to the Board. Further details may be found in the Sustainability section on pages 62 to 87.

Directors' conflicts of interest

Directors have a statutory duty to avoid situations in which they have or may have interests that conflict with those of the Company, unless that conflict is first authorised by the Board. This includes potential conflicts that may arise when a Director takes up a position with another company. The Company's Articles of Association allow the Board to authorise such potential conflicts, and there is in place a procedure to deal with any actual or potential conflict of interest. The Board deals with each appointment on its individual merit and takes into consideration all the circumstances. All potential conflicts approved by the Board are recorded in a conflicts of interest register, which is to be reviewed by the Board on a regular basis to ensure that the procedure is working effectively. The Board is satisfied that the arrangements in place regarding conflicts of interest are working effectively.

External directorships

The Board allows Executive Directors to accept one external commercial non-executive director appointment, provided the commitment is compatible with their duties as an Executive Director. The Executive Director concerned may retain fees paid for these services which will be subject to approval by the Board. Currently, neither of the Executive Directors holds an external directorship. Details of all Directors' significant directorships can be found in their biographies on pages 94 and 95.

Where Non-Executive Directors have external directorships, the Board is comfortable that these do not impact on the time that any Director devotes to the Company, and we believe that this experience only enhances the capability of the Board.

Governance Report continued

Information and support available to Directors

All Board Directors have access to the Company Secretary, who advises them on governance matters. The Chair and the Company Secretary work together to ensure that Board papers are clear, accurate, delivered in a timely manner to Directors, and of sufficient quality to enable the Board to discharge its duties. Specific business-related presentations are given by senior management when appropriate. As well as the support of the Company Secretary, there is a procedure in place for any Director to take independent professional advice at the Company's expense in the furtherance of their duties, where considered necessary.

Internal control and risk management

The Board acknowledges its responsibility for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives, and for the Group's system of internal control. The principal risks facing the Group are set out in the Strategic Report on pages 49 to 58, being those risks which could threaten our business model, future performance, solvency or liquidity, and mitigation measures are detailed against each risk. The Audit Committee, on behalf of the Board, carried out a review of the effectiveness of the Group's risk management and system of internal control together with a robust assessment of the risks facing the Group. Details can be found on page 115.

The Audit Committee Report on pages 110 to 116 describes the system of internal control and how it is managed and monitored. The Board acknowledges that such a system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Whistleblowing

An external independent whistleblowing facility is available to enable employees to report any concerns which they feel need to be brought to the attention of management concerning any possible impropriety, financial or otherwise, and the appropriateness of the facility is reviewed by the Audit Committee. The Group supports a culture of openness and accountability in order to prevent such situations occurring or to address them when they do occur.

Shareholder relations

Responsibility for shareholder relations rests with the Chair, the Chief Executive Officer and the Chief Financial Officer. They ensure that there is effective communication with shareholders on matters such as governance and strategy, and are responsible for ensuring that the Board understands the views of major shareholders. The Board aims to present a balanced and clear view of the Group in communications with shareholders and believes that being transparent in describing how we see the market and the prospects for the business is extremely important.

We have communicated with existing and potential shareholders in a number of different ways during the year ended 31 July 2024 as follows:

October 2023	• Full-year results announcement and analyst presentation • Institutional broker sales desk briefings • UK shareholder roadshow • Annual Report and Accounts and Notice of AGM posted to shareholders and placed on website
December 2023	• Trading update • Annual General Meeting
March 2024	• Half-year results announcement and analyst presentation • Institutional broker sales desk briefings • Shareholder roadshows
July 2024	• Pre-close trading update

In addition to the above, we communicate with existing and potential shareholders in a number of other ways, such as:

- face-to-face meetings and telephone briefings for analysts and investors; and
- arranging periodic visits by analysts and major shareholders to the business sites to give a better understanding of how we manage our business. These visits and meetings are principally undertaken by the Chief Executive Officer and the Chief Financial Officer.

In situations where new material relating to trading is presented, it is also immediately uploaded to the Company's website so it is available to all shareholders.

The Board receives regular updates on the views of its shareholders from the Chief Executive Officer and Company brokers. This is a standing agenda item for all Board meetings. The Company's investor website is also regularly updated with news and information including this Annual Report and Accounts, which sets out our strategy and performance together with our plans for future growth.

During the year, the Chief Executive Officer and the Chief Financial Officer engaged with investors.

Key topics that arise in investor meetings include the following:

- drivers of demand including regulation;
- resilience of the business to economic cycles;
- sustainability of margin;
- performance of newly acquired businesses and the acquisition pipeline;
- performance against our ESG KPIs including carbon reduction targets; and
- organisational structure and approach, balance between Group and decentralised local businesses.

In addition, the Chair meets with investors on a regular basis during the year, and the Senior Independent Director is available to meet shareholders if they wish to raise issues separately from the arrangements as described above.

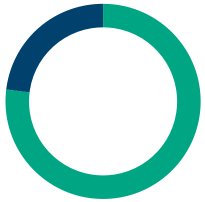
Governance Report continued

The building services industry traditionally attracts a higher-than-average proportion of male employees. This is reflected in the Group's split between male and female employees as shown.

Board

Male: 57%

Female: 43%



Senior managers[1] and direct reports

Male: 77%

Female: 23%

All employees

Male: 69.9%

Female: 30.0%

Prefer not to say: 0.1%

Note

1. Legislation requires that we define 'senior managers' as the directors of our subsidiary companies. However, the Board believes this information does not provide a meaningful analysis of how the Group operates so the data shown reflects the proportion of senior managers by our own internal grading system. The number also excludes Board Directors. Based on a definition of 'senior managers' as the directors of our subsidiary companies, the data would be as follows: male 87.5%, female 12.5%.

Governance Report continued

UK Listing Rule (UKLR) 6.6.6 R (9)

As at the Company's chosen reference date, 31 July 2024, and in line with UK Listing Rule 6.6.6 R (9), the Company has met the targets for at least 40% female membership on the Board and for one Director to be from an ethnic minority background. In addition, it has met the target for one of the positions of Chair, Senior Independent Director, Chief Executive or Finance Director to be held by a woman, with Amanda Mellor as Senior Independent Director.

Data under UKLR 6.6.6 R (10)

In line with UKLR 6.6.6 R (10), as at the reference date of 31 July 2024, the composition of the Board and Executive Management was as follows:

Sex	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in Executive Management[1]	Percentage of Executive Management[1]
Man	4	57%	3	10	77%
Woman	3	43%	1	3	23%
Not specified/prefer not to say	–	–	–	–	–

Ethnic background	Number of Board members	Percentage of the Board	Number of senior positions on the Board (CEO, CFO, SID and Chair)	Number in Executive Management[1]	Percentage of Executive Management[1]
White British or other White (including minority-white groups)	6	86%	3	11	84.6%
Mixed/Multiple ethnic groups	–	–	–	–	–
Asian/Asian British	–	–	–	1	7.7%
Black/African/Caribbean/Black British	1	14%	1	1	7.7%
Other ethnic group, including Arab	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

1. Per the definition within the UK Listing Rules, executive management within Volution is the Group Executive Committee including the Company Secretary and excluding the Executive Directors. Volution has 100% voluntary completion of sex data and ethnicity data and that is what is used when reporting the diversity of the Board and the Group Executive Committee. All diversity data is collated in accordance with Volution's Privacy Notice.

Governance Report continued

Business ethics

Our core values and principles, and the standards of behaviour to which every employee and agent across the Group is expected to work, are set out in the Volution Code of Conduct. These values and principles are applied to dealings with our customers, suppliers and other stakeholders.

We have a zero-tolerance approach to all forms of bribery and corruption. Our Anti-Bribery and Corruption Policy has been approved by the Board and rolled out across the Group. It applies to all businesses, Directors, employees and agents within the Group to ensure compliance with all laws and regulations governing bribery and corruption in the countries in which the Group operates.

The Group has a 'Speak Up' facility operated by an independent external company, where employees can report any incidents or inappropriate behaviours in their own language by telephone or online. The confidentiality of the information reported is protected. In addition, web-based anti-bribery and corruption training is carried out by employees in areas of the business where risk is deemed to be highest.

A Group policy in relation to Corporate Criminal Offences legislation is also in place.

Human rights

Breaches of human rights are not considered to be a material risk for the business as our activities are substantially carried out in developed countries that have strong legislation governing human rights. We adhere to policies which support human rights principles.

Diversity

We employ a diverse workforce and pride ourselves on providing equal opportunities for all. We understand the benefits a diverse workforce brings and recognise that the industry faces under-representation of women as well as people from different ethnic backgrounds. High value is placed on rewarding our people for their commitment, their integrity and their service.

We aim to ensure that no employee is discriminated against, directly or indirectly, on the grounds of colour, race, ethnic or national origins, sexual orientation or gender, marital status, disability, religion or belief, age or being part time. We believe that business decisions can be enhanced by having representation from different genders and cultural backgrounds with differing skill sets, experience and knowledge, which reflect our customer base and the wider population in our markets.

Modern Slavery Act

We are opposed to slavery, servitude, forced labour and human trafficking. We take a zero-tolerance approach to modern slavery in the supply chain and businesses under our control. The Board has approved a statement setting out the steps that have been taken to combat modern slavery. This statement can be found on the Group's website at www.volutiongroupplc.com. Group employees, agents and suppliers are requested to confirm that they do and will continue to comply with our policy which is set out in our Code of Conduct. During the year, further work has been carried out in this area, reflected in the most recent Modern Slavery Statement. Shareholder engagement has also taken place, providing further insights into investor expectations, and emerging practice. For more information, please see our People section on pages 66 to 75.

Fair, balanced and understandable

The Board recognises its duty to ensure that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the performance, strategy and business model of the Company.

The Board has placed reliance on the following to form this opinion:

- a verification process dealing with the factual content of the reports and to ensure consistency across the various sections;
- a review of the Annual Report and Accounts by senior management to ensure consistency and overall balance; and
- the Audit Committee reviewed the Annual Report and Accounts and its compliance with the requirements, concluded that they had been met and recommended its approval by the Board as fair, balanced and understandable.

Annual General Meeting

The AGM of the Company will take place at 12.00 noon on Wednesday 11 December 2024 at the offices of Norton Rose Fulbright LLP, 3 More London Riverside, London SE1 2AQ, UK.

The Notice of AGM can be found in a circular which is being posted at the same time as this Annual Report and Accounts. The Notice of AGM sets out the business of the meeting and explanatory notes on all resolutions. Separate resolutions are proposed in respect of each substantive issue.

Nomination Committee Report

Nomination Committee Report

Nigel Lingwood
Chair of the Nomination Committee

Membership and attendance

The Committee met for five scheduled meetings during the year with attendance disclosed below.

Committee members	Member since	Attendance
Nigel Lingwood (Chair)	30 April 2020	■■■■■
Amanda Mellor	19 March 2018	■■■■■
Claire Tiney	3 August 2016	■■■■■
Jonathan Davis	23 June 2023	■■■■■
Margaret Amos[1]	10 March 2022	□■■■■

1 Margaret Amos could not attend the Committee meeting held in July 2024 due to illness.

Highlights of 2024

- Deep-dive session held in May 2024 to review organisational structure, skills and experience required for key roles, succession and talent pipeline.
- Update from Group Head of HR received in July 2024 on the work of the DEI Committee.

Priorities for 2025

- Continue to manage Board and senior management succession plans.
- Evaluation of the size and composition of the Board including the balance of skills, knowledge, independence, experience and gender and ethnic diversity.
- Recruitment process for a new Non-Executive Director due to Claire Tiney retiring following her nine-year tenure on the Board.

Dear shareholder,

I am pleased to present the Committee's report detailing its role and responsibilities and its activities during the year.

It has been a quieter year for the Committee as there have been no changes to the Board since my succession into the role of Chair of the Board and the appointment of Jonathan Davis as a Non-Executive Director in June 2023.

Margaret Amos has decided not to stand for re-election at the 2024 AGM and Claire Tiney's tenure on the Board reaches the nine-year mark next year. The Board intends to begin a search for their replacements in the coming year. As part of this process, the Committee will carefully consider the skills and experience required, including taking into account the continuing expansion of the business internationally.

We continue to be mindful of our duties in overseeing the Group's progress in developing the pipeline of talent across all our regions, and ensuring that initiatives across the Group to foster talent are inclusive and in line with our principles on diversity.

As the Group continues to grow both in size and complexity, we have also spent time in the year considering the development of the organisational structure needed to ensure that the appropriate skills, training, internal progression opportunities, and succession plans are in place to support a sustainable future for the business.

In July 2024, we received an update on the work of the DEI Committee, looking specifically at proposals on Group policy. Work in relation to gender and ethnic diversity below Board level continues and the Group Head of HR is leading the workstreams relating to the enhanced requirements for the Parker Review in relation to target setting for ethnic diversity in the senior team.

Nomination Committee Report continued

As a Committee, we were pleased to see that the internally set target of 40% female representation on the most recent Management Development Programme was met, demonstrating the commitment of the Group to improving the gender diversity at the senior level.

Volution has also recently become a member of the Construction Inclusion Coalition (CIC) which has been created to improve equity, diversity and inclusion across the construction sector. We will continue to monitor progress in this key focus area.

Nigel Lingwood
Chair of the Nomination Committee
9 October 2024

Role and responsibilities

The key responsibilities of the Committee are:

- assessing whether the structure, size and composition (including the skills, knowledge, independence, experience and gender and ethnic diversity) of the Board continue to meet the Group's business and strategic needs;
- considering succession planning and talent development for the Executive Directors and the Senior Management Team and, in particular, for the key roles of Chair of the Board and Chief Executive Officer, taking into account the challenges and opportunities facing the Group and the future skills and expertise needed on the Board; and
- identifying and nominating, for approval by the Board, candidates to fill Board vacancies as and when they arise together with leading the process for such appointments.

Membership and attendance

The majority of the members of the Nomination Committee are independent Non-Executive Directors as required by the Code. Biographies of all Committee members can be found on pages 94 and 95.

By invitation, the meetings of the Committee may be attended by the Chief Executive Officer, the Chief Financial Officer and the Group Head of HR. The Company Secretary acts as the secretary to the Committee, and minutes of each Committee meeting are provided to Board members.

Activities during the year

As referred to above, during the year the Committee discussed succession planning for Executive and Non-Executive Directors and the Senior Management Team. The following routine matters were also considered at the Committee meetings held during the year:

- evaluation of the size and composition of the Board, including the balance of skills, knowledge, independence, experience and gender and ethnic diversity;
- reviewed and approved the recommendations to be made to shareholders for the re-election of Directors at the AGM; and
- reviewed the results of the Committee performance evaluation.

After the year-end at the October 2024 meeting, the Committee considered the outcome of the performance evaluations when discussing the effectiveness of the Non-Executive Directors seeking re-election at the AGM 2024.

The full terms of reference of the Committee are available on the Company's website at www.volutiongroupplc.com.

Diversity and inclusion

The Committee, the Board of Directors and Volution as a whole continue to pay full regard to the benefits of diversity, including gender and ethnic diversity, when searching for candidates for the Board, Senior Management Team and other appointments. This is reflected in the Board Diversity Policy which also applies to appointments for the Audit, Remuneration and Nomination Committees. We believe that business decisions can be enhanced by having representation from different genders and cultural backgrounds with differing skill sets, experience and knowledge, which reflect our customer base and the wider population in our markets.

Diversity of Board members is important to provide the necessary range of background experience, values, and diversity of thinking and perspectives to optimise the decision-making process. Gender and ethnicity are important aspects of diversity which the Committee considers when deciding upon the most appropriate composition of the Board.

The Board supports the FTSE Women Leaders Review and the Parker Review on Ethnic Diversity. As at the financial year-end, the Board comprised four male and three female Directors, meaning that over 40% of the Board is female. One Board member was of a minority ethnic background.

Re-election of Directors

On the recommendation of the Committee and in line with the 2018 Code and the Company's Articles of Association, all of the Company's Directors will stand for re-election at the AGM 2024, other than Margaret Amos. The biographical details of the Directors can be found on 94 and 95. The Committee considers that the performance of each of the Directors standing for election or re-election at the AGM continues to be effective and that each demonstrates commitment to their role.

Committee performance evaluation

During the year, the Board conducted an internal evaluation of the performance of the Board, its Committees, the Directors and the Chair. Further details can be found in the Governance Report on pages 101 and 102. I am pleased to confirm that this process concluded that the Committee had fulfilled its role effectively and did not identify any significant development points requiring action.

Audit Committee Report

Audit Committee Report

Jonathan Davis
Chair of the Audit Committee

Membership and attendance

The Committee met for six scheduled meetings during the year with attendance disclosed below.

Committee members	Member since	Attendance
Jonathan Davis (Chair)	23 June 2023	
Amanda Mellor	19 March 2018	
Claire Tiney	3 August 2016	
Margaret Amos[1]	10 March 2022	

1 Margaret Amos could not attend the Committee meeting held in July 2024 due to illness.

Highlights of 2024

- Focus on smooth transition to new External Auditor, PricewaterhouseCoopers (PwC), and new in-house Head of Internal Audit.
- Maintained focus on the control environment and reporting processes across the Group, including in particular the newly acquired businesses.
- Continued to monitor Group risk environment and internal controls.
- Detailed review of principal and emerging risks and risk appetite.
- Presentation to the Committee by tax advisers BDO.

Priorities for 2025

- Focus on response to requirements under the 2024 Code, specifically in relation to the new Provision 29.
- Assess assurance requirements in the context of sustainability data.
- Continued focus on embedding consistent control environment and reporting processes across all regions including newly acquired businesses.

Dear shareholder,

I am pleased to present this report of the Audit Committee (the Committee) for the year ended 31 July 2024.

This report is intended to provide shareholders with an insight into key areas considered by the Audit Committee in the year, together with how the Committee has discharged its responsibilities and provided assurance on the integrity of the Company's financial statements and reporting, its internal control and risk management processes, its audit and risk activities, and business conduct and integrity.

Following the appointment of PwC last year, after a competitive tender process, we have focused on the transition to our new External Auditor. I am pleased to report that the process has been smooth, with the External Auditor meeting with many of our finance team leaders during the year, across a number of our regional businesses.

This was also the first year with our Head of Internal Audit being an in-house role (having previously been externally facilitated by BDO). This has significantly enhanced the Committee's insights into the Group's business from a consistent internal audit approach. We have been pleased to see increased communication of good practice across the Group.

To support the work of the Head of Internal Audit, BDO have continued as a co-source partner, assisting on specialist or ad-hoc projects across the Group going forward. More details may be found on page 115.

Audit Committee Report continued

The Committee has also continued to focus on its key areas of responsibility, including the oversight of the quality and effectiveness of the external and internal audit processes and work on the principal and emerging risks of the business. In anticipation of the new 2024 Code coming into effect, work has already started on assessing the work that will be needed in order to report against the new requirements. The Committee is also cognisant of the new Minimum Standard for Audit Committees and will review the requirements in the coming year. The Committee has also taken time to conduct an in-depth review of the approach to risk appetite and the risk management process, a discussion that is informed by the work of our Group Risk Management Steering Committee. This work has resulted in some updates to our principal risks, more details of which may be found on pages 49 to 58.

The priorities of the Committee for the year ahead will include a continued focus on upcoming regulatory changes, most notably Provision 29 in the new 2024 Code, and the requirements with regard to assurance, particularly around sustainability reporting.

I would like to thank the finance teams across the global business for their continued work to ensure the risk, governance and controls frameworks that we have in place are maintained to the appropriate standard and consistently applied.

Role and responsibilities

The primary function of the Committee is to assist the Board in fulfilling its responsibilities with regard to the integrity of financial reporting, audit, risk management and internal controls. This comprises:

- monitoring and reviewing the Group's accounting policies, practices and significant accounting judgements;
- reviewing the annual and half-yearly financial statements, trading statements and any other financial announcements;
- reporting to the Board on whether the Annual Report and Accounts is fair, balanced and understandable;
- reviewing the Board's shorter-term cash flow forecasts and its method for assessing the Group's long-term viability;
- approving the appointment and recommending the re-appointment of the External Auditor and its terms of engagement and fees;
- reviewing the scope of work to be undertaken by the External Auditor and reviewing the results of that work;
- monitoring and reviewing the effectiveness of the external audit process and the External Auditor;
- reviewing and monitoring the independence of the External Auditor and approving its provision of non-audit services;
- monitoring and reviewing the adequacy and effectiveness of the risk management systems and processes and, where appropriate, making recommendations to the Board on areas for improvement;
- monitoring and reviewing the effectiveness of the Group's Internal Audit function, and resolution of its material findings, in the context of the Group's overall risk management systems;
- reviewing reports from the Chief Financial Officer on the controls to mitigate fraud risk; and
- overseeing the Group's procedures for its employees to raise concerns through its Whistleblowing Policy as set out in the Code of Conduct.

Membership and attendance

In compliance with the Code, the Committee comprises four members who are independent Non-Executive Directors. Jonathan Davis is Committee Chair, and Margaret Amos, Amanda Mellor and Claire Tiney are Committee members.

Financial expert, recent and relevant financial experience

The Board has satisfied itself that the membership of the Audit Committee includes at least one Director with recent and relevant financial experience and has competence in the sector in which the Company operates, and that all members are financially literate and have experience of corporate financial matters. For the purposes of the Code, the Board has determined that Jonathan Davis is independent and may be regarded as an Audit Committee financial expert, having recent and relevant financial experience, and that all members of the Audit Committee are independent Non-Executive Directors with relevant financial and sectoral competence. See pages 94 and 95 for details of the relevant experience of Directors.

Committee meetings are also normally attended by the Chair, the Chief Executive Officer, the Chief Financial Officer and the Company Secretary, who acts as secretary to the Committee. The External and Internal Auditors also attend meetings when appropriate. Other members of management may be invited to attend depending on the matters under discussion. The Committee meets regularly with the External Auditor and Internal Auditor with no members of management present. Meetings are scheduled in accordance with the financial and reporting cycles of the Company and generally take place prior to Board meetings to ensure effective collaboration with the Board. Minutes of each Committee meeting are provided to Board members.

The Committee also has independent access to the Internal Auditor and the External Auditor. The Internal Auditor and the External Auditor have access to the Chair of the Committee outside formal Committee meetings.

The Committee met for six scheduled meetings during the year with attendance disclosed on page 110.

Audit Committee activities during the year

During the year, the Committee dealt with the following matters:

Financial statements and reports

- Reviewed the Annual Report and Accounts, together with the full-year results announcement and the half-year results announcement, and received reports from the External Auditor on the above; the Committee also reviewed the trading updates.
- Assessed the impact of climate change on accounting assumptions and disclosure, including the reporting requirements of the Task Force on Climate-related Financial Disclosures (TCFD).
- Reviewed the effectiveness of the Group's internal controls and disclosures made in the Annual Report and Accounts.
- Reviewed Executive Management's representation letter to the auditor, going concern, fair, balanced and understandable criteria and significant areas of accounting estimates and judgement.
- Reviewed the Group's cash flow forecasts, the Group's bank facilities and the Viability Statement.

Risk management

- Monitored and reviewed the effectiveness of risk management and internal control processes.
- Reviewed Group risk appetite for each of the principal risks and considered the categories of risk appetite, including in the context of new provision 29 in the 2024 Code.
- Reviewed the Group Risk Register, which identifies, evaluates and sets out mitigation of risks, and reviewed the principal risks and uncertainties disclosed in the Annual Report and Accounts.

Internal Audit

- Reviewed reports from the Internal Auditor and reviewed its summary report on internal audits completed in 2024 and its internal audit plan for 2025.

External Auditor and non-audit work

- Reviewed the relationship with the External Auditor including its independence, objectivity and effectiveness.
- Recommended to the Board the appointment of PwC as External Auditor at the 2023 AGM.
- Reviewed, considered and agreed the scope of the audit work to be undertaken by the External Auditor on this year's Annual Report and Accounts.
- Agreed the terms of engagement and fees to be paid to the External Auditor.
- Reviewed and approved the Group policy on non-audit services and reviewed any non-audit fees.

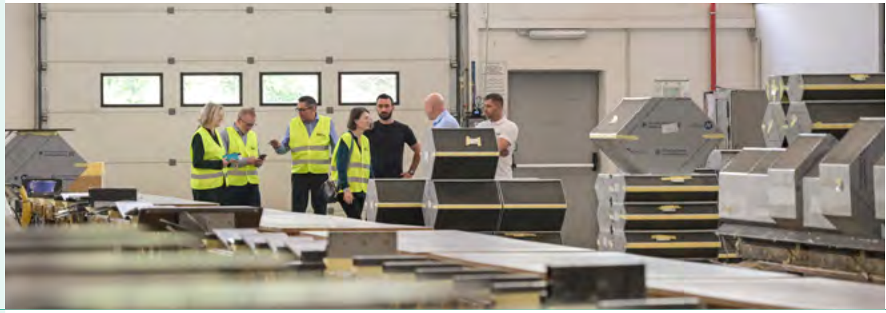
Governance

- Reviewed and approved the Group's Tax Strategy; reviewed a paper on the Group's tax risks, controls and processes operating over all businesses in the Group.
- Monitored the Group's Code of Conduct, Anti-Bribery and Corruption Policy and Policy on Corporate Criminal Offences; reviewed the Group's whistleblowing arrangements.
- Met with the External Auditor and the Internal Auditor without management being present.
- Completed an evaluation of the Committee performance and set its annual work programme.

Audit Committee Report continued

Significant accounting matters

The Committee identified the matters set out below as being significant in the context of the consolidated financial statements for the year ended 31 July 2024. These were discussed and reviewed by management and the External Auditor, and the Committee challenged judgements and sought clarifications where necessary. The Committee received a report from the External Auditor on the work it had performed to arrive at its conclusions and discussed in detail all material findings contained within the report.

Area of focus	Why was this significant?	How did the Committee address this area?
CGU and Operating segments	As disclosed in note 1 to the accounts (Critical accounting judgements and key sources of estimation uncertainty), the Committee concluded that the judgement in identifying the Group's cash generating units (CGUs) and the grouping of those CGUs for goodwill impairment testing purposes could have a significant impact on the carrying value of goodwill and other intangible assets in the financial statements. Hence, the Committee concluded that this is a critical accounting judgement that falls under the scope of paragraph 122 of IAS1. The operational and management integration of the existing Torin-Sifan Limited (Torin) business into the wider Volution Ventilation UK Limited (VVUK) business during the year led to a review of operating segments and CGUs. 	The Committee reviewed the existing Operating segments (IFRS 8) and considered the changes in the organisation of the Torin OEM business during the year. The Committee concluded that as the identification of operating segments is closely linked to the internal management and reporting structure of the business and given the integration that had occurred with Torin and VVUK during the year, such that information is no longer presented to the Chief Operating Decision Maker (CEO) separately, Torin should no longer be separately identified as an operating segment separate to VVUK. Similarly, the Committee reviewed the CGUs used for performing impairment tests under IAS 36, and considered that the operational and management integration with VVUK and the level of interdependence, including significant inter-company trading, means that Torin cannot be considered to produce truly independent cash flows, and hence it was appropriate that the former Torin CGU be combined with the VVUK CGU for the purposes of impairment testing under IAS 36. As a result of this decision to combine Torin and VVUK into a single Operating Segment and single CGU, an impairment test was performed on the Torin CGU at 31 May 2024 and reviewed by the Committee. There was sufficient headroom under "severe but plausible" downside scenarios and, as such, it was concluded there was no requirement to impair the goodwill, nor other intangible assets, related to Torin at 31 May 2024. After careful consideration, and in line with the requirements of IFRS 8 "operating segments" and IAS 36 "impairment of assets", Management has concluded it is appropriate to combine Torin and VVUK into a single CGU and a single operating segment, and that future impairment testing at 31 July 2024 and thereafter will be conducted on the new combined UK CGU, which will also be the level at which goodwill is monitored.
Impairment of goodwill and other intangible assets	The Group's policies on accounting for separately acquired intangible assets and goodwill on acquired businesses are set out in notes 12 and 14 to the consolidated financial statements. At 31 July 2024, intangible assets relating to goodwill and other intangible assets amounted to £248.2 million. The acquisitions made during the year added £9.0 million of goodwill and other intangible assets through acquisition. Goodwill on acquisitions is initially recorded at fair value, and is subject to testing for impairment at each balance sheet date. For intangible assets amortised over finite lives, the Group is required to determine whether indicators of impairment exist and, if so, perform a full impairment review. As is customary, such testing involves estimation of the future cash flows attributable to the asset, or cash generating unit of which it is part, and discounting these future cash flows to today's value.	The Committee reviewed the key assumptions behind these valuations and impairment reviews, notably the expected development of future cash flows and the discount rates used, as well as considering reasonable sensitivities to these estimates, and concluded that these support the carrying values set out in notes 12 and 14 to the consolidated financial statements and no impairment provision is required. The Committee considered the impact of climate change over the medium and long time period of our climate change assessment (aligned to our impairment review), and considered it reasonable to expect no material adverse impact of climate change to our business model that would materially impact the cash flows used in our impairment reviews. The Committee has also reviewed the additions to goodwill and other intangible assets through the acquisition of DVS in the year, the allocation of goodwill and other intangible assets to the appropriate cash generating units (CGUs), and the level of CGUs at which the impairment testing is completed. The Committee considered these allocations and judgements to be reasonable. The Group did not consider it reasonably possible, at the balance sheet date, that this was a major source of estimation uncertainty that could have a significant risk of resulting in a material adjustment to the liabilities recorded and thus is not disclosed as such in note 1 to the accounts as a key source of estimation uncertainty, but is included as an additional disclosure.

Audit Committee Report continued

Area of focus	Why was this significant?	How did the Committee address this area?
Revenue recognition – liabilities arising from retrospective volume rebates	The Group has a number of customer rebate agreements that are considered to be variable consideration and are recognised as a reduction from sales. Rebates are based on an agreed percentage of revenue, which will increase with the level of revenue achieved. These agreements may run to a different reporting period to that of the Group with some of the amounts payable being subject to confirmation after the reporting date. At the reporting date, Management makes estimates of the amount of rebate that will become payable by the Group under these agreements using a probability weighted average to arrive at an expected amount. The liability arising from retrospective volume rebates at 31 July 2024 included within refund liabilities (note 3) trade and other payables is £10.6 million (2023: £9.2 million).	The Committee reviewed a paper from Management setting out the process for estimating the amount of rebates to be recognised and considered the operating effectiveness of controls surrounding revenue recognition and Management's subjective assessment and recognition of rebates at the year end. The Committee reviewed Management's methodology and judgement in assessing the recognition of rebates. The Committee concurred with its approach. The Group did not consider it reasonably possible, at the balance sheet date, that this was a major source of estimation uncertainty that could have a significant risk of resulting in a material adjustment to the liabilities recorded and thus is not disclosed as such in note 1 to the accounts as a key source of estimation uncertainty, but is included as an additional disclosure.
Accounting for business combinations	There was one business combination during the year: the acquisitions of DVS. The acquisition was relatively straight forward and was an asset purchase. The acquisition includes a potential for future contingent consideration but Nil is recorded at the balance sheet date as performance criteria are not expected to be met in the relevant measurement periods. The acquisitions of ERI in 2022 and ClimaRad in 2021 include contingent consideration liabilities at the balance sheet date. The acquisition of I-Vent in FY23 includes a potential for future contingent consideration but Nil is recorded at the balance sheet date as performance criteria are not expected to be met in the relevant measurement periods.	The Committee reviewed the accounting for the acquisition and the application of the relevant accounting standards and agreed that it was appropriate. The Committee also reviewed the judgements that Management made in assessing the fair value measurement of the contingent consideration for the DVS acquisition as well as the previous acquisitions of I-Vent, ERI and ClimaRad, and agreed the judgements were reasonable. The Group did not consider it reasonably possible, at the balance sheet date, that this was a major source of estimation uncertainty that could have a significant risk of resulting in a material adjustment to the liabilities recorded and thus is not disclosed as such in note 1 to the accounts as a key source of estimation uncertainty, but is included as an additional disclosure.
Going concern	The Board of Directors has a responsibility to assess whether there are any significant doubts about an entity's ability to continue as a going concern. The Group has completed a comprehensive and robust assessment in order to support the preparation of the financial statements on the going concern basis. Such testing involves a number of assumptions regarding the future financial performance of the Group for 18 months from the balance sheet date.	The Committee has reviewed the key assumptions used in the going concern assessment and the other relevant factors surrounding going concern, notably the expected liquidity levels of the Group and covenant headroom. The Committee has also considered reasonable sensitivities to these estimates including the potential impact from the principal risks and concluded that these support the preparation of the financial statements on the going concern basis. The Committee considered the impact of climate change (which is not a standalone principal risk) over the short time period of our climate change assessment (aligned to our going concern review), and considered it reasonable to expect no material adverse impact of climate change over the going concern period, and hence considered it reasonable that no adverse impacts in either the base case or downside scenarios were included. Further details of the going concern assessment prepared by the Group are included on page 54.

In addition, the Committee reviewed policy and provisions with respect to: treasury, taxation, warranty, doubtful debts and inventory and weighted average cost of capital rates.

Audit Committee Report continued

External audit

PwC has acted as External Auditor for the Group for the financial year ended 31 July 2024. The lead partner for the year was Simon Bailey. Other than this role, he has not had any previous involvement with the Group.

The Committee notes the tendering and rotation provisions in the EU Audit Directive and Regulation and the Companies Act 2006, which state that there should be a public tender every ten years and a change of External Auditor at least every 20 years. The Committee also confirms compliance with the provisions of the Statutory Audit Services for Large Companies Market Investigation (Mandatory Use of Competitive Tender Processes and Audit Committee Responsibilities) Order 2014 (the Order).

In line with these requirements, the Committee conducted a tender process which concluded in January 2023. EY was the previous External Auditor of the Group prior to the appointment of PwC.

The Committee has recommended to the Board that a resolution to appoint PwC for the financial year ending 31 July 2025 be proposed to shareholders at the AGM in December 2024 and the Board accepted and endorsed this recommendation.

Effectiveness review

During the year, the Committee assessed the effectiveness of previous auditors EY and the external audit process for the year ended 31 July 2023 using a checklist and questionnaire issued to senior financial management across the Group who had been involved in the audit process.

A summary of the findings was prepared for consideration by the Committee. There were no substantive matters identified during this assessment, and the Committee concluded that the external audit process had been effective.

Non-audit services

The Committee agrees the fees paid to the External Auditor for its services as auditor.

A formal policy in relation to the provision of non-audit services by the External Auditor was reviewed by the Committee during the year to ensure that there was adequate protection of its independence and objectivity. A copy of the policy is available at the Company's website: www.volutiongroupplc.com.

During the year, PwC charged the Group £106,000 (2023: £nil) for non-audit services relating to the half-year review, which represents 10.7% (2023: nil%) of the external audit fee for the first year. In the prior year EY charged the Group £nil (2023: £99,000) for non-audit services relating to the half-year review, which represents nil% (2023: 11.9%) of the average of the external audit fee over the last three financial years.

A breakdown of the fees paid to PwC during the year is set out in note 8 to the consolidated financial statements.

Internal control and risk management

The Board is responsible for the effectiveness of the Group's system of internal control, which has been designed and implemented to meet the requirements of the Group and the risks to which it is exposed. Details are set out below on the Group's internal control environment, how risk is managed, and the Committee's review of the effectiveness of the risk management and internal control systems.

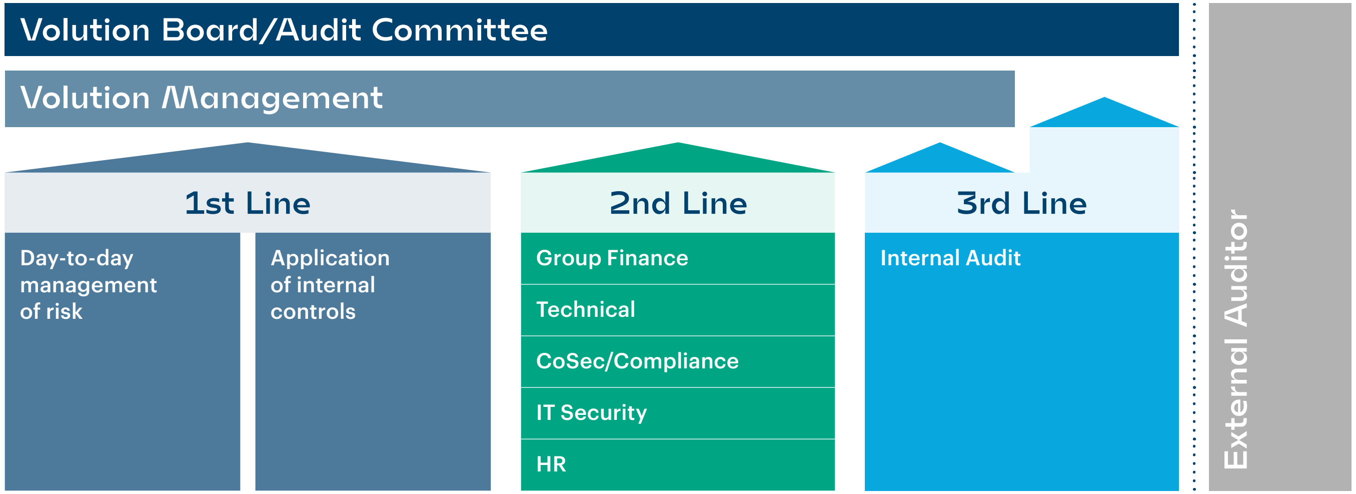
Internal control environment

In seeking to achieve the Group's business objectives, we face a number of risks, as defined on pages 49 to 58. The following key elements comprise the internal control environment, which has been designed to identify, evaluate and manage these risks in line with our risk appetite, and to ensure accurate and timely reporting of financial data for the Company and the Group:

- an appropriate organisational structure with clear lines of responsibility, including adopting the three lines of defence model to effectively manage the risks;
- an experienced and qualified finance function, which regularly assesses the possible financial impact of the risks facing the Group;
- a comprehensive annual business planning process;
- key control procedures as defined in our Risk and Control matrix;
- delegation of authority devolved from the Board which sets the approval limits for capital and operating expenditure and other key business transactions and decisions;
- a robust financial control, budgeting and forecasting system, which includes regular monitoring, variance analysis, key performance indicator reviews and risk and opportunity assessments at Board level;
- procedures by which the consolidated financial statements are prepared, which are monitored and maintained through the use of internal control frameworks addressing key financial reporting risks arising from changes in the business or accounting standards;
- established policies and procedures setting out expected standards of integrity and ethical standards which reinforce the need for all employees to adhere to all legal and regulatory requirements; and
- an annual internal controls checklist based on our risk and control matrix.

Audit Committee Report continued

Three lines of defence model




Board site visit, ERI, Bitola, North Macedonia

Internal Audit

Internal Audit plays an important role in helping the organisation deliver its vision and objectives by providing independent and objective assurance to management, the Committee and Board on the effectiveness of Volution's risk management activities, internal controls and corporate governance framework.

The purpose, scope and authority of Internal Audit is defined within its charter which is approved annually by the Committee.

For the financial period ended 31 July 2024, the Head of Internal Audit led the provision of the internal audit service, supported where deemed necessary by external audit resource. The Audit Committee agreed the internal audit plan prior to the commencement of the financial year, which was designed to ensure that there was appropriate coverage of the internal control environment, strategic priorities and key risks identified by the Board in its annual risk management process.

Regular updates on Internal Audit are provided to the Committee, covering an overview of the work undertaken in the update period, actions arising from audits conducted, the tracking of remedial actions, and progress against the internal audit plan. Updates provided in the year included detailed reports on the segregation of duties and similar controls in our newly acquired businesses, and also on specific areas of cyber, fraud and other key risk areas.

The Committee routinely meets independently with the Internal Auditor, to discuss the results of the audits performed and any additional insights obtained on the risk management and control environment across the organisation.

Risk management

The Board sets the risk appetite that forms the basis of the approach to risk management, accepting that some level of risk-taking is necessary to meet business objectives. The Group has a risk management process which is led by the Group Risk Management Steering Committee. This process identifies risks and assesses the probability and impact from these risks, and assigns an owner to manage mitigation activities at the operational level. Each business unit operates a process to ensure that key risks are identified, evaluated, managed in line with our risk appetite, and reviewed appropriately. This process is also applied at Board level to major business decisions such as acquisitions. The business unit risk registers form the basis for the Group Risk Register, which is maintained for all corporate risks and is monitored by senior management and reviewed by the Committee. During the year, the Group Risk Register and the methodology applied were the subject of review by senior management and updated to reflect new and developing areas which might impact business strategy. The Committee also considered the risk appetite levels in relation to each of the principal risks and reviewed appetite categories. The Audit Committee reviews the Group Risk Register at least twice a year and assesses the actions being taken by senior management to monitor and mitigate the risks. The Group's principal risks and uncertainties, the areas which they impact and how they are mitigated are described on pages 49 to 58.

Review of effectiveness

Provision 29 of the 2018 Code states that the Board should monitor the Company's risk management and internal control systems and, at least annually, carry out a review of their effectiveness. The Committee receives an annual report on the performance of the system of internal control, and on its effectiveness in managing risks and in identifying control failings or weaknesses. The Committee has reviewed the Group's risk management process and the effectiveness of the Group's risk management and internal control systems for the period from 1 August 2023 to the date of this Report. Taking into account the matters set out on pages 49 to 58 relating to principal risks and uncertainties and the internal audit reports from the Head of Internal Audit, the Board, with the advice of the Committee, is satisfied that the Group has in place effective risk management and internal control systems.

Audit Committee Report continued

Code of Conduct, anti-bribery and whistleblowing

The Group is committed to providing a safe and confidential avenue for all employees across the Group to raise concerns about serious wrongdoings. The Group also acknowledges the requirements of the 2018 Code in this area, which states that the Committee should review arrangements by which employees across the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and ensure that these concerns are investigated and escalated as appropriate.

The Company has a Group-wide Code of Conduct, an Anti-Bribery and Corruption Policy and a Policy on Corporate Criminal Offences. These policies set out the Group's values and the importance that is placed on honest, ethical and lawful conduct in all business dealings. The Code of Conduct also sets out the Group's policy on anti-slavery and human trafficking, in accordance with the Modern Slavery Act 2015. Group employees, agents and suppliers are asked, where relevant, to confirm that they do and will continue to comply with these policies. A gifts and hospitality register is operated by each business unit to ensure transparency where items are over a certain monetary threshold. In addition, all employees who are considered the most likely to be exposed to bribery and corruption are given web-based anti-bribery and corruption training.

Arrangements are in place by which employees are able to raise, in confidence, any concerns they may have about possible wrongdoing or dishonest or unethical behaviour, such as bribery, corruption, fraud, dishonesty and illegal practices. An external independent whistleblowing provider provides a confidential web-based and telephone facility which has been communicated across the Group, branded as 'Speak Up', to ensure awareness. The Code of Conduct protects anyone who comes forward to make a disclosure under the Whistleblowing Policy. When a disclosure is made, the Company Secretary reports the matter to the Committee Chair and initiates an investigation to include all necessary parties. A report on the investigation is submitted to the Committee and appropriate steps are taken to ensure that any matters relating to any disclosures have been resolved satisfactorily. The Committee also has the power to conduct further enquiries itself or any other additional actions it sees fit.

The Committee has reviewed these arrangements and is satisfied that they are operating effectively. All findings relating to "Speak Up" reports and arrangements are reported by the Committee to the Board.

Committee performance evaluation

During the year, the Board conducted an internal evaluation of the performance of the Board, its Committees, the Directors and the Chair. This process concluded that the Committee had fulfilled its role effectively and did not identify any significant development points requiring action.

Fair, balanced and understandable

The Board has responsibility under the Code for preparing the Company's Annual Report and Accounts, ensuring that it presents a fair, balanced and understandable (FBU) assessment of the Group's position and prospects and that it provides the information necessary for shareholders to assess the Group's performance, business model and strategy. The review of the Annual Report and Accounts took the form of a detailed assessment of the collaborative drafting process, which involves the Board members, the Senior Management Team, Group finance and the Company Secretary, with guidance and input from external advisers. This ensures that there is a clear and unified link between this Annual Report and Accounts and the Group's other external reporting, and between the three main sections of the Annual Report and Accounts – the Strategic Report; the Governance Report; and the Financial Statements. In addition, the Committee receives a report highlighting areas for FBU consideration to ensure compliance before approval of the Annual Report and Accounts.

The detailed work in this area is delegated to, and carried out by, the Audit Committee. As part of this work, the Committee: reviewed all material matters, as reported elsewhere in this Annual Report and Accounts; ensured that it fairly reflected the Group's performance in the reporting year; ensured that it reflected the Group's business model and strategy; ensured that it presented a consistent message throughout; and considered whether it presented the information in a clear and concise manner, illustrated by appropriate KPIs, to facilitate shareholders' access to relevant information.

A summary of the process, and of the Committee's findings, was considered by the Board at its meeting on 8 October 2024. The outcome of that review was that the Committee confirmed to the Board that the Annual Report and Accounts 2024 met the requirements of the 2018 Code and the Board's formal statement to that effect is set out on page 133.

Jonathan Davis
Chair of the Audit Committee
9 October 2024

Directors' Remuneration Report

Remuneration Committee Report

Claire Tiney
Chair of the Remuneration Committee

Dear shareholder,

On behalf of the Remuneration Committee, I am pleased to present the Directors' Remuneration Report for the year ended 31 July 2024.

At the AGM in December 2023, the Directors' Remuneration Report resolution received good support from shareholders, with 91.9% of the votes cast being in favour of the resolution. Our new Remuneration Policy (the Policy) was also approved at the 2023 AGM receiving very good support from shareholders, with over 97.7% of the votes cast being in favour of the resolution. The Committee considers that the new Policy continues to appropriately support our remuneration principles, which are to:

- attract and retain the best talent;
- drive behaviours that support the Group's strategy and business objectives which are developed in the long-term interests of the Company and its shareholders;
- reward senior management appropriately for its personal and collective achievements;
- provide incentives that help to maintain commitment over the longer term and align the interests of senior management with those of shareholders; and
- ensure that a significant percentage of the overall remuneration package of the Executive Directors and senior management remains at risk, dependent on performance, and that their pay and benefits adequately take account of reward versus risk.

Membership and attendance

The Committee met for three scheduled meetings during the year with attendance disclosed below.

Committee members	Member since	Attendance
Claire Tiney (Chair)	3 August 2016	■■■
Amanda Mellor	19 March 2018	■■■
Jonathan Davis	23 June 2023	■■■
Margaret Amos[1]	10 March 2022	■■□
Nigel Lingwood	30 April 2020	■■■

1. Margaret Amos could not attend the Committee meeting held in July 2024 due to illness.

Directors' Remuneration Report continued

Wider workforce considerations
The Committee is aware of the impact of inflation and the cost-of-living on our employees, and the Group has taken a number of actions during the year to support the workforce, a selection of which is set out below:

Employee salaries have increased again at higher levels than in previous years. During the period there was a total base salary increase of c.7.5% in the UK which includes substantial out-of-cycle salary increases in certain functions. We will continue to make salary corrections in line with external benchmarks to remain competitive and an employer of choice in our markets.

We continue to operate our 'Employee Benefits' platform which offers, amongst other things, attractive discounts at leading retailers including cash back options.

Employees who are eligible to participate in the annual bonus scheme have benefited from pay-outs due to Volution's strong performance in recent years and have done so again in respect of 2024.

Performance in the year ended 31 July 2024 and remuneration outcomes
During the year ended 31 July 2024 the business performed well. The Group's revenue increased by 6.0% compared to last year to £347.6 million (2023: £328.0 million). Adjusted operating profit was £78.0 million (2023: £69.9 million), representing 22.5% of revenue and a £19.6 million improvement compared to the prior year. Reported profit before tax increased by 15.9% to £56.6 million (2023: £48.8 million). Our adjusted earnings per share was 28.0 pence, representing a 8.5% increase over the adjusted earnings per share for the prior year of 25.8 pence. The compound annual growth rate of adjusted earnings per share since IPO in 2014 was 12.3%.

Over the course of the financial year our total shareholder return has exceeded that of the FTSE 250 index, and over a three-year period Volution ranked 1st for total shareholder returns against the Company's TSR peer group (described on pages 122 and 123).

Adjusted operating profit, adjusted EPS and working capital management were the key measures used by the Committee to assess performance and, accordingly, were the performance measures used for the bonus. Performance against these measures resulted in the Committee awarding an annual bonus of 125% of salary to Ronnie George and 125% of salary to Andy O'Brien (100% of the maximum).

We have provided full retrospective disclosure of the bonus targets as well as the actual performance against them. In accordance with the Policy, one-third of the total annual bonus payment will be deferred into awards over the Company's shares which will vest after three years. Further details can be found on page 123.

The LTIP awards granted in the 2021/22 financial year (in October 2021) had a performance period ending on 31 July 2024 and are subject to a two-year holding period. Due to EPS growth, good performance against our ESG targets, and total shareholder return performance over the period (with a total shareholder return over the performance period being 1st against the peer group), the October 2021 LTIP awards will vest at 79.5% of maximum. Further details can be found on page 122.

When determining variable pay outcomes, the Committee also took account of the shareholder experience, the employee experience and the wider stakeholder experience alongside all of the performance context provided above. Overall, the Committee considered that remuneration outcomes were appropriate and as such determined that no discretion would be applied.

Remuneration decisions for the year ending 31 July 2025
During the year, the Committee has reviewed the salaries for Executive Directors and determined that an increase of 4.5% for both the CEO and CFO is appropriate taking into account the average wider UK workforce increase of 4.9%, the performance of the Group and the individuals, and the fact that salaries remain conservatively positioned against the FTSE 250.

There are no proposed changes to the annual bonus and LTIP opportunities or performance measures for the upcoming year.

Taking into account the importance of Return on Invested Capital (ROIC) to the Committee and also as identified by a number of our shareholders, a ROIC underpin will be introduced to the LTIP award in the upcoming year. If ROIC in the final year of the performance period is lower than 18%, the Committee will have the ability to reduce the level of LTIP vesting.

The Committee has also approved an increase to the Chair's annual fee for the year ending 31 July 2025 to £200,000. There have been no material increases to the fee since IPO and, since that time, the Group has become significantly larger, more complex, and more international. The responsibilities and time commitments of the role have therefore materially increased. The Committee notes that the new fee remains below the FTSE 250 lower quartile and intends to make it more market aligned over the coming years, subject to performance.

Agreement to Acquire Fantech
As announced on 20 September 2024, the Group has signed an agreement to acquire the Fantech group of companies in Australasia, subject to anti-trust approvals.

Given the timing of the proposed acquisition, the Committee was not in a place to approve the FY25 LTIP grant targets ahead of the Annual Report being signed-off. These targets will be set later in the year once the impact of the acquisition on the LTIP measures and targets has been assessed in more detail.

It is currently anticipated that the stretching EPS compound growth targets will remain the same as for the FY24 LTIP award. The acquisition will have a material impact on the ESG measures and targets, the full impact of which still needs to be assessed by the Board. The measures and targets will be disclosed in full on the Company's website once approved by the Committee and in the Directors' Remuneration Report next year.

The Committee also recognises that this proposed acquisition would mean that the Group is materially larger and more complex. The Committee intends to review the arrangements, including incentive levels, next year in this context. It was not considered appropriate to make any material changes for FY25, and instead for the review to take place once the acquisition has been completed and bedded into the Group. The Committee will consult with shareholders ahead of any changes being proposed for FY26.

Shareholder support
This will be my last report for Volution, as I approach my nine-year tenure in August 2025, at which time I plan to retire from the Board in accordance with the Code. I would like to take this opportunity to thank shareholders for their support over the years.

Annual General Meeting 2024
I do hope that you will support the resolution requesting approval of the Directors' Remuneration Report at this year's AGM on 11 December 2024.

Claire Tiney
Chair of the Remuneration Committee
9 October 2024

Directors' Remuneration Report continued

At a Glance: Implementation of the Remuneration Policy for 2025 and key decisions in 2024

The table below summarises how key elements of the Remuneration Policy will be implemented in the period ending 31 July 2025 and key decisions taken by the Committee for the year ended 31 July 2024. The full Directors' Remuneration Policy can be found in the 2023 Annual Report that can be found on the Company's website, www.volutiongroupplc.com.

Element	Chief Executive Officer Ronnie George	Group Finance Director Andy O'Brien
Base salary (from 1 August 2024)	£579,975	£397,100
Pension	5.5%	5.5%
Annual bonus opportunity 2025	Maximum: 125%	Maximum: 125%
Annual bonus measures	• The majority of the bonus will be based on financial measures and the remainder (if any) will be based on non-financial measures. • For the period ending 31 July 2025, the financial measures include: Adjusted EPS (52%); Adjusted operating profit (36%); and Working capital management (12%). • Full disclosure of performance targets will be disclosed retrospectively.	
Annual bonus deferral	• One-third of the annual bonus will be deferred into shares for a period of three years.	
Long term incentive plan (LTIP) opportunity 2025	Maximum: 150%	Maximum: 125%
LTIP measures	• LTIP awards will be based on the EPS growth (60%); Relative TSR (20%); and ESG (20%). A Return on Invested Capital (ROIC) underpin will apply from FY25. Performance will be measured over a three-year period.	
LTIP holding requirement	• LTIP awards are subject to a two-year holding period.	
Shareholding guideline	• 200% of salary in-employment shareholding guideline. • Post-cessation shareholding requirements apply at the same level as the in-employment guideline (or actual shareholding, if lower) for two years after departure.	
Malus and clawback	• Malus and/or clawback provisions apply up to the third anniversary of payment of the cash bonus, and the earlier of the sixth anniversary of grant and the third anniversary of satisfying awards for DSBP and LTIP awards. • The malus and clawback provisions can be found in the Remuneration Policy in the 2023 Directors' Remuneration Report.	
Notice Period	• 12 months	9 months
31 July 2024 year-end outcomes:		
Bonus outcome	• 100% of maximum pay-out.	
2021-24 LTIP outcome	• 79.5% of maximum vesting.	

Directors' Remuneration Report continued

Annual Report on Remuneration

This section provides details of how the Remuneration Policy (the Policy) was implemented during the year and how the Remuneration Committee (the Committee) intends to apply the Policy during the financial year ending 31 July 2025. Certain sections of this report are audited and indicated as such where applicable. The Annual Report on Remuneration will be subject to an advisory shareholder vote at the 2024 AGM.

Role of the Committee

The role of the Committee is to recommend to the Board a strategy and framework for remuneration for Executive Directors and the Senior Management Team in order to attract and retain leaders who are focused and incentivised to deliver the Company's strategic business priorities, within a remuneration framework which is aligned with the interests of our shareholders and thus designed to promote the long-term success of the Company.

The Committee has clearly defined terms of reference which are available on the Company's website, www.volutiongroupplc.com. The Committee's main responsibilities are to:

- establish and maintain formal and transparent procedures for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors, and to monitor and report on them;
- determine the remuneration, including pension arrangements, of the Executive Directors, taking into account pay and policies across the wider workforce;
- monitor the remuneration for the tier of senior management one level below that of the Board;
- approve annual and long-term incentive arrangements together with their targets and levels of awards;
- determine the level of fees for the Chair of the Board; and
- select and appoint the external advisers to the Committee.

Membership

The Committee currently comprises four independent Non-Executive Directors, Claire Tiney (Chair), Margaret Amos, Jonathan Davis, and Amanda Mellor, and the Non-Executive Chair, Nigel Lingwood.

The Chair of the Board is also a member of the Committee because the Board considers it essential that the Chair is involved in setting Remuneration Policy (although he is not party to any discussion directly relating to his own remuneration).

Claire Tiney is the Chair of the Committee and has chaired the Committee since 30 April 2020. Claire has been a member of the Committee since 1 August 2016 and has extensive experience of chairing listed company remuneration committees. Claire will retire from the Board in 2025 as she will reach her nine-year tenure in August 2025. During the year the Committee also consulted with the Chief Executive Officer, the Chief Financial Officer and the Company Secretary, but not on matters relating to their own remuneration.

Attendance

The Committee met for three scheduled meetings and for additional meetings as required during the year. It has had two meetings to date in 2024/25. Committee member attendance can be found in the table on page 117.

Committee activity and key decisions during the year ended 31 July 2024

Matters considered and decisions reached by the Committee during the year include:

- implemented the Policy approved by shareholders at the 2023 AGM;
- considered and approved the Directors' Remuneration Report for the year ended 31 July 2023;
- reviewed outcomes for Executive Director and Senior Management Team bonuses for the year ended 31 July 2023;
- reviewed performance measurement outcomes and vesting of LTIP awards granted in October 2020;
- reviewed and approved the parameters of the annual bonus plan (ABP), including performance measures and targets for year ended 31 July 2024 for the Executive Directors and Senior Management Team;
- considered and approved the LTIP awards to the Executive Directors and Senior Management Team for year ended 31 July 2024;
- reviewed market trends and developments in executive remuneration as well as wider workforce remuneration context in advance of considering Executive Director and Senior Management Team remuneration proposals for 2024/25;
- reviewed and approved the Executive Director and Senior Management Team salaries for 2024/25; and
- evaluated the performance of the Committee in conjunction with an internal facilitator.

Committee performance evaluation

During the year, the Board conducted an internal evaluation of the performance of the Board, its Committees, the Directors and the Chair. Further details can be found in the Governance Report on pages 101 and 102. I am pleased to confirm that this process concluded that the Committee had fulfilled its role effectively and did not identify any significant development points requiring action.

Advice to the Committee

The Committee keeps itself fully informed on developments and best practice in the field of remuneration and it seeks advice from external advisers when appropriate.

The Committee appoints its own independent remuneration advisers and at the time of listing appointed Deloitte LLP to that role following a competitive tender process. Deloitte LLP has served as adviser to the Committee since listing and throughout the year. Total fees for advice provided to the Committee during the year by Deloitte LLP were £38,500 and were charged based on the time spent and seniority of the staff involved in providing the advice. During the year Deloitte LLP also provided the Company with other reward and share plan-related advice.

Deloitte LLP is a member of the Remuneration Consultants Group and as such voluntarily operates under the code of conduct in relation to executive remuneration consulting in the UK. The Committee requests Deloitte LLP to attend meetings periodically during the year. The Committee was satisfied that the advice received from Deloitte LLP during the year was objective and independent.

Directors' Remuneration Report continued

Single total figure of remuneration (audited)

The audited table below sets out the total remuneration for the Directors in the years ended 31 July 2024 and 31 July 2023.

	Salary and fees		Benefits[1]		Pension[2]		Annual bonus[3,5]		Long-term incentives[4]		Total		Total fixed remuneration		Total variable remuneration	
	2024 £000	2023 £000	**2024 £000**	2023 £000	**2024 £000**	2023 £000	**2024 £000**	2023 £000	**2024 £000**	2023 £000	**2024 £000**	2023 £000	**2024 £000**	2023 £000	**2024 £000**	2023 £000
Chair																
Nigel Lingwood[6]	**164**	73	**–**	–	**–**	–	**–**	–	**–**	–	**164**	73	**164**	73	**–**	–
Executive Directors																
Ronnie George	**555**	474	**34**	34	**31**	48	**694**	416	**695**	1,278	**2,009**	2,250	**620**	556	**1,389**	1,694
Andy O'Brien	**380**	331	**27**	27	**12**	11	**475**	291	**405**	745	**1,299**	1,405	**419**	369	**880**	1,036
Non-Executive Directors																
Amanda Mellor	**65**	63	**–**	–	**–**	–	**–**	–	**–**	–	**65**	63	**65**	63	**–**	–
Claire Tiney	**65**	63	**–**	–	**–**	–	**–**	–	**–**	–	**65**	63	**65**	63	**–**	–
Jonathan Davis[6]	**65**	7	**–**	–	**–**	–	**–**	–	**–**	–	**65**	7	**65**	7	**–**	–
Margaret Amos	**55**	53	**–**	–	**–**	–	**–**	–	**–**	–	**55**	53	**55**	53	**–**	–

Notes
1. Benefits: this includes an annual car allowance, life assurance equivalent to four times annual salary and private medical insurance.
2. Pension: a cash payment in lieu of employer's pension contribution, equivalent to 5.5%, was paid to both Executive Directors. Pension amounts for the CFO are lower than the equivalent of 5.5% due to an overpayment in previous years which was corrected within the year.
3. Annual bonus: detail on the 2024 bonus performance targets and actual performance is provided on page 122.
4. Long-term incentives: this column relates to the value of long-term awards of which the performance period ends in the year under review. The awards granted on October 2021 had a performance period that ended on 31 July 2024, and this has been included in the table above. This award will vest in October 2024 and, therefore, the value included in the table above represents an estimated value using the average share price of £4.659 over the three months to 31 July 2024. This price is lower than the base price of the October 2021 LTIP, therefore none of the value of the award is attributable to share price appreciation. Dividend equivalents over the performance period have been added to the LTIP values, in line with market practice. For 2024, the number of additional dividend equivalent shares are 7,805 and 4,550 for the CEO and CFO respectively. Details of the performance measures and achievement against the targets set can be found on page 122. In line with the remuneration reporting requirements, the awards which vested on October 2023 have been restated to reflect the actual share price (£3.750) on the date of vesting.
5. During the year the Committee became aware that there had been a small overpayment of the 2023 annual bonus of £2,836 for the CEO and £1,984 for the CFO due to an administrative error. The Company recovered this in full shortly afterwards through a reduction in salary.
6. Nigel Lingwood was appointed Chair of the Board on 23 June 2023 and Jonathan Davis was appointed as a Non-Executive Director and Audit Committee Chair on 23 June 2023. The increase in fees for Nigel Lingwood in 2024 reflect his change in role.

Directors' Remuneration Report continued

Annual Bonus Plan (ABP) (audited)

The operation of the ABP during the year ended 31 July 2024 was consistent with the framework set out in the 2023 Policy. The maximum annual bonus potential for the Executive Directors during the year was 125% of base salary, and bonus for on-target performance was 50% of the maximum opportunity. In line with last year's report, we have provided full retrospective disclosure of the targets and performance against those targets which are set out in the table below. The performance measures for the year ended 31 July 2024 were the same as for the year ended 31 July 2023, though the weightings have been slightly re-balanced. The targets were set taking into account the business plan, market conditions and analysts' forecasts at the time. One-third of the annual bonus payment earned by the Executive Directors will be deferred into awards over the Company's shares for three years. The treatment of awards upon a Director leaving the Group is set out in the Directors' Remuneration Policy which can be found in the 2023 Annual Report.

As set out in the Committee Chair's letter, the Committee considered a number of different matters when determining the outcome including wider Company performance, employee experience, shareholder experience and wider stakeholder experience and determined that the remuneration outcomes were appropriate and as such no discretion would be applied.

Measure	Strategic objective	Weighting	Threshold[3]	Target	Maximum	Actual performance	% of Measure achieved	Payment
Adjusted operating profit[1]	To increase profit	35%	£68.5m	£74.2m	£77.6m	£78.0m	100%	35%
Adjusted EPS[1]	Creation of shareholder value	50%	25.2p	26.2p	27.2p	28.0p	100%	50%
Working capital management[2]	Delivering efficiency of working capital and cash generation	15%	18.4%	18.2%	17.7%	17.0%	100%	15%
Total								**100%**
Total as a % of maximum								**100%**

Notes
1. Adjusted operating profit up to target level is purely organic. Between target and maximum, unbudgeted acquisitions will be taken into account. Adjusted EPS includes unbudgeted acquisitions.
2. Working capital targets for the average of the five quarters: quarters ending 31 July 2023, 31 October 2023, 31 January 2024, 30 April 2024 and 31 July 2024. Working capital management (inventories, right of return assets, trade and other receivables, trade and other payables, refund liabilities and provisions) as a percentage of revenue.
3. There is no pay-out for at or below threshold performance, rising to 50% pay-out for target performance and 100% pay-out for maximum performance.

Long Term Incentive Plan vesting – October 2021 awards (audited)

The LTIP values included in the single total figure of remuneration table for 2024 relate to the LTIP award granted on 13 October 2021. Awards with a face value of 150% of salary were granted to Ronnie George and 125% to Andy O'Brien, and, following a three-year performance period ending on 31 July 2024, are due to vest on 13 October 2024. In accordance with the Policy, this LTIP award is subject to an additional two-year holding period following vesting. Therefore, this award will not be available to exercise until 13 October 2026. Performance against the performance targets is set out below:

Measure	Weighting (% of total award)	Below threshold (0% vesting)	Threshold (25% vesting)[1]	Maximum (100% vesting)[1]	Actual performance outcome	Vesting
EPS growth	60%	Below 6% p.a.	6% p.a.	12% p.a.	10.1% p.a.	45.5%
TSR vs Direct Peer Group Index[2]	20%	Below median	Median	Upper quartile	Upper quartile (1st)	20.0%
ESG (low-carbon sales as a % of total revenue)	10%	Below 65.6%	65.6%	67.8%	70.9%	10.0%
ESG (% of recycled plastics that are used in our manufactured products)	10%	Below 76.8%	76.8%	83.4%	78.1%	4.0%
Total vesting (% of maximum)						**79.5%**

Notes
1. Awards vest on a straight-line basis between these points.
2. The Peer Group is comprised of 15 companies: Epwin Group, Tyman, Ibstock, Norcros, Genuit, Michelmersh, Breedon, Topps Tiles, Forterra, Eurocell, Luceco, SIG, Marshalls, Headlam Group and Watkins Jones. Safestyle delisted during the performance period and was therefore removed from the group.

Share awards granted during the year (audited)

Long Term Incentive Plan (LTIP)

2023/24 awards

On 11 October 2023 the Committee made awards under the LTIP in accordance with the Policy. The LTIP awards were made in the form of nil-cost options which will vest following the Committee's determination of the extent to which performance conditions, measured over three financial years to 31 July 2026, have been met. Awards to the Executive Directors are subject to a two-year holding period. Further context as well as the targets below were disclosed in the Directors' Remuneration Report last year.

Directors' Remuneration Report continued

Performance measure	Weighting (% of total award)	Below threshold (0% vesting)	Threshold (25% vesting)[1]	Maximum(100% vesting)[1]
EPS growth	60%	Below 6% p.a.	6% p.a.	12% p.a.
TSR vs Direct Peer Group Index[2]	20%	Below median	Median	Upper quartile
ESG (Low-carbon sales as a % of total revenue)	10%	Below 70%	70%	75%
ESG (Carbon intensity)	10%	More than 8.9m tonnes of CO_2 for every £1m of revenue	8.9m tonnes of CO_2 for every £1m of revenue	8.1m tonnes of CO_2 for every £1m of revenue

Notes
1. Awards will vest on a straight line basis between these points.
2. Direct Peer Group Index is comprised of 16 companies: Ariston, Belimo, Breedon Group, Epwin Group, Eurocell, Forterra, Genuit Group, Ibstock, Lindab, Luceco, Marshalls, Norcros, SIG, SystemAir, Tyman and Zehnder.

In addition to the performance conditions set out above, for awards to vest, the Committee must be satisfied with the overall financial performance of the Company over the performance period.

The LTIP awards made on 11 October 2023 were as follows:

Executive Director	Number of shares	Base price	Face value[1]	Face value % of base salary	Release date[2]	Expiry date
Ronnie George	226,571	£3.6743	£832,490	150%	11 October 2028	12 October 2033
Andy O'Brien	129,275	£3.6743	£474,995	125%	11 October 2028	12 October 2033

Notes
1. The price used to calculate the number of LTIP awards was the average of the mid-market closing price of a Volution Group plc share on the three consecutive business days immediately preceding the date of grant.
2. The LTIP awards were granted with a three-year performance period and an additional two-year holding period.

Deferred Share Bonus Plan (DSBP)

2023/24 awards

As set out in the Policy, under which the 2023/24 annual bonus was awarded, one-third of any bonus payment earned by the Executive Directors will be deferred into awards in the form of conditional awards over the Company's shares.

On 11 October 2023, Ronnie George and Andy O'Brien received an award of shares under the DSBP relating to the 2022/23 annual bonus, as follows:

Executive Director	Number of shares	Base price	Face value[1]	Release date
Ronnie George	37,723	£3.6743	£138,606	11 October 2026
Andy O'Brien	26,398	£3.6743	£96,994	11 October 2026

Note
1. The price used to calculate the number of DSBP awards was the average of the mid-market closing price of a Volution Group plc share on the three consecutive business days immediately preceding the date of grant.

Directors' Remuneration Report continued

Equity incentives (audited)

Details of the awards granted, outstanding and vested during the year to the Executive Directors under the LTIP and DSBP are as follows:

Name/plan	Date of award	Number of share awards at 1 August 2023	Shares awarded during the year	Shares lapsed during the year	Shares vested during the year	Number of share awards at 31 July 2024	Face value at date of grant £[1]	Vesting date[2]	Expiry date
Ronnie George									
LTIP 2020/21	14/10/2020	327,672	–	–	340,671	–	–	14/10/2023	15/10/2030
LTIP 2021/22	13/10/2021	141,310	–	–	–	**141,310**	659,453	13/10/2024	14/10/2031
LTIP 2022/23	12/10/2022	229,582	–	–	–	**229,582**	708,903	12/10/2025	13/10/2032
LTIP 2023/24	11/10/2023	–	226,571	–	–	**226,571**	832,490	11/10/2026	12/10/2033
DSBP 2020/21	–	–	–	–	–	–	–	–	–
DSBP 2021/22	13/10/2021	37,383	–	–	–	**37,383**	174,458	13/10/2024	N/A
DSBP 2022/23	12/10/2022	39,168	–	–	–	**39,168**	120,943	12/10/2025	N/A
DSBP 2023/24	11/10/2023	–	37,723	–	–	**37,723**	138,606	12/10/2025	N/A
Andy O'Brien									
LTIP 2020/21	14/10/2020	191,083	–	–	198,662	–	–	14/10/2023	15/10/2030
LTIP 2021/22	13/10/2021	82,405	–	–	–	**82,405**	384,563	13/10/2024	14/10/2031
LTIP 2022/23	12/10/2022	133,881	–	–	–	**133,881**	413,398	12/10/2025	13/10/2032
LTIP 2023/24	11/10/2023	–	129,275	–	–	**129,275**	474,995	11/10/2026	12/10/2033
DSBP 2020/21	–	–	–	–	–	–	–	–	–
DSBP 2021/22	13/10/2021	26,160	–	–	–	**26,160**	122,083	13/10/2024	N/A
DSBP 2022/23	12/10/2022	27,409	–	–	–	**27,409**	84,634	12/10/2025	N/A
DSBP 2023/24	11/10/2023	–	26,398	–	–	**26,398**	96,994	11/10/2026	N/A

Notes
1. The price used to calculate the number of LTIP and DSBP awards was the average of the mid-market closing price of a Volution Group plc share on the three consecutive business days immediately preceding the date of grant, being £1.9167 for the LTIP 2020/21, £4.67 for the LTIP 2021/22 and DSBP 2021/22, £3.0878 for the LTIP 2022/23 and DSBP 2022/23 and £3.6743 for the LTIP 2023/24 and DSBP 2023/24.
2. LTIP awards granted from 2016/17 were granted with a three-year performance period and an additional two-year holding period.
3. Shares vested during the year includes dividend equivalents over the performance period, in line with market practice.

Directors' Remuneration Report continued

Employee Benefit Trust

The Volution Employee Benefit Trust (EBT) currently holds 2,151,214 shares in the Company. It is the Company's intention to use shares currently held in the EBT to satisfy all awards made so far under the Long Term Incentive Plan, Deferred Share Bonus Plan and Sharesave Plan. Dividends arising on the shares held in the EBT are waived on the recommendation of the Company.

Funding of future awards under the share incentive plans

It is the Company's current intention to satisfy any future requirements of its share incentive plans in a method best suited to the interests of the Company, either by acquiring shares in the market, utilising shares held as treasury shares or issuing new shares. Where the awards are satisfied by newly issued shares or treasury shares, the Company will comply with the dilution limits as set out in the relevant plan rules.

Statement of Directors' shareholdings and share interests (audited)

We believe that Executive Directors should have shareholdings in the Company to ensure that they are as closely aligned as possible with shareholder interests. As such, during the year the Company had share ownership guidelines in place which stated that Executive Directors were expected to achieve and retain a holding of the Company's shares equal to 200% of their base salary.

It should be noted, as shown below, that Ronnie George and Andy O'Brien have a shareholding in excess of 200% of base salary including DSBP awards and LTIP awards that are not subject to further performance net of tax. A formal post-employment shareholding guideline is also in place requiring Executive Directors to hold a shareholding equal to their in-employment shareholding, or their actual shareholding on leaving if lower, for two years after departure. This post-employment shareholding requirement applies to shares acquired from incentive plans from DSBP and LTIP awards granted after 1 August 2020.

The Chair and the Non-Executive Directors are also encouraged to hold shares in the Company in order to align their interests with those of shareholders. Directors' interests in ordinary shares held as at 31 July 2024 (together with the interests held by Persons Closely Associated with them) are set out below.

There were no changes in the Directors' shareholdings between 31 July 2024 and the date of this report.

Name/plan	Shares held beneficially at 1 August 2023[1]	Shares held beneficially at 31 July 2024[1]	Shareholding at 31 July 2024 (% of salary)[4]	Target shareholding achieved[2]	LTIP awards (unvested awards subject to performance)[3]	LTIP awards vested but not exercised	DSBP awards (unvested awards, not subject to performance)
Chair							
Nigel Lingwood	5,000	**19,785**	**N/A**	**N/A**	–	–	–
Executive Directors							
Ronnie George[5]	2,670,116	**3,089,113**	**3,528%**	**Yes**	597,463	709,203	114,274
Andy O'Brien	37,886	**37,886**	**485%**	**Yes**	345,561	413,572	79,938
Non-Executive Directors							
Amanda Mellor	–	**–**	**N/A**	**N/A**	–	–	–
Claire Tiney	2,869	**2,869**	**N/A**	**N/A**	–	–	–
Jonathan Davis	–	**5,000**	**N/A**	**N/A**	–	–	–
Margaret Amos	–	**–**	**N/A**	**N/A**	–	–	–

Notes
1. Includes any shares held by Persons Closely Associated.
2. The target shareholding achieved has been calculated based on shares held beneficially as at 31 July 2024 using the share price on that date of £5.47 per share.
3. LTIP awards in this column consist of all awards granted as at the date of this Report which are structured as nil-cost options. All awards are subject to performance conditions, with performance measured over three financial years.
4. Includes DSBP awards and LTIP awards that are not subject to further performance on a net of tax basis.
5. On 12th October 2023, Ronnie George exercised options over 485,675 shares from the LTIP awards granted in October 2014, November 2015, October 2016 and March 2018. Additionally, on 14th November 2023, he exercised an option over 306,642 shares from the LTIP award granted in October 2018.

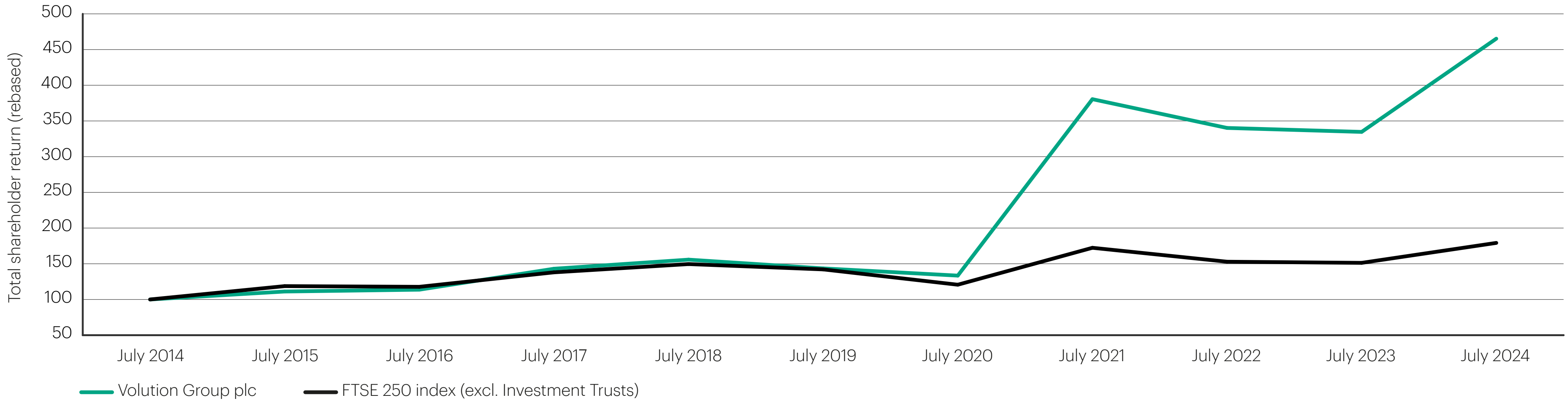
Payments to past Directors and payments for loss of office (audited)

There were no payments to past Directors or payments for loss of office in the year.

Directors' Remuneration Report continued

Performance graph and Chief Executive Officer remuneration table

The chart below compares the total shareholder return performance of the Company against the performance of the FTSE 250 (excluding investment trusts), of which Volution has been a constituent since May 2021.



The table below summarises the Chief Executive Officer's single figure for total remuneration, annual bonus payments and LTIP vesting levels as a percentage of maximum opportunity.

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Chief Executive Officer's single total figure of remuneration (£000)	**2,009**	2,250	2,227	2,535	757	910	909	1,191	638	643
Annual bonus pay-out (as a % of maximum opportunity)	**100%**	70%	66%	100%	0%	44.7%	44.3%	87.8%	64%	65%
LTIP vesting (as a % of maximum opportunity)	**79.5%**	100%	100%	89%	25%	40.5%	61.7%	72.1%	N/A	N/A

Directors' Remuneration Report continued

Percentage change in remuneration of the Board of Directors compared to employees

The table below sets out the percentage change in salary, taxable benefits and annual bonus set out in the single figure of remuneration tables on page 121 paid to each Director in respect of the year ended 31 July 2023 and the year ended 31 July 2024, compared to that of the average change for employees.

	Average % change 2023 to 2024			Average % change 2022 to 2023			Average % change 2021 to 2022			Average % change 2020 to 2021			Average % change 2019 to 2020		
Element of pay	Salary/ fees	Taxable benefit[2]	Annual bonus	Salary/ fees	Taxable benefit[2]	Annual bonus	Salary/ fees	Taxable benefit[2]	Annual bonus	Salary/ fees	Taxable benefit[2]	Annual bonus	Salary/ fees	Taxable benefit[2]	Annual bonus
Executive Directors															
Ronnie George	17.1%	-%	66.8%	7.5%	41.7%	14.6%	5.0%	9.1%	(30.6)%	6.0%	0%	100%	(4.4)%	0%	(100)%
Andy O'Brien	14.8%	-%	63.2%	7.5%	58.8%	14.6%	5.0%	13.3%	(30.6)%	3.8%	0%	100%	100%	100%	(100)%
Non-Executive Directors															
Amanda Mellor	3.2%	n/a	n/a	14.5%	n/a	n/a	14.6%	n/a	n/a	9.1%	n/a	n/a	(8.3)%	n/a	n/a
Claire Tiney	3.2%	n/a	n/a	5.0%	n/a	n/a	3.4%	n/a	n/a	26.1%	n/a	n/a	(4.2)%	n/a	n/a
Jonathan Davis[4]	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Margaret Amos	3.8%	n/a	n/a	165%	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Nigel Lingwood[3]	124.7%	n/a	n/a	21.7%	n/a	n/a	3.4%	n/a	n/a	383.3%	n/a	n/a	100%	n/a	n/a
Employee average[1]	4.6%	10.1%	47.3%	6.4%	19.9%	8.1%	8.1%	15.0%	(12.0)%	5.4%	379.7%	100%	2.8%	0.0%	(100)%

Notes
1. Average employee pay includes full- and part-time employee data. This figure is calculated in line with the statutory requirements and based on employees of the parent company and excludes the Executive and Non-Executive Directors. Prior-year figures have also been updated to be in line with the statutory requirements.
2. Benefits include car allowance, health cover and life assurance but exclude employer pension contributions.
3. Nigel Lingwood was appointed as Chair of the Board on 23 June 2023, and so was in his current role for only a short period in 2023, which is being compared to a full year in 2024.
4. Jonathan Davis was appointed to the Board on 23 June 2023 and so there is no full year comparison available.

Chief Executive Officer pay ratio

The table below sets out the ratio at the 25th, median and 75th percentile of the total remuneration received by the Chief Executive Officer (using the amount set out in the single total figure table shown in this Report on page 121), compared to the total remuneration received by our UK employees for whom total remuneration has been calculated on the same basis.

For the financial year ended 31 July 2024, Volution delivered strong revenue and profit growth and the CEO's single figure total is heavily influenced by incentive outturns and share price appreciation over the three-year performance period. These factors all contributed to the CEO pay ratio shown below.

CEO pay ratio	31 July 2024	31 July 2023	31 July 2022	31 July 2021	31 July 2020
Method	Option A	Option A	Option A	Option A	Option A
75th percentile pay ratio	44:1	46:1	70:1	75:1	18:1
Median pay ratio	78:1	86:1	99:1	104:1	27:1
25th percentile pay ratio	83:1	98:1	109:1	123:1	34:1

The salary and total pay for the individuals identified at the 25th percentile, median and 75th percentile as at 31 July 2024 are set out below:

Employees	25th percentile	Median	75th percentile
Salary	£22,495	£25,466	£33,000
Total pay and benefits	£24,332	£25,888	£45,556

The employees used for the purposes of the table above were identified as based in the UK as at 31 July 2024. Option A was chosen as it is considered to be the most accurate way of identifying the relevant employees required by The Companies (Miscellaneous Reporting) Regulations 2018. Employees have been included on a FTE basis where appropriate. No other adjustments were necessary and no elements of employee remuneration have been excluded from the pay ratio calculation.

The Board has confirmed that the ratio is consistent with the Company's wider policies on employee pay, reward and progression.

Directors' Remuneration Report continued

Relative importance of the spend on pay

The following table shows the total expenditure on pay for all of the Company's employees compared to distributions to shareholders by way of dividend and share buyback. In order to provide context for these figures, adjusted operating profit is also shown.

Employees	2024 £m	2023 £m	% change
Employee remuneration costs	81.5	76.1	7.1%
Distributions to shareholders	16.4	14.8	10.7%
Adjusted operating profit	78.0	69.9	11.7%

Statement of implementation of Remuneration Policy for the financial year ending 31 July 2025

Executive Director base salaries

As set out in the Committee Chair's letter, the Committee determined that an increase in base salary of 4.5% would be awarded to the Chief Executive Officer and the Chief Financial Officer. The increase took effect from 1 August 2024, increasing the base salary of the Chief Executive Officer to £579,975 per annum and the Chief Financial Officer to £397,100 per annum. Further details regarding the Committee discussions are set out in the Committee Chair's letter on pages 117 and 118.

Pension contribution and other benefits

In line with the Policy, both the CEO and the CFO will continue to receive a pension of 5.5% of salary, aligned with the pension rates available to the wider UK workforce.

Other benefits received comprise an annual car allowance paid in cash, life assurance equivalent to four times annual salary and private medical insurance.

Annual Bonus Plan (ABP)

The maximum annual bonus opportunity for both the CEO and CFO will be 125% of salary, unchanged from the level set in 2023/24. One-third of the total bonus payable will be deferred into shares for three years.

The performance measures applicable to the ABP will remain unchanged and the Committee continues its policy of setting stretching annual bonus targets which take into account a number of internal and external factors. The weightings will be: adjusted EPS (52%); adjusted operating profit (36%); and working capital management (12%).

The Committee reviewed the measures and weightings during the year and determined that the current measures remain aligned to our strategy and shareholder interests. The Committee considers it appropriate to retain EPS in the annual bonus as it provides a key measure of shareholder value and has ensured a strong pay for performance link and shareholder alignment to date. Retaining EPS in the annual bonus focuses management on EPS performance year-on-year, whilst retaining EPS in the LTIP provides a long-term focus on EPS performance, with growth measured over the performance period on a stretching, compound basis. The Committee will keep this under review in future years.

The targets set for the year ending 31 July 2025 will be disclosed in the next Annual Report on Remuneration, unless they remain commercially sensitive.

Long Term Incentive Plan (LTIP)

During 2024/25, the Committee intends to grant LTIP awards with a maximum opportunity of 150% of salary and 125% of salary for the CEO and CFO, respectively. These levels are unchanged from 2023/24.

The Committee will continue its policy of setting stretching LTIP targets which take into account a number of internal and external factors. Volution is committed to its purpose of providing "Healthy Air, Sustainably" and to the importance of ESG measures in meeting its purpose, and ESG measures are once again included.

As set out in the Committee Chair's letter, a ROIC underpin will be introduced for the LTIP grant for 2024/25. A two-year holding period will apply to the Executive Directors following the end of the three-year vesting period.

In addition, due to the timing of the proposed acquisition of the Fantech group of companies in Australasia (which remains subject to anti-trust approval), the Committee was not in a place to approve the FY25 LTIP grant targets ahead of the Annual Report being signed-off and therefore they are not disclosed in this report. These will be set later in the year once the impact of the acquisition on the LTIP measures and targets has been assessed in more detail. It is currently anticipated that the stretching EPS compound growth targets will remain the same as for the FY24 LTIP award. The acquisition will have a material impact on the ESG measures and targets, the full impact of which still needs to be assessed by the Board. The measures and targets will be disclosed in full on the Company's website once approved by the Committee and in the Directors' Remuneration Report next year.

Directors' Remuneration Report continued

Non-Executive Director fees

Fees of Non-Executive Directors are determined by the Board in their absence. The fees of the Chair (whose fees are determined by the Committee in his absence) were reviewed during the year and will be increased to £200,000 for the year ending 31 July 2025.

The fees with effect from 1 August 2024 are summarised in the table below. The base fee for the Non-Executive Directors was increased by 4% for the year ending 31 July 2025.

	From 1 August 2024	From 1 August 2023
Chair fee covering all Board duties	£200,000	£164,216
Non-Executive Director basic fee	£57,054	£54,860
Supplementary fees to Non-Executive Directors covering additional Board duties:		
– Senior Independent Director	£10,000	£10,000
– Audit Committee Chair	£10,000	£10,000
– Remuneration Committee Chair	£10,000	£10,000

Statement on shareholder voting

The Company is committed to ongoing shareholder dialogue and takes an active interest in voting outcomes in respect of the approval of the Directors' Remuneration Report and the Remuneration Policy. In the event of a substantial vote against a resolution in relation to Directors' remuneration, the Company would seek to understand the reasons for any such vote and would set out in the following Annual Report and Accounts any actions in response to it.

The following table sets out the voting by shareholders at the AGM in December 2023 in respect of our Annual Report on Remuneration and current Remuneration Policy.

Resolution	Votes cast for	% of votes cast	Votes cast against	% of votes cast	Votes withheld
Remuneration Policy (AGM 2023)	169,991,789	97.73%	3,948,373	2.27%	140,197
Remuneration Report (AGM 2023)	159,904,502	91.86%	14,175,329	8.14%	528

Approval

This Directors' Remuneration Report was approved by the Board of Directors on 8 October 2024 and signed on its behalf by the Chair of the Remuneration Committee.

Claire Tiney
Chair of the Remuneration Committee
9 October 2024

Directors' Report

Introduction
The Directors present their Annual Report and the audited financial statements of the Company for the year ended 31 July 2024.

This Directors' Report includes additional information required to be disclosed under the Companies Act 2006, the 2018 UK Corporate Governance Code (the 2018 Code, which is publically available at www.frc.org.uk), the Disclosure, Guidance and Transparency Rules (DTRs) and the UK Listing Rules (UKLR) of the Financial Conduct Authority.

Certain information required to be included in the Directors' Report is included in other sections of this Annual Report as follows, which is incorporated by reference into this Directors' Report:

- the Strategic Report on pages 1 to 87;
- the Governance Report on pages 88 to 133;
- information relating to financial instruments, as set out in note 22 to the consolidated financial statements; and
- related party transactions as set out in note 28 to the consolidated financial statements.

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

Corporate structure
Volution Group plc is a public company limited by shares, incorporated in England and Wales. Its shares are traded within the single listing category for equity shares in commercial companies (ESCC) of the London Stock Exchange (LSE: FAN).

Results and dividend
The Group's results for the year are shown in the statement of comprehensive income on page 140.

An interim dividend of 2.8 pence per share was paid to shareholders on 7 May 2024 and the Directors are recommending a final dividend in respect of the financial year ended 31 July 2024 of 6.2 pence per share. If approved, the final dividend will be paid on 17 December 2024 to shareholders on the register on 22 November 2024. The total dividend paid and proposed for the year amounts to 9.0 pence per share.

Share capital and related matters
The Company has only one class of share and the rights attached to each share are identical. Details of the rights and obligations attaching to the shares are set out in the Company's Articles of Association which are available from the Company Secretary. The Company may refuse to register any transfer of any share which is not a fully paid share. At a general meeting of the Company, every member has one vote on a show of hands and on a poll one vote for each share held. Details of the voting procedure, including deadlines for exercising voting rights, are set out in the Notice of Annual General Meeting 2024.

As at 31 July 2024 the issued share capital of the Company was 200,000,000 ordinary shares of 1 pence each. Details of the share capital as at 31 July 2024 are shown in note 24 to the consolidated financial statements.

Powers of the Directors
The Directors may exercise all the powers of the Company including, subject to obtaining the required authority from the shareholders in general meeting, the power to authorise the issue of new shares and the purchase of the Company's shares. During the financial year ended 31 July 2024, the Directors did not exercise any of the powers to issue or purchase shares in the Company.

Restrictions on transfer and voting rights
There are no general restrictions on the transfer of ordinary shares in the Company other than in relation to certain restrictions that are imposed from time to time by laws and regulations (for example insider trading laws). Pursuant to the Market Abuse Regulation, Directors and certain officers and employees of the Group require the approval of the Company to deal in the ordinary shares of the Company.

Each ordinary share in the capital of the Company ranks equally in all respects. No shareholder holds shares carrying special rights relating to the control of the Company.

The Company has in place certain share incentive plans and details can be found on pages 122 and 123. Awards under the Company's Long Term Incentive Plan and Deferred Share Bonus Plan are normally made on an annual basis and details can be found in the Directors' Remuneration Report on pages 117 to 129. An invitation under the Company's all-employee Sharesave Scheme, a three year scheme, was launched in November 2021 with a start date of 1 March 2022.

The Company also has an Employee Benefit Trust (EBT) in which to hold ordinary shares to satisfy awards under the share incentive plans. As at the date of this report, there were 2,136,544 ordinary shares held in the EBT. The trustee of the EBT has the power to exercise the rights and powers incidental to, and to act in relation to, the ordinary shares subject to the EBT in such manner as the trustee in its absolute discretion thinks fit.

The trustee of the EBT has waived the right to receive dividends on any ordinary shares held, except for a nominal amount of 1 pence, other than for those ordinary shares held in the EBT which are the beneficial property of an employee or shareholder. For further details on the EBT please see note 24 to the consolidated financial statements. The trustee does not vote ordinary shares held in the EBT, except for those ordinary shares which are the beneficial property of an employee or shareholder, which the trustee will vote in accordance with the instructions received from the beneficial owner.

Substantial shareholdings
The Company had been notified, in accordance with the DTRs, of the following interests representing 3% or more of the voting rights in the issued share capital of the Company:

	% of total issued share capital	
Major shareholder	**31 July 2024**	Date of this Report
Baillie Gifford & Co	**5.74**	4.99
Abrdn plc	**5.19**	Below threshold
Aegon Limited	**5.09**	5.09
The Capital Group Companies, Inc.	**5.08**	5.08
JP Morgan Asset Management Holdings Inc.	**5.07**	Below threshold
Black Rock, Inc	**5.00**	5.00
ODIN Forvaltning AS	**4.43**	4.43
Swedbank Robur Fonder AB	**3.09**	Below threshold
Norges Bank	**3.00**	3.00

This information was correct at the date of notification. It should be noted that these holdings may have changed since they were notified to the Company. However, notification of any change is not required until the next applicable threshold is crossed.

Directors' Report continued

Directors
The Directors of the Company during the year and at the date of this Report, and their biographies, are set out on pages 94 and 95. Their interests in the ordinary shares of the Company are shown in the Directors' Remuneration Report on page 125.

Appointment and removal of Directors
Directors may be appointed by ordinary resolution of the Company or by the Board.

All Directors continuing in service will stand for election or re-election on an annual basis, in line with the recommendations of the 2018 Code.

In addition to any powers of removal conferred by the Companies Act 2006, the Company may by special resolution remove any Director before the expiration of his period of office.

Employees
Volution is committed to sustainable development (meeting the needs of the present without compromising the ability of future generations to meet their own needs) as well as encouraging equality, diversity and inclusion amongst our workforce, and eliminating unlawful discrimination.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of a member of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of a disabled member of staff should, as far as possible, be identical to that of other employees.

A Responsible Operations Policy covering diversity and inclusion can be found on the Volution website.

Directors' indemnities and insurance
The Articles of Association of the Company permit it to indemnify the Directors of the Company against liabilities arising from or in connection with the execution of their duties or powers to the extent permitted by law.

The Company has directors' and officers' indemnity insurance in place in respect of each of the Directors. The Company has entered into a qualifying third party indemnity (the terms of which are in accordance with the Companies Act 2006) with each of the Directors, all of which were in place during the year and at the date of the financial statements. Neither the indemnity nor insurance provides cover in the event that a Director or officer is proved to have acted fraudulently.

Transactions with related parties
Details of the transactions entered into by the Company with parties who are related to it are set out in note 28 to the consolidated financial statements.

Change of control
There is one significant agreement to which the Company is a party that is affected by a change of control as follows:

- The Facilities Agreement described more fully in note 22 contains provisions to enter into negotiations with the lenders to continue with the facilities set out in the agreement upon notification that there will be a change of control. Further details of the Group's banking facilities are shown in note 22 to the consolidated financial statements.

The provisions of the Company's share incentive plans may cause options and awards granted to employees under such plans to vest on takeover.

The Company does not have agreements with any Director that would provide compensation for loss of office or employment resulting from a change of control.

Amendments to the Company's Articles of Association
The Company may alter its Articles of Association by special resolution passed at a general meeting of shareholders.

Political donations
The Group has not made in the past, nor does it intend to make in the future, any political donations.

Post-balance sheet events
On 20 September 2024, the Group signed an agreement to acquire 100% of the holding company of the Fantech Australasia business for an initial consideration of AUD$220 million (£112.9 million[1]) on a debt/cash free basis, with further non-contingent consideration of AUD$60 million (£30.8 million[1]) payable twelve months after the completion date. Conditions to completion of the transaction include anti-trust approvals.

1. Based on an AUD$:£ exchange rate of 1.948:1 being the closing rate as at 19 September 2024.

Going concern
The Company's statement on going concern can be found on page 52.

Viability Statement
The Board assessed the prospects of the Group over a three-year period and the Viability Statement is set out on page 51.

Annual General Meeting
The Annual General Meeting (AGM) of the Company will take place at 12.00 noon on Wednesday 11 December 2024 at the offices of Norton Rose Fulbright LLP, 3 More London Riverside, London SE1 2AQ, United Kingdom.

The Notice of Annual General Meeting and an explanation of the items of non-routine business are set out in the explanatory circular that accompanies this Annual Report and Accounts.

Auditor and disclosure of information to auditor
Each of the Directors in office at the date when this Annual Report and Accounts was approved confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

PwC has expressed its willingness to be re-appointed as auditor of the Company. A resolution to re-appoint PwC as the Company's independent auditor will be proposed at the forthcoming Annual General Meeting.

Directors' Report continued

Energy and greenhouse gas emissions reporting

The Board presents this report in order to meet the Company's obligation under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018 to disclose the Group's worldwide emissions of the "greenhouse gases" (GHG) attributable to human activity measured in tonnes of carbon dioxide equivalent. As stated in the sustainability section, Volution is committed to reducing and minimising its impact on the environment. Examples of actions taken to increase energy efficiency are given there. The carbon emissions data disclosed in this report covers the same period as the company's financial year.

Energy use and GHG emissions data for the year ended 31 July 2024

	2024[1] KWh	2024[2] CO_2e tonnes	2023 KWh	2023[3,4] CO_2e tonnes
Electricity, gas and other fuels	14,468,489	3,195	13,935,359	2,846
Petrol and diesel vehicle fuels	5,006,952	1,189	5,066,416	1,183
Refrigerants	–	53	–	–
Total[1,2]	19,475,440	4,437	19,001,775	4,029

Notes
1. 68% of the total figure reported relates to energy use in the UK and 32% relates to regions outside the UK. We have only included energy use for which we are directly responsible.
2. 68% of the total figure reported relates to energy use in the UK and 32% relates to regions outside the UK. We have only included energy use for which we are directly responsible. We have not included emissions for activities over which we have no direct control.
3. 57% of the total figure reported for 2023 relates to emissions in the UK and 43% relates to regions outside the UK. We have only included emissions for which we are directly responsible. We have not included emissions for activities over which we have no direct control.
4. 2023 emissions have been restated to use the appropriate country specific conversion factors for our overseas businesses.

Our energy and GHG emissions for 2024 were calculated using the methodology set out in the UK Government's Environmental Reporting Guidelines 2019. Activity data has been converted into GHG emissions using the UK Government's most recent GHG Conversion Factors for Company Reporting (2024) and using country specific conversion factors for our overseas businesses from reliable sources including the Association of Issuing Bodies (AIB) and the Australian and New Zealand environment ministries. This is in line with standard industry practice and allows fair comparison with other UK businesses.

Energy use and GHG emissions – Scope 1 and 2 – Group and UK

	2024[1]		2023[2,3]	
	Group	UK	Group	UK
Energy use – scope 1 (kwh)	9,366,373	5,849,122	9,674,659	5,158,314
Energy use – scope 2 (kwh)	10,109,068	6,483,928	9,327,115	6,158,627
Energy use – scope 1 and 2 (kwh)	19,475,440	12,333,050	19,001,775	11,316,941
GHG emissions – scope 1 (CO_2e tonnes)	2,120	1,204	2,034	1,071
GHG emissions – scope 2 (CO_2e tonnes)	2,317	1,342	1,996	1,275
GHG emissions – scope 1 and 2 (CO_2e tonnes)	4,437	2,547	4,029	2,346
Intensity ratio: CO_2e tonnes per £m revenue[4]	12.8	NA	12.3	NA
Biogenic CO_2 emissions – outside of scope[5]	67	41	–	–

Notes
1. 2023 emissions have been restated to align with the 2024 methodology, which includes electric vehicles in scope 2 emissions, which had previously been included in scope 1 emissions.
2. 2023 emissions have been restated to use the appropriate country specific conversion factors for our overseas businesses.

We are obligated to report GHG emissions and energy consumption in accordance with The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. To calculate our emissions, our methodology follows the GHG Protocol Corporate Accounting Standard, using an operational control approach. For both energy and emissions data, we have included all subsidiaries within the Group measure, and have included all UK-based subsidiary operations within our consolidated UK measure.

Other information that is relevant to the reporting of GHG emissions, including detailed descriptions of methodology and energy efficiency actions, and which is incorporated by reference into this report, can be located on pages 80 to 87 and 190 to 197.

By order of the Board

Fiona Smith
Company Secretary
9 October 2024

Volution Group plc
Registered office: Fleming Way, Crawley, West Sussex RH10 9YX
Company number: 09041571

Directors' Responsibility Statement

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the group and the parent company financial statements in accordance with UK-adopted international accounting standards.

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of the profit or loss of the group for that period. In preparing the financial statements, the Directors are required to:

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

The Directors are responsible for safeguarding the assets of the group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the group's and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the group and parent company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

The Directors consider that the Annual Report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the group's and parent company's position and performance, business model and strategy.

Each of the directors, whose names and functions are listed in the Governance Report on pages 94 and 95, confirm that, to the best of their knowledge:

- the group and parent company financial statements, which have been prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities and financial position of the group and parent company, and of the profit of the group; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the group and parent company, together with a description of the principal risks and uncertainties that it faces.

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the group's and parent company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the group's and parent company's auditors are aware of that information.

On behalf of the Board

Ronnie George
Chief Executive Officer
9 October 2024

Andy O'Brien
Chief Financial Officer
9 October 2024

Independent auditors' report to the members of Volution Group Plc

Report on the audit of the financial statements

Opinion

In our opinion, Volution Group plc's Group financial statements and parent company financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 July 2024 and of the Group's profit and the Group's and parent company's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report, which comprise: the Consolidated and Parent Company Statements of Financial Position as at 31 July 2024; the Consolidated Statement of Comprehensive Income, the Consolidated and the Parent Company Statements of Changes in Equity and the Consolidated and the Parent Company Statements of Cash Flows for the year then ended; and the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in Note 8 of the Group financial statements, we have provided no non-audit services to the parent company or its controlled undertakings in the period under audit.

Our audit approach

Context

Volution Group plc is a listed supplier of ventilation products in the residential and commercial sectors, in both public and private new build and refurbishment applications. Their primary markets are the UK, Continental Europe and Australasia. The Group's financial statements are primarily an aggregation of 60 components (including the parent company and consolidation adjustments which are treated as separate components).

Overview

Audit scope

- Our Group audit included full scope audits of seven components, including the parent company, as well as consolidation adjustments. Taken together, the above procedures included operations covering 71% of revenue, 82% of adjusted profit before tax and 80% of net assets.
- We also performed audit procedures over specified balances and transactions across a further five of the Group's components and a desktop review over all material movements from the prior year within all other insignificant components.

Key audit matters

- Accounting for business combinations including contingent consideration (Group).
- Valuation of investments in Group undertakings (parent).

Materiality

- Overall Group materiality: approximately £3.5 million based on 5% of adjusted profit before tax.
- Overall parent company materiality: approximately £2.5 million based on 1% of net assets.
- Performance materiality: approximately £2.6 million (Group) and £1.5 million (parent company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditors' report to the members of Volution Group Plc continued

This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
Accounting for business combinations including contingent consideration (Group)	
Accounting for business combinations, including the associated contingent consideration, is an area of management judgement and the estimates and assumptions involved can be subject to high levels of subjectivity and uncertainty. The inputs to the models used to determine the value of acquisition related intangibles recognised are subject to management estimate and small errors could result in material misstatements. Contingent consideration is judgemental since it is dependent on the future performance of the acquired businesses and is inherently subject to uncertainty and the ability of management to accurately forecast. In the year, the Group acquired the trade and assets of Proven Systems Limited ("DVS") for total consideration of £8.5m, with a further potential contingent cash consideration of up to NZ$9 million. As a result of the acquisition the Group recognised Goodwill of £5.0m and acquisition related intangible assets of £4.0m (note 15). During the year, management has revisited the preliminary accounting for the acquisition of i-Vent made in the year to 31 July 2023. £4.1m has been accounted for as a measurement period adjustment, with £1.5m being taken through the income statement. At the year end, management have revalued the consideration payable on this acquisition, alongside the other acquisitions of ClimaRad and ERI ("the existing acquisitions"). As a result, a total net charge of £5.6m to the income statement has been recognised (notes 15 and 21). As such it was this area where we applied the most audit effort in respect of the Group and hence why it was identified as a key audit matter.	With respect to the acquisition of DVS: • We reviewed management's accounting papers which included the key assumptions and judgements used in the accounting for the business combination; • Using our valuation specialists, we evaluated the appropriateness of the methodology used and challenged management on the key assumptions and inputs to the models, testing supporting evidence where applicable; • We tested the consideration (initial and contingent) by agreeing details to signed sale and purchase agreement, validating cash payments to bank statements and testing key assumptions used in determining the level of contingent consideration to be paid in future periods. We evaluated the appropriateness of trading and cash flow forecasts used in management's valuation models and agreed these to board approved budgets; and • We considered whether there were any non-standard contractual terms that should be identified and disclosed. With respect to the existing acquisitions: • We have reviewed management's accounting papers which included the key assumptions and judgements used in the revaluation of contingent consideration and the accounting for measurement period adjustments and considered the appropriateness of this accounting treatment; • We recalculated the contingent consideration with reference to the original signed sale and purchase agreements and using latest forecasts which have been agreed to board approved budgets, and assessed these for reasonableness; • We performed an assessment of managements historical forecasting accuracy; and • We performed sensitivity analysis on key assumptions and obtained supporting evidence to support key judgments made by management. We concluded that the accounting for business combinations is acceptable and that management's estimates in respect of business combinations and contingent consideration fall within an acceptable range.
Valuation of investments in Group undertakings (parent)	
The carrying value of Investments in the parent company accounts is £199.3 million (note 5 to the parent company financial statements). The key judgement is whether the carrying value of the investments are supported by the net asset position and/ or forecast future cash flows of the underlying Group undertakings. As such it was this area where we applied the most audit effort in respect of the audit of the parent company and hence why it was identified as a key audit matter.	Audit procedures included, but were not limited to, the following: • We assessed the net assets of the underlying investments to determine whether they were in excess of the carrying value of the parent company's investment in Group undertakings; • We verified that the forecast future cash flows supported the carrying value of the parent company's investment in Group undertakings; and • We confirmed that the market capitalisation of the Group as at 31 July 2024 exceeded the carrying value of the investment in Group undertakings and that no impairment was required. We have no issues to report in respect of this work.

Independent auditors' report to the members of Volution Group Plc continued

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the parent company, the accounting processes and controls, and the industry in which they operate.

The Group's consolidated financial statements are primarily an aggregation of 60 components (including the parent company and consolidation adjustments which we have treated as separate components). For the purposes of the Group audit, we determined the nature of the work to be performed in connection with the financial information of each component, based on our assessment of audit risk and evaluation and allocation of our materiality. This enabled us to form an opinion on the consolidated financial statements.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate coverage of material balances in the financial statements, we considered the size, risk profile, organisation structure and control environment of the Group, changes in the business environment and other factors such as recent internal audit reports. We performed full scope audits of seven components, including the parent company, as well as consolidation adjustments. These were selected based on their size and risk characteristics and covered entities across Australia, Germany, the Netherlands, New Zealand, Sweden and the UK, which represent the principal trading components within the Group.

We also performed specified audit procedures on a further five material account balances. We also performed desktop reviews for any material movements from prior year to respond to any potential risks of material misstatement to the Group financial statements.

Overall, our work including the specified audit procedures covered 76% of revenue, 82% of adjusted profit before tax and 80% of net assets.

In establishing the overall approach to the Group audit, we determined the type of work that needed to be performed by us, as the Group engagement team, or by component auditors operating under our instructions. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole. In addition to instructing and reviewing the reporting from our component audit teams, we conducted file reviews for material components and participated in key meetings with component audit teams and had regular dialogue with component teams throughout the year. We also conducted site visits to all full scope components in the year to meet with component audit teams and local management teams.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the process management adopted to assess the extent of the potential impact of climate risk on the Group's financial statements and support the disclosures made within the "Planet" section of the Annual Report, which includes the Task Force on Climate-related Financial Disclosures.

The Group has determined that whilst it considers climate change to be a net opportunity for the Group, the most significant future risks from climate change will be from changing weather patterns that may directly damage production facilities or disrupt supply chains; investors and lenders not allocating sufficient capital to the Group and governments implementing taxes or charges which penalise the Group; and also increasing the input cost of energy, freight and materials. In addition to enquiries with management, we also:

- Read and understood the governance processes in place to assess climate risk;
- Read additional reporting made by the entity on climate including its Carbon Disclosure Project public submission; and
- Challenged and evaluated the completeness of management's climate risk assessment by;
  - / Evaluating the consistency of the disclosures in relation to climate change (including the disclosures in the Task Force on Climate-related Financial Disclosures (TCFD) section) and ESG Data Section within the Annual Report with the financial statements and our knowledge obtained from our audit;
  - / Challenging the consistency of management's climate impact assessment with internal climate plans and board minutes, including whether the time horizons management have used take account of all relevant aspects of climate change such as transition risks; and
  - / Reading the entity's website and communications for details of climate related commitments, impacts and any related inconsistencies.

Our procedures did not identify any material impact in the context of our audit of the financial statements as a whole, or our key audit matters as of, and for the year ended 31 July 2024.

Independent auditors' report to the members of Volution Group Plc continued

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Financial statements – Group	Financial statements – parent company
Overall materiality	approximately £3.5 million	approximately £2.5 million
How we determined it	5% of adjusted profit before tax	1% of Net Assets
Rationale for benchmark applied	Profit before tax is a generally accepted auditing benchmark for listed engagements as this is typically a measure of performance used to incentivise management and we believe is the primary measure used by the other key stakeholders in assessing the performance of the Group. Management uses adjusted profit before tax (adjusted for amortisation on acquired intangibles and the fair value movement on financial liabilities) as their primary KPI as this is a significant component of adjusted EPS, and these elements do not represent underlying performance.	We believe that net assets is the primary measure used by the shareholders in assessing the performance of the holding entity, and is a generally accepted auditing benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £0.7 million and £2.0 million. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to approximately £2.6 million for the Group financial statements and £1.5 million for the parent company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £175,000 (Group audit) and £100,000 (parent company audit) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Group's and the parent company's ability to continue to adopt the going concern basis of accounting included:

- We tested the mathematical accuracy of the model and the integrity of the underlying data used by management in developing their going concern assessment and agreed their forecast to the approved budgets by the Board. We agreed that the model demonstrated sufficient liquidity and headroom during the going concern forecast period;
- We challenged management on the key assumptions used in the model, including agreeing to supporting evidence where appropriate, and assessing whether the sensitivities modelled in the "severe but plausible" scenario were sufficiently severe to model potential future economic downturn and had sufficient liquidity and covenant compliance headroom during the going concern forecast period;
- We considered the historical accuracy of management forecasting by comparing budgeted results to actual performance for the last two financial years;
- We reviewed the covenants applicable to the Group's borrowings facility and checked that the forecasts including the corresponding downsides supported ongoing compliance with the covenants in the going concern assessment period;
- We reviewed the latest banking documents, which formed part of the refinancing arrangement undertaken by the Group in September 2024, to confirm the terms of the covenants and assessed whether there would be any covenant breaches within the going concern period; and
- We reviewed the disclosures relating to going concern made by management in the financial statements, with these considered to be consistent with the assessment prepared by management and the procedures we performed.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the parent company's ability to continue as a going concern.

In relation to the directors' reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent auditors' report to the members of Volution Group Plc continued

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 July 2024 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and parent company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Director's Remuneration

In our opinion, the part of the Remuneration Committee Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

The Listing Rules require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the parent company's compliance with the provisions of the UK Corporate Governance Code specified for our review. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and parent company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the Group's and parent company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the parent company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the directors' statement regarding the longer-term viability of the Group and parent company was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and parent company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and parent company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the directors' statement relating to the parent company's compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Independent auditors' report to the members of Volution Group Plc continued

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified that the principal risks of non-compliance with laws and regulations related to employment laws, health and safety regulations, data protection regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as tax regulations, London Stock Exchange Listing Rules and the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to inappropriate manipulation of reported results through posting of fraudulent journals and management bias in accounting estimates. The Group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the Group engagement team and/or component auditors included:

- Enquiry with management, internal audit and audit committee regarding any litigations or claims from non-compliance with laws and regulation and whether there were any known or suspected instances of fraud;
- Review of internal audit reports and board meeting minutes for any instances of known or suspected non-compliance with laws and regulation and fraud;
- Reviewing financial statement disclosures against specific legal requirements and relevant legislation;
- Review of any employment disputes or litigation to ensure there were no broader non-compliance issues with employment laws and regulations;
- Challenging the assumptions and judgements made by management in determining their significant accounting estimates; and
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations, including significant transactions outside the normal course of business, and evaluating their business rationale.

Independent auditors' report to the members of Volution Group Plc continued

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the parent company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

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

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the parent company financial statements and the part of the Remuneration Committee Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 13 December 2023 to audit the financial statements for the year ended 31 July 2024 and subsequent financial periods. This is therefore our first year of uninterrupted engagement.

Other matter

The company is required by the Financial Conduct Authority Disclosure Guidance and Transparency Rules to include these financial statements in an annual financial report prepared under the structured digital format required by DTR 4.1.15R – 4.1.18R and filed on the National Storage Mechanism of the Financial Conduct Authority. This auditors' report provides no assurance over whether the structured digital format annual financial report has been prepared in accordance with those requirements.

Simon Bailey (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
9 October 2024

Consolidated Statement of Comprehensive Income

For the year ended 31 July 2024

	Notes	2024 £000	2023 £000
Revenue from contracts with customers	3	**347,611**	328,008
Cost of sales		**(169,344)**	(169,149)
Gross profit		**178,267**	158,859
Administrative and distribution expenses		**(109,545)**	(100,095)
Operating profit before separately disclosed items	7	**68,722**	58,764
Costs of business combinations		**(206)**	(1,032)
Contingent consideration	21	**1,845**	(640)
Operating profit		**70,361**	57,092
Finance income	5	**283**	65
Finance costs	5	**(6,605)**	(6,513)
Re-measurement of financial liabilities	21	**(870)**	54
Re-measurement of future consideration	21	**(6,599)**	(1,879)
Profit before tax		**56,570**	48,819
Income tax	9	**(13,773)**	(11,437)
Profit after tax		**42,797**	37,382
Attributable to:			
Owners of the parent		**42,797**	37,373
Non-controlling interest		**–**	9
		42,797	37,382
Other comprehensive loss			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences arising on translation of foreign operations		**(6,151)**	(3,015)
Gain/(loss) on currency loans relating to the net investment in foreign operations		**1,124**	(1,309)
Other comprehensive loss for the year		**(5,027)**	(4,324)
Total comprehensive income for the year, net of tax		**37,770**	33,058
Attributable to::			
Owners of the parent		**37,770**	33,049
Non-controlling interest		**–**	9
		37,770	33,058
Earnings per share			
Basic earnings per share	10	**21.6p**	19.0p
Diluted earnings per share	10	**21.4p**	18.7p

Consolidated Statement of Financial Position

At 31 July 2024

	Notes	2024 £000	2023 £000
ASSETS			
Non-current assets			
Property, plant and equipment	11	**30,193**	29,448
Right-of-use assets	20	**24,894**	29,902
Intangible assets – goodwill[1]	12	**171,340**	168,988
Intangible assets – others	14	**76,902**	83,863
Total non-current assets		**303,329**	312,201
Current assets			
Inventories	16	**53,112**	58,980
Trade and other receivables	17	**55,239**	52,336
Income tax assets		**392**	–
Cash and short-term deposits	18	**18,243**	21,244
Total current assets		**126,986**	132,560
Total assets		**430,315**	444,761
LIABILITIES			
Current liabilities			
Trade and other payables	19	**(46,653)**	(47,108)
Refund liabilities	3	**(10,847)**	(9,817)
Income tax liabilities		**(3,940)**	(4,662)
Other financial liabilities[1]	21	**(22,068)**	(2,901)
Interest-bearing loans and borrowings	22	**(14,363)**	(3,754)
Provisions	23	**(1,450)**	(1,791)
Total current liabilities		**(99,321)**	(70,033)

	Notes	2024 £000	2023 £000
Non-current liabilities			
Interest-bearing loans and borrowings	22	**(71,630)**	(116,704)
Other financial liabilities[1]	21	**–**	(18,141)
Provisions	23	**(819)**	(301)
Deferred tax liabilities	25	**(12,622)**	(13,337)
Total non-current liabilities		**(85,071)**	(148,483)
Total liabilities		**(184,392)**	(218,516)
Net assets		**245,923**	226,245
Capital and reserves			
Share capital	24	**2,000**	2,000
Share premium	24	**11,527**	11,527
Treasury shares		**(2,250)**	(2,390)
Capital reserve		**93,855**	93,855
Share-based payment reserve		**5,427**	5,584
Foreign currency translation reserve		**(6,252)**	(1,225)
Retained earnings		**141,616**	116,894
Total shareholders' funds		**245,923**	226,245

1 An adjustment has been made during the measurement period relating to the acquisition of I-Vent to increase the fair value of contingent consideration by €4,800,000 (£4,115,000) with an equivalent increase in goodwill. See note 15 for further details.

The consolidated financial statements of Volution Group plc (registered number: 09041571) on pages 141 to 181 were approved by the Board of Directors and authorised for issue on 9 October 2024.

On behalf of the Board

Ronnie George
Chief Executive Officer
9 October 2024

Andy O'Brien
Chief Financial Officer
9 October 2024

Consolidated Statement of Changes in Equity

For the year ended 31 July 2024

	Share capital £000	Share premium £000	Treasury shares £000	Capital reserve £000	Share-based payment reserve £000	Foreign currency translation reserve £000	Retained earnings £000	Total shareholders' funds £000	Non-controlling interest £000	Total equity £000
At 1 August 2022	2,000	11,527	(3,574)	93,855	5,058	3,099	96,247	208,212	96	208,308
Profit for the year	–	–	–	–	–	–	37,373	37,373	9	37,382
Other comprehensive loss	–	–	–	–	–	(4,324)	–	(4,324)	–	(4,324)
Total comprehensive income	–	–	–	–	–	(4,324)	37,373	33,049	9	33,058
Purchase of own shares	–	–	(1,834)	–	–	–	–	(1,834)	–	(1,834)
Exercise of share options	–	–	3,018	–	(1,379)	–	(1,639)	–	–	–
Share-based payment including tax	–	–	–	–	1,905	–	–	1,905	–	1,905
Dividends paid (note 26)	–	–	–	–	–	–	(14,823)	(14,823)	–	(14,823)
Acquisition of non-controlling interest	–	–	–	–	–	–	(264)	(264)	(105)	(369)
At 31 July 2023	2,000	11,527	(2,390)	93,855	5,584	(1,225)	116,894	226,245	–	226,245
Profit for the year	–	–	–	–	–	–	**42,797**	**42,797**	–	**42,797**
Other comprehensive loss	–	–	–	–	–	**(5,027)**	–	**(5,027)**	–	**(5,027)**
Total comprehensive income	–	–	–	–	–	**(5,027)**	**42,797**	**37,770**	–	**37,770**
Purchase of own shares	–	–	**(2,732)**	–	–	–	–	**(2,732)**	–	**(2,732)**
Exercise of share options	–	–	**2,872**	–	**(1,214)**	–	**(1,658)**	–	–	–
Share-based payment including tax	–	–	–	–	**1,057**	–	–	**1,057**	–	**1,057**
Dividends paid (note 26)	–	–	–	–	–	–	**(16,417)**	**(16,417)**	–	**(16,417)**
At 31 July 2024	**2,000**	**11,527**	**(2,250)**	**93,855**	**5,427**	**(6,252)**	**141,616**	**245,923**	–	**245,923**

Consolidated Statement of Cash Flows

For the year ended 31 July 2024

	Notes	2024 £000	2023 £000
Operating activities			
Profit for the year after tax		42,797	37,382
Adjustments to reconcile profit for the year to net cash flow from operating activities:			
Income tax		13,773	11,437
Gain on disposal of property, plant and equipment and intangible assets – other		(184)	(17)
Costs of business combinations		206	1,032
Cash flows relating to business combination costs		(206)	(1,032)
Contingent consideration	21	(1,845)	640
Re-measurement of financial liabilities	21	870	(54)
Re-measurement of contingent consideration	21	6,599	1,879
Finance revenue	5	(283)	(65)
Finance costs	5	6,605	6,513
Share-based payment expense		1,200	1,357
Depreciation of property, plant and equipment	11	4,413	4,102
Depreciation of right-of-use assets	20	4,738	3,895
Amortisation of intangible assets	14	11,129	12,574
Working capital adjustments net of the effect of acquisitions:			
(Increase)/decrease in trade receivables and other assets		(2,776)	6,925
Decrease in inventories		5,976	310
Decrease in trade and other payables		(670)	(4,505)
Movement in provisions		204	89
Cash generated by operations		92,546	82,462
UK income tax paid		(7,019)	(4,171)
Overseas income tax paid		(9,817)	(9,819)
Net cash flow generated from operating activities		75,710	68,472

	Notes	2024 £000	2023 £000
Investing activities			
Payments to acquire intangible assets	14	(1,918)	(3,049)
Purchase of property, plant and equipment	11	(5,464)	(4,914)
Proceeds from disposal of property, plant and equipment and intangible assets – other		445	175
Business combination of subsidiaries, net of cash acquired	15	(8,498)	(29,696)
Contingent consideration relating to the acquisition of I-Vent	15	(2,566)	–
ERI deferred consideration	15	(1,874)	–
Interest received		283	65
Net cash flow used in investing activities		(19,592)	(37,419)
Financing activities			
Repayment of interest-bearing loans and borrowings		(56,734)	(62,240)
Repayment of VMI debt acquired		(237)	(92)
Proceeds from new borrowings		28,283	65,950
Issue costs of new borrowings		–	(300)
Interest paid		(5,321)	(3,748)
Payment of principal portion of lease liabilities		(5,672)	(4,482)
Dividends paid to equity holders of the parent		(16,417)	(14,823)
Purchase of own shares		(2,732)	(1,834)
Net cash flow used in financing activities		(58,830)	(21,569)
Net (decrease)/increase in cash and cash equivalents		(2,712)	9,484
Cash and cash equivalents at the start of the year		21,244	13,543
Effect of exchange rates on cash and cash equivalents		(289)	(1,783)
Cash and cash equivalents at the end of the year	18	18,243	21,244

Volution Group plc (the Company) is a public limited company and is incorporated and domiciled in the UK (registered number: 09041571). The share capital of the Company is listed on the London Stock Exchange. The address of its registered office is Fleming Way, Crawley, West Sussex RH10 9YX.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2024

1. Accounting policies

Basis of preparation

The Group's consolidated financial statements have been prepared in accordance with UK-adopted international accounting standards (UK-adopted IAS). The consolidated financial statements have been prepared under the historical cost convention, except for business combinations, other financial liabilities, share based payments, and derivative financial instruments as referred to in the respective accounting policies below.

The preparation of the consolidated financial information in conformity with UK-adopted IAS requires the use of certain critical accounting estimates and requires management to exercise judgement in the process of applying the Group's accounting policies. Accounting policies, including critical accounting judgements and estimates used in the preparation of the financial statements, are described in the specific note to which they relate.

The consolidated financial statements are presented in GBP and all values are rounded to the nearest thousand (£000), except as otherwise indicated.

The Group has adjusted prior period balances for contingent consideration liability and goodwill due to the fair value of the contingent consideration liability and goodwill recognised on acquisition of I-Vent in 2023 being determined only provisionally. During the 12-month re-measurement period since acquisition a re-measurement period adjustment was identified, and adjustments to the contingent consideration liability and goodwill have been recognised by revising comparative information for the prior period presented in the statement of financial position as if the accounting for the business combination had been finalised at the acquisition date. Contingent consideration liabilities in the prior period have been increased by €4,800,000 (£4,115,000) and goodwill on acquisition of I-Vent has been increased by €4,800,000 (£4,115,000). The adjustments are shown in the condensed consolidated statement of financial position, note 12, note 15 and note 21.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 July 2024. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. The financial statements of subsidiaries are prepared for the same reporting periods using consistent accounting policies. All intercompany transactions and balances, including unrealised profits arising from intra-group transactions, have been eliminated on consolidation.

Going concern

The financial position of the Group, its cash flows and liquidity position are set out in the financial statements. Furthermore, note 27 on pages 175 to 178 to the consolidated financial statements includes the Group's objectives and policies for managing its capital, its financial risk management objectives, details of its financial instruments and its exposure to credit and liquidity risk.

The financial statements have been prepared on a going concern basis. In adopting the going concern basis, the Directors have considered all of the above factors, including potential scenarios arising from the political and macroeconomic uncertainty that has arisen post-Covid and since the invasion of Ukraine early in 2022, including the actions of central banks in raising interest rates to curb inflation and the impact that this may have on housing and construction, and from its other principal risks set out on pages 53 to 58. Under a severe but plausible downside scenario, the Group remains within its debt facilities and the attached financial covenants under the 18-month from the balance sheet date period of assessment, and the Directors therefore believe, at the time of approving the financial statements, that the Company is well placed to manage its business risks successfully and remains a going concern. The key facts and assumptions in reaching this determination are summarised below.

Our financial position remains robust with the new debt facilities of £230 million, and an accordion of a further £70 million, maturing in September 2027. The financial covenants on these facilities are for leverage (net debt/adjusted EBITDA) of not more than 3x and for adjusted interest cover of not less than 4x.

Our base case scenario has been prepared using robust forecasts from each of our operating companies, with each considering the risks and opportunities the businesses face.

We have then applied a severe but plausible downside scenario in order to model the potential concurrent impact of:

- a general economic slowdown reducing revenue by 15% compared with plan: and
- supply chain difficulties or input price increases reducing gross profit margin by 10%.

A reverse stress test scenario has also been modelled which shows a revenue contraction of c.21% against the base case with no mitigations would be required to breach covenants, which is considered extremely remote in likelihood of occurring. Mitigations available within the control of management include reducing discretionary capex and discretionary indirect costs.

The Board have also considered the potential impact of the announced acquisition of Fantech Australia and modelled the impact of the Board-approved base business case as well as the Board-approved downside business case.

Over the short period of our climate change assessment (aligned to our going concern assessment), we have concluded that there is no material adverse impact of climate change and hence have not included any impacts in either our base case or downside scenarios of our going concern assessment. We have not experienced material adverse disruption during periods of adverse or extreme weather in recent years, and we would not expect this to occur to a material level over the period of our going concern assessment.

The Directors have concluded that the results of the scenario testing combined with the significant liquidity profile available under the revolving credit facility confirm that there is no material uncertainty in the use of the going concern assumption.

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2024

1. Accounting policies continued

Non-controlling interest

Non-controlling interests are identified separately from the Group's equity. Non-controlling interests consist of the amount of those interests at the date of the business combination and the non-controlling interests' share of changes in equity since that date. Non-controlling interests are measured at the non-controlling interests' share of the fair value of the identifiable net assets.

Where there is an obligation to purchase a non-controlling interest at a future date, the non-controlling interest will be recognised on the business combination, and subsequently when the obligation to purchase liability is recognised the amount is reclassified from equity to a financial liability and the non-controlling interest is derecognised. Any difference between the carrying value of the non-controlling interest and the liability is adjusted against retained earnings.

The financial liability for the non-controlling interest is subsequently accounted for under IFRS 9, with all changes in the carrying amount, including the non-controlling interest's share of profit, recognised as a re-measurement in the income statement. When the obligation or 'put liability' is exercised, the carrying amount of the financial liability at that date is extinguished by the payment of the exercise price. The non-controlling interest of profit is shown in the re-measurement of financial liabilities in the income statement, and all other charges in the carrying amount are shown in the re-measurement of future consideration.

Foreign currencies

The individual financial statements of each subsidiary are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the Group financial statements, the results and financial position of each entity are expressed in GBP (£000), which is the functional currency of the Company and the presentational currency of the Group.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rate of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rate prevailing at the end of the reporting period.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date the fair value was determined.

For the purpose of presenting consolidated financial information, the assets and liabilities of the Group's foreign operations are expressed in GBP using exchange rates prevailing at the end of the reporting period. Income and expenses are translated at the average exchange rate for the period. Exchange differences arising are classified as other comprehensive income and are transferred to the foreign currency translation reserve. All other translation differences are taken to profit and loss with the exception of differences on foreign currency borrowings to the extent that they are used to finance or provide a hedge against Group equity investments in foreign operations, in which case they are taken to other comprehensive income together with the exchange difference on the net investment in these operations.

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 key judgement, apart from any involving estimations, that has the most significant effect on the amounts recognised in the financial statements is the identification of the Group's cash generating units (CGUs) and the grouping of those CGUs for goodwill impairment testing purposes. This judgement could have a significant impact on the carrying value of goodwill and other intangible assets in the financial statements. Hence, the Directors have concluded that this is a key judgement under the scope of paragraph 122 of IAS 1. Further details can be found in note 13 (impairment assessment of goodwill) and note 14 (intangible assets – other).

The Directors have concluded that there are no major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Other judgements and estimates, which the Directors do not believe to be critical accounting judgements or key sources of estimation uncertainty under the scope of paragraph 122 or 125 of IAS1, but for which additional disclosures have been made in the relevant notes, include i) estimates and assumptions made related to: impairment assessment of goodwill (note 13), intangible assets – other (note 14), ii) estimates and assumptions relating to refund liabilities arising from retrospective volume rebates (note 3), and iii) financial liabilities relating to the business combination of ClimaRad, ERI and I-Vent (notes 15 and 21).

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.

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. The Directors have considered a range of potential scenarios arising from the current macroeconomic uncertainty and how these have impacted the judgements, estimates and assumptions in these financial statements is included under the relevant notes.

In preparing the financial statements, we have considered the impact of climate change, particularly in the context of the risks identified in the TCFD disclosure on pages 80 to 87 and 190 to 201. Whilst we do not currently expect any material short-term and medium-term risks from climate change under the scenarios we have considered, the risks over the long term are more uncertain. However, there have been no risks of climate change identified which would have a material impact on the judgements and estimates made in preparation of these financial statements.

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2024

1. Accounting policies continued

Critical accounting judgements and key sources of estimation uncertainty continued

Separately disclosed items

The Group discloses some items on the face of the consolidated statement of comprehensive income by virtue of their nature, size or incidence to allow a better understanding of the underlying trading performance of the Group. These separately disclosed items include, but are not limited to, significant restructuring costs and significant business combination and related integration and earn-out costs.

Revenue from contracts with customers (note 3)

Revenue from contracts with customers is recognised when the control of goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods and services. The performance obligation is satisfied upon delivery of the equipment and payment is generally due within 30 to 90 days from delivery.

Sale of products

Revenue from the sale of products is recognised at the point in time when control of the asset is transferred to the buyer, usually on the delivery of the goods.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g. warranties and volume rebates). In determining the transaction price for the sale of ventilation products, the Group considers the effects of variable consideration (if any).

Volume rebates

The Group provides retrospective volume rebates to certain customers once the quantity of products purchased during the period exceeds a threshold specified in the contract. To estimate the variable consideration for the expected future rebates, the Group applies the expected value method for contracts with more than one volume threshold. The Group then applies the requirements on constraining estimates of variable consideration and recognises a liability for the expected future rebates.

Before including any amount of variable consideration in the transaction price, the Group considers whether the amount of variable consideration is constrained. The Group determined that the estimates of variable consideration are not constrained, other than with respect to volume rebates, based on its historical experience, business forecasts and the current economic conditions. In addition, the uncertainty on the variable consideration will be resolved within a short timeframe.

Warranty obligations

The Group typically provides warranties for general repairs of defects that existed at the time of sale. These assurance-type warranties are accounted for under IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'. Refer to the accounting policy on warranty provisions in note 23, Provisions.

Installation services

The Group provides installation services that are bundled together with the sale of equipment to a customer.

Contracts for bundled sales of equipment and installation services are comprised of two performance obligations because the promises to transfer equipment and provide installation services are capable of being distinct and separately identifiable. Accordingly, the Group allocates the transaction price based on an estimate of the relative standalone selling prices of the equipment and the residual approach for installation services.

The Group recognises revenue from installation services at a point in time after the service has been performed; this is because installation of the ventilation equipment is generally over a small timeframe, usually around one to two days. Revenue from the sale of the ventilation equipment is recognised at a point in time, generally upon delivery of the equipment.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods and services transferred to the customer. A contract asset is recognised when the Group transfers goods or services to the customer before the Group issues an invoice or the customer pays consideration. There is no contract asset included within the statement of financial position as revenue is recognised at a point in time, after installation. Consideration is recognised immediately as a receivable and is unconditional (only the passage of time is required before payment of consideration is due). The Group's accounting policy on trade receivables is detailed in note 17.

Contract liabilities

There are no contract liabilities recognised in the comparative period or in the financial year ended 31 July 2024.

Liabilities arising from retrospective volume rebates

The Group has a number of customer rebate agreements that are recognised as a reduction from sales (collectively referred to as rebates). Rebates are based on an agreed percentage of revenue, which increases with the level of revenue achieved. These agreements typically are not coterminous with the Group's year-end, and some of the amounts payable are subject to confirmation after the reporting date. Of the total rebates, approximately £4.1 million is non-coterminous with the year-end and is based on actual revenue recorded to 31 July 2024 and an estimate of the total revenue for the rebate period. Final rebate percentages are dependent on estimated performance to December based on the bottom-up, Board-approved budget and management's experience and knowledge of the customers. Estimates are made as to which percentages band each customer will fall into.

At the reporting date, the Directors make estimates of the amount of rebate that will become payable by the Group under these agreements; to estimate the variable consideration for the expected future rebates, the Group applies the expected value method for contracts with more than one volume threshold. Where the respective customer has been engaged with the Group for a number of years, historical settlement trends are also used to assist in ensuring an appropriate estimate is recorded at the reporting date and that appropriate internal approvals and reviews take place before rebates are recorded.

The sales rebate provision is recognised within refund liabilities, rather than trade receivables, as a significant proportion of the agreements across the Group do not provide for credit notes to be raised against receivable balances. Rather, cash payment of the rebate amount due is expected. Furthermore, the majority of rebate agreements do not contain a clause which provides a legally enforceable right to offset invoiced amounts.

Given that the rebate provision represents an estimate within the financial statements, there is a risk that the Directors' estimate of the potential liability may be incorrect. However, the Directors do not consider it reasonably possible, at the balance sheet date, that this was a major source of estimation uncertainty that could have a significant risk of resulting in a material adjustment to the liabilities recorded under the scope of paragraph 125 of IAS 1.

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2024

1. Accounting policies continued

Segmental analysis (note 4)

The method of identifying reporting segments is based on internal management reporting information that is regularly reviewed by the Chief Operating Decision-Maker, which is considered to be the Chief Executive Officer of the Group.

In identifying its operating segments, management follows the Group's market sectors. These are UK, Continental Europe (Nordics and Central Europe) and Australasia.

The measure of revenue reported to the Chief Operating Decision-Maker to assess performance is total revenue for each operating segment. The measure of profit reported to the Chief Operating Decision-Maker to assess performance is adjusted operating profit (see note 33 for definition) 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.

Finance income and costs (note 5)

Finance income

Finance revenue is recognised as interest accrues using the effective interest method. The effective interest rate is the rate that discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount.

Net financing costs

Net financing costs comprise interest income on funds invested, gains/losses on the disposal of financial instruments, changes in the fair value of financial instruments, interest expense on borrowings and foreign exchange gains/losses. Interest income and expense is recognised as it accrues in the statement of comprehensive income using the effective interest method.

Staff costs (note 6)

Pension

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.

Other operating expenses (note 7)

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 note 7.

Income tax (note 9)

Current income tax assets and liabilities are measured at the amount expected to be recovered from, or payable to, the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted at the reporting date. The Group's deferred tax policy can be found in note 25.

Property, plant and equipment (note 11)

Property, plant and equipment is stated at cost, net of accumulated depreciation and 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. All other repair and maintenance costs are recognised in the statement of comprehensive income as incurred.

Depreciation is charged so as to write off the cost or valuation of assets, except freehold land, over their estimated useful lives using the straight line method.

Tangible assets arising from a business combination are recognised initially at fair value at the date of acquisition.

The estimated useful lives, residual values and depreciation methods are reviewed at each year-end, with the effect of any changes in estimates accounted for on a prospective basis.

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

Freehold land and buildings	–	30–50 years
Plant and machinery	–	5–10 years
Fixtures, fittings, tools, equipment and vehicles	–	4–10 years

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income as part of administrative expenses.

Goodwill (note 12)

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.

Impairment assessment of goodwill (note 13)

Intangible assets, including goodwill, that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount, where the recoverable amount is the higher of the asset's fair value less costs of disposal and value in use.

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2024

1. Accounting policies continued

Impairment assessment of goodwill continued

Goodwill acquired through business combinations has been allocated, for impairment testing purposes, to a group of cash generating units (CGUs). These grouped CGUs are: UK, Central Europe, Nordics, and Australasia. This is also the level at which management is monitoring the value of goodwill for internal management purposes.

Following a review of the Group's existing operating segments and considering the changes in the our OEM business during the year. It was concluded that as the identification of operating segments is closely linked to the internal management and reporting structure of the business and given the integration that had occurred with our OEM business with UK Ventilation during the year, such that information is no longer presented to the Chief Operating Decision-Maker (CEO) separately, OEM should no longer be identified as an operating segment separate to UK Ventilation. Similarly, the Group reviewed the CGUs used for performing the impairment assessment under IAS 36, and considered that the operational and management integration with UK Ventilation and the level of interdependence, including significant intercompany trading, means that OEM cannot be considered to produce truly independent cash flows, and hence it was appropriate that the former OEM CGU be combined with the UK Ventilation CGU for the purposes of impairment testing under IAS 36.

As a result of this decision to combine OEM and UK Ventilation into a single operating segment and single CGU, an impairment test was performed on the OEM CGU at 31 May 2024 and reviewed by the Group. There was sufficient headroom under 'severe but plausible' downside scenarios and, as such, it was concluded there was no requirement to impair the goodwill, nor other intangible assets, related to OEM at 31 May 2024.

After careful consideration, and in line with the requirements of IFRS 8 'Operating segments' and IAS 36 'Impairment of assets', it has been concluded it is appropriate to combine OEM and UK Ventilation into a single CGU and a single operating segment, and that impairment testing at 31 July 2024 and thereafter be conducted on the new combined UK CGU, which will also be the level at which goodwill is monitored.

The Group's impairment test for goodwill is based on a value-in-use calculation using a discounted cash flow model. The test aims to ensure that goodwill is not carried at a value greater than the recoverable amount, which is considered to be the higher of fair value less costs of disposal and value in use.

The identification of the Group's CGUs used for impairment testing is considered a critical judgement within the scope of paragraph 122 of IAS1. Management has reviewed the Group's assets and cash inflows and identified the lowest aggregation of assets that generate largely independent cash inflows and that goodwill is monitored by management.

The cash flows are derived from the business plan for the following three years. The recoverable amount is very sensitive to the discount rate used for the discounted cash flow model as well as assumptions and estimates of expected future cash flows and the growth rate used for extrapolation purposes. The current economic and political uncertainty has increased the level of estimation uncertainty as the impact on countries and markets continues to be uncertain; however, the Group has modelled a range of scenarios to consider the impact on the carrying value of its assets as described in the going concern statement in the risk management and principal risks section.

We have tested the sensitivity of our headroom calculations in relation to the above assumptions and estimates and the Group does not consider that changes in these assumptions that could cause the carrying value of the CGUs to materially exceed their recoverable value are reasonably possible, and hence are not major sources of estimation uncertainties under the scope of paragraph 125 of IAS 1.

See note 13 for the Group's impairment assessment.

Intangible assets – other (note 14)

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 business combination date.

The fair value of patents, trademarks and customer base acquired and recognised as part of a business combination is determined using the relief-from-royalty method or multi-period excess earnings method.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses.

Research and development

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.

Subsequent measurement of intangible assets

Intangible assets with a finite life are amortised on a straight-line basis over their estimated useful lives as follows:

Development costs	–	10 years
Software costs	–	5–10 years
Customer base	–	5–15 years
Trademarks	–	10–25 years
Patents/technology	–	5–25 years
Other	–	5 years

The estimated useful life and amortisation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2024

1. Accounting policies continued

Intangible assets – other continued

Impairment of other intangible assets excluding goodwill

At each reporting date, the Group reviews the carrying amounts of its other 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 Group estimates the recoverable amount of the CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified. The identification of the Group's CGUs used for impairment testing is considered a critical judgement within the scope of paragraph 122 of IAS 1.

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 CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. Impairment losses are immediately recognised in the statement of comprehensive income.

The assumptions and sensitivities in respect of the Group's other intangible assets are included in note 13 and are not considered major sources of estimation uncertainties under the scope of paragraph 125 of IAS 1.

Business combinations (note 15)

Business combinations are accounted for using the acquisition method. The cost of the business combination is measured as the aggregate of the consideration transferred, measured at fair value on the date of the business combination. The business combination costs incurred are expensed.

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 business combination date.

Contingent consideration (note 21) resulting from business combinations is accounted for 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 in profit or loss. The determination of fair value is based on discounted cash flows. The key estimates and assumptions used in determining the discounted cash flows take into consideration the probability of meeting each performance target and a discount factor.

The Group did not consider it reasonably possible, at the balance sheet date, that this was a major source of estimation uncertainty that could have a significant risk of resulting in a material adjustment to the liabilities recorded and hence is not within the scope of paragraph 125 of IAS 1.

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. During the measurement period (12 months from the date of acquisition) adjustments could be made to goodwill as a result of new information relating to events or circumstances relating to the acquisition date.

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 CGUs that are expected to benefit from the combination, irrespective of whether assets or liabilities of the business combination are assigned to those units.

Non-controlling interests are identified separately from the Group's equity. Non-controlling interests consist of the amount of those interests at the date of the business combination and the non-controlling interest's share of changes in equity since that date. Non-controlling interests are measured at the non-controlling interest's share of the fair value of the identifiable net assets.

Where there is an obligation to purchase the non-controlling interest at a future date, the non-controlling interest will be recognised on the business combination, and subsequently when the obligation to purchase liability is recognised the amount is reclassified from equity to a financial liability and the non-controlling interest is derecognised. Any difference between the carrying value of the non-controlling interest and the liability is adjusted against retained earnings.

The financial liability for the non-controlling interest is subsequently accounted for under IFRS 9, with all changes in the carrying amount, including the non-controlling interest share of profit, recognised as a re-measurement in the income statement. When the obligation or 'put liability' is exercised, the carrying amount of the financial liability at that date is extinguished by the payment of the exercise price.

Inventories (note 16)

Inventories and work in progress are stated at the lower of cost and net realisable value.

Inventory acquired as part of business combinations is valued at fair value less cost to sell.

Costs represents direct costs incurred and, where appropriate, production or conversion costs and other costs to bring the inventory to its existing location and condition. The cost of work in progress and finished goods includes the cost of direct materials and labour and an appropriate portion of fixed and variable overhead expenses based on normal operating capacity but excludes borrowing costs. The cost of raw materials is purchase cost on a first in, first out basis.

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs to sell.

Provisions are made to write down slow-moving, excess and obsolete items to net realisable value, based on an assessment of technological and market developments and on an analysis of historical and projected usage with regard to quantities on hand.

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2024

1. Accounting policies continued

Trade and other receivables (note 17)

Trade and other receivables are recognised when it is probable that a future economic benefit will flow to the Group (which is considered a reasonable proxy for fair value). Trade and other receivables are carried at original invoice or contract amount less any provisions for discounts and expected credit losses. Provisions are made where there is evidence of a risk of non-payment considering ageing, previous experience and general economic conditions.

Allowance for expected credit losses

Allowance for expected credit losses is measured at an amount equal to lifetime expected credit losses (ECLs). For trade receivables the Group applies a simplified approach in calculating ECLs. Trade receivables have been grouped based on historical credit risk characteristics and the number of days from date of invoice. The expected loss rates are calculated using the provision matrix approach.

Trade receivables are categorised by common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The provision matrix is determined based on historical observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates.

Rebates receivable

The Group has a number of supplier rebate agreements that are recognised as a reduction of cost of sales (collectively referred to as rebates). Rebates are based on an agreed percentage of purchases, which will increase with the level of purchases made. These agreements typically are not coterminous with the Group's year-end and some of the amounts payable are subject to confirmation after the reporting date.

Cash and cash equivalents (note 18)

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

Trade and other payables (note 19)

Trade and other payables principally comprise of amounts outstanding for trade purchases and ongoing costs. These are recognised at the amounts expected to be paid.

Leases (note 20)

The Group leases a range of assets including property, plant and equipment and vehicles. Leases of property generally have lease terms of up to 20 years, plant and machinery between three and six years and motor vehicles and other equipment between two and five years.

Right-of-use assets are initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain re-measurements of the lease liability. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, restoration costs and lease payments made at or before the commencement date less any lease incentives received. The right-of-use assets are depreciated on a straight line basis over the shorter of their estimated useful life and the lease term.

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The Group's lease liabilities are included in interest-bearing loans and borrowings.

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight line basis over the lease term.

The interest portion of lease payments is presented under financing activities in the consolidated statement of cash flows.

Interest-bearing loans and borrowings (note 22)

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.

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.

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Provisions (note 23)

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.

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2024

1. Accounting policies continued

Provisions (note 23)

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. The timings of cash outflows are by their nature uncertain and are therefore best estimates. Provisions are not discounted as the time value of money is not considered material.

Provisions for warranties and property dilapidations

Provisions for warranties are made with reference to recent trading history and historical warranty claim information, and the view of management as to whether warranty claims are expected.

Warranty provisions are determined with consideration given to recent customer trading and management experience.

Dilapidation provisions relate to dilapidation charges relating to leasehold properties. The timing of cash flows associated with the dilapidation provision is dependent on the timing of the lease agreement termination.

Deferred tax liabilities (note 25)

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
- 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.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities and there is an intention to settle the balances on a net basis.

The carrying amount of deferred tax assets is reviewed at each reporting date. Deferred tax assets and liabilities are offset only if a legally enforceable 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.

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. 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.

However, the Group does not consider this to be an accounting judgement, apart from those involving estimations, that has a significant effect on the amount recognised in the financial statements under the scope of paragraph 122 of IAS 1, nor the estimates and assumptions to be major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year under the scope of paragraph 125 of IAS 1.

At 31 July 2024, the Group had not recognised a deferred tax asset in respect of gross tax losses of £5,195,000 (2023: £5,195,000) relating to management expenses, capital losses of £4,098,000 (2023: £3,975,000) arising in UK subsidiaries and gross tax losses of £nil (2023: £nil) arising in overseas entities as there is insufficient evidence that the losses will be utilised. These losses are available to be carried indefinitely.

At 31 July 2024, the Group had no deferred tax liability (2023: £nil) to recognise for taxes that would be payable on the remittance of certain of the Group's overseas subsidiaries' unremitted earnings. Deferred tax liabilities have not been recognised as the Group has determined that there are no undistributed profits in overseas subsidiaries where an additional tax charge would arise on distribution.

Dividends paid and proposed (note 26)

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

Risk management (note 27)

Derivative financial instruments

The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate risk. Instruments used are principally foreign exchange forward contracts. Further details of derivative financial instruments are included in note 21.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently re-measured to their fair value at the reporting date. The resulting gain or loss is immediately recognised in the statement of comprehensive income. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

The fair value of derivatives is classified as a non-current asset or a non-current liability if the remaining maturity of the relationship is more than 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.

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2024

1. Accounting policies continued

Risk management continued

Hedge of net investments

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 other comprehensive income 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 borrowings in local currencies as a hedge of its exposure to foreign exchange risk on its investments in foreign operations.

As a result of entering into financial instruments, the Group is exposed to market risk, credit risk, foreign exchange risk and liquidity risk.

The Group's principal financial instruments are:

- interest-bearing loans and borrowings;
- trade and other receivables, trade and other payables, cash and short-term deposits; and
- foreign exchange forward contracts.

Note 27 provides further detail on financial risk management and includes quantitative information on the specific risks the Group is exposed to.

Share-based payments (note 31)

Equity-settled transactions

The Group enters into equity-settled share-based payment transactions with its employees, in particular as part of the Volution Long Term Incentive Plan.

The cost of equity-settled transactions is determined by the fair value at the date when the grant is made using the valuation model detailed below and incorporates an assessment of relevant performance conditions. The cost is recognised in employee benefits expense (note 6), together with a corresponding increase in equity (share-based payment reserve), over the vesting period in which the service and performance conditions are fulfilled. The amount to be expensed over the vesting period is adjusted to reflect the number of awards for which conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the conditions at the vesting date.

At each balance sheet date, the Group revises its estimates of the number of share incentives that are expected to vest. The impact of the revision of original estimates, if any, is recognised in the income statement with a corresponding adjustment to equity.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

No expense is recognised for awards that do not ultimately vest because non-market performance and/or service conditions have not been met. Where awards include a market or non-vesting condition, the transactions are treated as vested irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Treasury shares

The treasury shares reserve represents the cost of shares in Volution Group plc purchased in the market and held by the Volution Employee Benefit Trust to satisfy obligations under the Group's share incentive schemes. Treasury shares are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in share premium. Share options exercised during the period are satisfied with treasury shares.

Capital reserve

The capital reserve is the difference in share capital and reserves arising from the use of the pooling of interest method for preparation of the financial statements in 2014. This is a non-distributable reserve.

Share-based payment reserve

The share-based payment reserve is used to recognise the value of equity-settled share-based payments provided to key management personnel, as part of their remuneration. Refer to note 31 for further detail of these plans.

Foreign currency translation reserve

For the purpose of presenting consolidated financial information, the assets and liabilities of the Group's foreign operations are expressed in GBP using exchange rates prevailing at the end of the reporting period. Income and expenses are translated at the average exchange rate for the period. Exchange differences arising are classified as other comprehensive income and are transferred to the foreign currency translation reserve. All other translation differences are taken to profit and loss with the exception of differences on foreign currency borrowings to the extent that they are used to finance or provide a hedge against Group equity investments in foreign operations, in which case they are taken to other comprehensive income together with the exchange difference on the net investment in these operations.

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2024

1. Accounting policies continued

New standards or interpretations

The standards or interpretations listed below have become effective since 1 August 2023 for annual periods beginning on or after 1 January 2023.

The following amendments became effective as at 1 January 2023:

- Amendments to IAS 12 'Deferred tax related to assets and liabilities arising from a single transaction';
- Amendments to IAS 8 'Definition of accounting estimates'; and
- Amendments to IAS 1 and IFRS Practice Statement 2 'Disclosure of accounting policies'.

At the date of authorisation of these Consolidated Financial Statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective.

The following amendments became effective as at 1 January 2024:

- Amendments to IAS 1 'Classification of liabilities as current or non-current';
- Amendments to IFRS 16 'Lease liability in a sale and leaseback';
- Amendments to IAS 1 'Non-current liabilities with covenants'; and
- Amendments to IAS 7 'Supplier finance arrangements'.

The following amendments will become effective after 1 January 2025:

- Amendments to IFRS 18 'Presentation and disclosure in financial statements'.

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the consolidated financial statements of the Group in future periods.

In June 2023, the UK Government substantively enacted legislation introducing a global minimum corporate income tax rate, to have effect from 2024 in line with the OECD's Pillar Two model framework on large multinational enterprises with a consolidated group revenue of €750 million plus. The Group has performed an assessment of its potential exposure to Pillar Two income taxes and based on an assessment of the most recent information available regarding the financial performance of the constituent entities in the Group, we do not expect to be within the scope of Pillar Two and therefore do not expect it to have a material impact on the Group's tax rate or tax payments.

2. Adjusted earnings

The Board and key management use some alternative performance measures to track and assess the underlying performance of the business. These measures include adjusted operating profit and adjusted profit before tax. These measures are deemed more helpful as they remove items that do not reflect the day-to-day trading operations of the business and therefore their exclusion is relevant to an assessment of the day-to-day trading operations, as opposed to overall annual business performance. Such alternative performance measures are not defined terms under IFRS and may not be comparable with similar measures disclosed by other companies. Likewise, these measures are not a substitute for IFRS measures of profit. A reconciliation of these measures of performance to the corresponding reported figure is shown below. For definitions of terms referred to see note 33.

	2024 £000	2023 £000
Profit after tax	**42,797**	37,382
Add back:		
Contingent consideration	**(1,845)**	640
Cost of business combinations	**206**	1,032
Re-measurement of contingent consideration (note 21)	**6,599**	1,879
Net (gain)/loss on financial instruments at fair value	**(144)**	1,599
Amortisation and impairment of intangible assets acquired through business combinations	**9,322**	11,088
Tax effect of the above	**(1,664)**	(2,788)
Adjusted profit after tax	**55,271**	50,832
Add back:		
Adjusted tax charge	**15,437**	14,225
Adjusted profit before tax	**70,708**	65,057
Add back:		
Interest payable on bank loans, lease liabilities and amortisation of financing costs	**6,605**	4,914
Re-measurement of financial liabilities	**870**	(54)
Finance revenue	**(139)**	(65)
Adjusted operating profit	**78,044**	69,852
Add back:		
Depreciation of property, plant and equipment	**4,413**	4,102
Depreciation of right-of-use assets	**4,738**	3,895
Amortisation of development costs, software and patents	**1,807**	1,486
Adjusted EBITDA	**89,002**	79,335

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2024

3. Revenue from contracts with customers

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

	2024 £000	2023 £000
Sale of goods	341,207	320,808
Installation services	6,404	7,200
Total revenue from contracts with customers	**347,611**	328,008

Market sectors	2024 £000	2023 £000
UK		
Residential	105,039	89,680
Commercial	28,158	30,151
Export	12,130	12,119
OEM	15,448	24,120
Total UK	**160,775**	156,070
Nordics	47,376	49,126
Central Europe[1]	87,016	75,410
Total Continental Europe	**134,392**	124,536
Total Australasia[2]	**52,444**	47,402
Total revenue from contracts with customers	**347,611**	328,008

Refund liabilities	2024 £000	2023 £000
Arising from retrospective volume rebates	10,264	9,153
Arising from rights of return	583	664
Refund liabilities	**10,847**	9,817

Notes
1. Included in the Central Europe revenue is £12,915,000 of inorganic revenue from the business combination of VMI and I-Vent (2023: £4,530,000 of inorganic revenue from the business combination of ERI, VMI and I-Vent).
2. Included in the Australasia revenue is £7,801,000 of inorganic revenue from the business combination of DVS (2023: £nil of inorganic revenue from the business combination of DVS).

4. Segmental analysis

The Group's reportable segments are described below. The segmental regional structure reflects the current internal reporting provided to the Chief Operating Decision-Maker (considered to be the CEO of the Group) on a regular basis.

The segmental results include an allocation of central head office costs, where the costs are attributable to a segment. Costs of running the PLC are reported separately as central costs.

Year ended 31 July 2024	UK £000	Continental Europe £000	Australasia £000	Eliminations/ central costs £000	Total £000
Revenue from contracts with customers					
External customers	160,775	134,392[1]	52,444[2]	–	347,611
Inter-segment	26,949	37,718	101	(64,768)	–
Total	187,724	172,110	52,545	(64,768)	347,611
Adjusted segment EBITDA	45,161	35,859	13,458	(5,476)	89,002
Depreciation and amortisation of development costs, software and patents	(4,956)	(3,801)	(1,534)	(667)	(10,958)
Adjusted operating profit/(loss)	40,205	32,058	11,924	(6,143)	78,044
Amortisation of intangible assets acquired through business combinations	(5,634)	(2,895)	(793)	–	(9,322)
Contingent consideration	–	–	–	1,845	1,845
Business combination-related operating costs	–	–	–	(206)	(206)
Operating profit/(loss)	34,571	29,163	11,131	(4,504)	70,361
Unallocated expenses					
Net finance income/(cost)	–	–	24	(6,346)	(6,322)
Re-measurement of contingent consideration	–	–	–	(6,599)	(6,599)
Re-measurement of financial liabilities	–	–	–	(870)	(870)
Profit/(loss) before tax	34,571	29,163	11,155	(18,319)	56,570

Note
1. Included in the Continental Europe revenue is £12,915,000 of inorganic revenue from the business combination of VMI and I-Vent (2023: £4,530,000 of inorganic revenue from the business combination of ERI, VMI and I-Vent).
2. Included in the Australasia revenue is £7,801,000 of inorganic revenue from the business combination of DVS (2023: £nil).

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2024

4. Segmental analysis continued

Year ended 31 July 2023	UK £000	Continental Europe £000	Australasia £000	Eliminations/ central costs £000	Total £000
Revenue from contracts with customers					
External customers	156,070	124,536	47,402	–	328,008
Inter-segment	24,908	38,779	188	(63,875)	–
Total	180,978	163,315	47,590	(63,875)	328,008
Adjusted segment EBITDA	39,562	31,707	12,568	(4,502)	79,335
Depreciation and amortisation of development costs, software and patents	(4,277)	(3,283)	(1,239)	(684)	(9,483)
Adjusted operating profit/(loss)	35,285	28,424	11,329	(5,186)	69,852
Amortisation of intangible assets acquired through business combinations	(7,163)	(3,338)	(587)	–	(11,088)
Contingent consideration	–	–	–	(640)	(640)
Business combination-related operating costs	–	–	–	(1,032)	(1,032)
Operating profit/(loss)	28,122	25,086	10,742	(6,858)	57,092
Unallocated expenses					
Net finance cost	–	–	(90)	(6,358)	(6,448)
Re-measurement of future consideration	–	–	–	(1,879)	(1,879)
Re-measurement of financial liability	–	–	–	54	54
Profit/(loss) before tax	28,122	25,086	10,652	(15,041)	48,819

Geographic information

The Group operates in several geographical locations and sells on to external customers in all parts of the world. No individual country amounts to more than 5% of revenue, other than those noted below. The following is an analysis of revenue from continuing operations by geographical destination.

Revenue from external customers by customer destination	2024 £000	2023 £000
United Kingdom	**142,231**	132,440
Germany	**18,919**	22,471
Netherlands	**24,978**	24,878
Sweden	**26,134**	26,388
Rest of Europe	**77,109**	68,989
Australia	**25,048**	24,375
New Zealand	**27,698**	23,338
Rest of the world	**5,494**	5,129
Total revenue from contracts with customers	**347,611**	328,008

Non-current assets excluding deferred tax	2024 £000	2023 £000
United Kingdom	**112,515**	121,458
Europe (excluding United Kingdom and Nordics)	**109,560**	106,502
Nordics	**30,274**	33,901
Australasia	**50,980**	46,225
Total	**303,329**	308,086

Information about major customers

Annual revenue from no individual customer accounts for more than 10% of Group revenue in either the current or prior year.

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2024

5. Finance income and costs

	2024 £000	2023 £000
Finance revenue		
Net gain on financial instruments at fair value	144	–
Interest receivable	139	65
Total finance revenue	283	65
Finance costs		
Net loss on financial instruments at fair value	–	(1,599)
Interest payable on bank loans	(4,427)	(3,087)
Amortisation of finance costs	(692)	(452)
Lease interest	(763)	(635)
Other interest	(723)	(740)
Total finance costs	(6,605)	(6,513)
Net finance costs	(6,322)	(6,448)

The net loss or gain on financial instruments at each year-end date relates to the measurement of fair value of the financial derivatives and the Group recognises any finance losses or gains immediately within net finance costs. The fair value of the Group's financial derivatives can be found in note 21.

Due to the refinancing that completed in September 2024, the amortisation of finance costs in the year included an element of accelerated amortised finance costs of £240,000.

6. Staff costs

Employee costs, including Directors' remuneration, comprise:

	2024 £000	2023 £000
Staff costs		
Wages and salaries	69,286	64,858
Social security costs	7,691	7,210
Other pension costs	3,303	2,625
Share-based payment charge (see note 31)	1,200	1,357
	81,480	76,050

Other pension costs relate to the Group's contribution to defined contribution pension plans. Total contributions payable in the next financial year are expected to be at rates broadly similar to those in 2023/24 but based on actual salary levels in 2024/25.

Average monthly number of employees in the year

	2024 Number	2023 Number
Production	1,083	1,100
Sales and administration	786	771
	1,869	1,871

Directors' remuneration

	2024 £000	2023 £000
Amounts paid in respect of qualifying services		
Aggregate Directors' remuneration	3,265	3,748
Aggregate Non-Executive Directors' remuneration	414	400
Aggregate Directors' cash payment in lieu of employer's pension contribution	43	59
Aggregate Directors' pension scheme contributions	–	–

The number of Directors accruing benefits under Group money purchase pension arrangements was £nil (2023: £nil).

The Group also incurred fees and expenses of £414,000 (2023: £400,000) in respect of Claire Tiney, Amanda Mellor, Nigel Lingwood, Margaret Amos and Jonathan Davis for their services as Non-Executive Directors.

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2024

7. Other operating expenses

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

	2024 £000	2023 £000
Cost of sales		
Costs of inventories recognised as expenses	125,858	131,227
Depreciation of property, plant and equipment	2,171	2,311
Depreciation of right-of-use assets	2,904	2,507
Amortisation and impairment of intangible assets	172	254
Administrative and distribution expenses		
Research and development costs	5,220	4,485
Depreciation of property, plant and equipment	2,242	1,791
Depreciation of right-of-use assets	1,834	1,388
Amortisation and impairment of intangible assets	11,015	12,320
Net foreign exchange differences	(27)	(190)
Gain on disposal of property, plant and equipment, and intangible assets – other	(184)	(17)

8. Auditor's remuneration

The Group paid the following amounts to its auditors, PwC, and its member firms in respect of the audit of the financial statements and for other services provided to the Group. The prior year the Group paid the following amounts to its auditor's, EY, and its member firms in respect of the audit of the financial statements and for other services provided to the Group:

	2024 £000	2023 £000
Audit services		
Fees for the audit of the parent and Group financial statements	851	332
Fees for local statutory audits of subsidiaries	36	488
Non-audit services		
Fees payable for interim review	106	99
Total	993	919

9. Income tax

(a) Income tax charges against profit for the year

	2024 £000	2023 £000
Current income tax		
Current UK income tax expense	5,571	4,694
Current foreign income tax expense	10,278	8,887
Tax credit relating to the prior year	(80)	(638)
Total current tax	15,769	12,943
Deferred tax		
Origination and reversal of temporary differences	(2,224)	(2,023)
Effect of changes in the tax rate	58	(223)
Tax charge relating to the prior year	170	740
Total deferred tax	(1,996)	(1,506)
Net tax charge reported in the consolidated statement of comprehensive income	13,773	11,437

(b) Income tax recognised in equity for the year

	2024 £000	2023 £000
Decrease /(increase) in deferred tax asset on share-based payments	380	(264)
Translation differences	(212)	(79)
Net tax charge/(credit) reported in equity	168	(343)

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2024

9. Income tax continued

(c) Reconciliation of total tax

	2024 £000	2023 £000
Profit before tax	**56,570**	48,819
Profit before tax multiplied by the standard rate of corporation tax in the UK of 25.00% (2023: 21.00%)	**14,143**	10,252
Adjustment in respect of previous years	**89**	102
Expenses not deductible for tax purposes	**2,738**	1,473
Effect of changes in the tax rate (see explanation below)	**58**	(164)
Effect of overseas tax rates	**(931)**	184
Patent-related tax relief	**(719)**	(410)
Other	**(1,605)**	–
Net tax charge reported in the consolidated statement of comprehensive income	**13,773**	11,437

Our reported effective tax rate for the period was 24.4% (2023: 23.4%). Our underlying effective tax rate, on adjusted profit before tax, was 21.8% (2023: 21.9%).

The effect of overseas tax rates relates to the Group's profits from subsidiaries which are subject to tax jurisdictions with a blended lower average rate of tax compared to the standard rate of corporation tax in the UK (see note 29 for subsidiary locations).

We expect our medium-term reported effective tax rate to be in the range of 29% to 35% of the Group's reported profit before tax and our underlying effective tax rate to be in the range of 22% to 25% of the Group's adjusted profit before tax.

In June 2023, the UK Government substantively enacted legislation introducing a global minimum corporate income tax rate, to have effect from 2024 in line with the OECD's Pillar Two model framework on large multinational enterprises with a consolidated group revenue of €750 million plus. The Group has performed an assessment of its potential exposure to Pillar Two income taxes and based on an assessment of the most recent information available regarding the financial performance of the constituent entities in the Group, we do not expect to be within the scope of Pillar Two and therefore do not expect it to have a material impact on the Group's tax rate or tax payments.

10. Earnings per share (EPS)

Basic EPS is calculated by dividing the 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 2,143,783 dilutive potential ordinary shares at 31 July 2024 (2023: 3,365,875).

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

	2024 £000	2023 £000
Profit attributable to ordinary equity holders	**42,797**	37,382
	Number	Number
Weighted average number of ordinary shares for basic earnings per share	**197,739,417**	197,131,650
Effect of dilution from:		
Share options	**2,143,783**	2,658,209
Weighted average number of ordinary shares for diluted earnings per share	**199,883,200**	199,789,859
Earnings per share		
Basic	**21.6p**	19.0p
Diluted	**21.4p**	18.7p

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2024

10. Earnings per share (EPS) continued

	2024 £000	2023 £000
Adjusted profit attributable to ordinary equity holders	55,271	50,832

	Number	Number
Weighted average number of ordinary shares for adjusted basic earnings per share	197,739,417	197,131,650
Effect of dilution from:		
Share options	2,143,783	2,658,209
Weighted average number of ordinary shares for adjusted diluted earnings per share	199,883,200	199,789,859

Adjusted earnings per share		
Basic	28.0p	25.8p
Diluted	27.6p	25.4p

The weighted average number of ordinary shares has increased as a result of treasury shares held by the Volution Employee Benefit Trust (EBT) during the year (see note 24 for details). The shares are excluded when calculating the reported and adjusted EPS.

Adjusted profit attributable to ordinary equity holders has been reconciled in note 2, Adjusted earnings. See note 33, Glossary of terms, for an explanation of the adjusted basic and diluted earnings per share calculation.

11. Property, plant and equipment

2024	Freehold land and buildings £000	Plant and machinery £000	Fixtures, fittings, tools, equipment and vehicles £000	Total £000
Cost				
At 1 August 2023	18,009	19,440	14,080	51,529
On business combinations	31	88	66	185
Additions	423	1,561	3,424	5,408
Disposals	(12)	(242)	(1,283)	(1,537)
Net foreign currency exchange differences	(164)	(137)	(183)	(484)
At 31 July 2024	18,287	20,710	16,104	55,101
Accumulated depreciation				
At 1 August 2023	5,436	7,859	8,786	22,081
Charge for the year	526	1,906	1,981	4,413
Disposals	(12)	(241)	(1,107)	(1,360)
Net foreign currency exchange differences	(44)	(22)	(160)	(226)
At 31 July 2024	5,906	9,502	9,500	24,908
Net book value				
At 31 July 2024	12,381	11,208	6,604	30,193

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2024

11. Property, plant and equipment continued

2023	Freehold land and buildings £000	Plant and machinery £000	Fixtures, fittings, tools, equipment and vehicles £000	Total £000
Cost				
At 1 August 2022	17,480	17,022	12,923	47,425
On business combinations	–	514	–	514
Additions	486	2,110	2,318	4,914
Disposals	(18)	(185)	(655)	(858)
Net foreign currency exchange differences	61	(21)	(506)	(466)
At 31 July 2023	18,009	19,440	14,080	51,529
Accumulated depreciation				
At 1 August 2022	5,011	6,493	7,686	19,190
Charge for the year	527	1,619	1,956	4,102
Disposals	(56)	(129)	(524)	(709)
Net foreign currency exchange differences	(46)	(124)	(332)	(502)
At 31 July 2023	5,436	7,859	8,786	22,081
Net book value				
At 31 July 2023	12,573	11,581	5,294	29,448

12. Intangible assets – goodwill

Goodwill	£000
Cost and net book value	
At 1 August 2022	142,661
On the business combination of VMI	4,072
On the business combination of I-Vent	23,928
On the business combination of ClimaRad	126
Net foreign currency exchange differences	(1,799)
At 31 July 2023[1]	168,988
On the business combination of DVS	5,037
Net foreign currency exchange differences	(2,685)
At 31 July 2024	171,340

Note:
1. An adjustment has been made during the measurement period relating to the acquisition of I-Vent. See note 15 for further details.

13. Impairment assessment of goodwill

31 July 2024	UK £000	Nordics £000	Central Europe £000	Australasia £000
Carrying value of goodwill	61,000	18,151	62,827	29,362
CGU value-in-use headroom[1]	249,557	49,409	66,028	45,101

31 July 2023	UK Ventilation £000	OEM (Torin-Sifan) £000	Nordics £000	Central Europe £000	Australasia £000
Carrying value of goodwill	55,899	5,101	18,637	63,109	25,673
CGU value-in-use headroom[1]	166,576	12,382	47,383	28,396	27,730

Note:
1. Headroom is shown at the date of impairment testing, and is calculated by comparing the value in use (VIU) of a group of CGUs to the carrying amount of its asset, which includes the net book value of fixed assets (tangible and intangible), goodwill and operating working capital (current assets and liabilities).

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2024

13. Impairment assessment of goodwill continued

Impairment review

Under IAS 36 'Impairment of assets', the Group is required to complete a full impairment review of goodwill, which has been performed using a value-in-use calculation. A discounted cash flow (DCF) model was used, taking a period of five years, which has been established using pre-tax discount rates of 12.2% to 15.0% (2023: 13.8% to 16.8%) over that period. In all CGUs it was concluded that the carrying amount was in excess of the value in use and all CGUs had positive headroom.

When assessing for impairment of goodwill, we have considered the impact of climate change, particularly in the context of the risks and opportunities identified in the TCFD disclosure in the Annual Report. We have not identified any material short-term and medium-term impacts from climate change that would impact the carrying value of goodwill. Over the long term, the risks and opportunities are more uncertain and we will continue to assess these risks at each reporting period.

Assumptions in the value-in-use calculation

The calculation of value-in-use for all CGUs is most sensitive to the following assumptions:

- specific growth rates have been used for each of the CGUs for the five-year forecast period based on historical growth rates and market expectations;
- long-term growth rates of 2% (2023: 2%) for all CGUs have been applied to the period beyond which budgets and forecasts do not exist, based on historical macroeconomic performance and projections for the geographies in which the CGUs operate; and
- discount rates reflect the current market assessment of the risks specific to each operation. The pre-tax discount rates used for each CGU are: UK 13.5% (2023: 14.2%); Nordics: 12.2% (2023: 13.8%); Central Europe: 12.4% (2023: 14.4%); and Australasia: 15.0% (2023: 16.8%).

The value-in-use headroom for each CGU has been set out above. We have tested the sensitivity of our headroom calculations in relation to the above assumptions and the Group does not consider that changes in these assumptions that could cause the carrying value of the CGUs to materially exceed their recoverable value are reasonably possible.

Following a review of the Group's existing operating segments and considering the changes in the our OEM business during the year. It was concluded that as the identification of operating segments is closely linked to the internal management and reporting structure of the business and given the integration that had occurred with our OEM business with UK Ventilation during the year, such that information is no longer presented to the Chief Operating Decision-Maker (CEO) separately, OEM should no longer be identified as an operating segment separate to UK Ventilation. Similarly, the Group reviewed the CGUs used for performing impairment assessments under IAS 36, and considered that the operational and management integration with UK Ventilation and the level of interdependence, including significant intercompany trading, means that OEM cannot be considered to produce truly independent cash flows, and hence it was appropriate that the former OEM CGU be combined with the UK Ventilation CGU for the purposes of impairment testing under IAS 36.

As a result of this decision to combine OEM and UK Ventilation into a single operating segment and single CGU, an impairment test was performed on the OEM CGU at 31 May 2024 and reviewed by the Group. There was sufficient headroom under 'severe but plausible' downside scenarios and, as such, it was concluded there was no requirement to impair the goodwill, nor other intangible assets, related to OEM at 31 May 2024.

After careful consideration, and in line with the requirements of IFRS 8 'operating segments' and IAS 36 'Impairment of assets', it has been concluded it is appropriate to combine OEM and UK Ventilation into a single CGU and a single operating segment, and that future impairment testing at 31 July 2024 and thereafter will be conducted on the new combined UK CGU, which will also be the level at which goodwill is monitored.

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2024

14. Intangible assets – other

2024	Development costs £000	Software costs £000	Customer base £000	Trademarks £000	Patents/ technology £000	Other £000	Total £000
Cost							
At 1 August 2023	12,732	10,277	160,841	55,260	3,417	1,163	243,690
Additions	1,578	318	–	–	–	–	1,896
On business combinations	–	35	1,667	2,309	–	–	4,011
Disposals	(21)	(75)	(84)	–	–	–	(180)
Net foreign currency exchange differences	(288)	176	(1,544)	(554)	(61)	–	(2,271)
At 31 July 2024	14,001	10,731	160,880	57,015	3,356	1,163	247,146
Accumulated amortisation							
At 1 August 2023	3,266	7,158	118,929	27,132	2,179	1,163	159,827
Charge for the year	847	1,035	6,333	2,718	196	–	11,129
Disposals	(21)	(75)	–	–	–	–	(96)
Net foreign currency exchange differences	(186)	8	(17)	(361)	(60)	–	(616)
At 31 July 2024	3,906	8,126	125,245	29,489	2,315	1,163	170,244
Net book value							
At 31 July 2024	10,095	2,605	35,635	27,526	1,041	–	76,902

Included in software costs are assets under construction of £226,000 (2023: £54,000), which are not amortised. Included in development costs are assets under construction of £1,516,000 (2023: £1,505,000), which are not amortised.

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2024

14. Intangible assets – other continued

2023	Development costs £000	Software costs £000	Customer base £000	Trademarks £000	Patents/ technology £000	Other £000	Total £000
Cost							
At 1 August 2022	7,956	9,835	160,014	54,105	3,364	1,163	236,437
Additions	2,310	568	171	–	–	–	3,049
On business combinations	2,466	1	1,175	1,626	–	–	5,268
Disposals	–	(50)	–	–	–	–	(50)
Net foreign currency exchange differences	–	(77)	(519)	(471)	53	–	(1,014)
At 31 July 2023	12,732	10,277	160,841	55,260	3,417	1,163	243,690
Accumulated amortisation							
At 1 August 2022	2,601	6,282	114,120	22,678	2,001	1,163	148,845
Charge for the year	702	1,080	5,507	5,037	248	–	12,574
Disposals	–	(41)	–	–	–	–	(41)
Net foreign currency exchange differences	(37)	(163)	(698)	(583)	(70)	–	(1,551)
At 31 July 2023	3,266	7,158	118,929	27,132	2,179	1,163	159,827
Net book value							
At 31 July 2023	9,466	3,119	41,912	28,128	1,238	–	83,863

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2024

14. Intangible assets – other continued

The remaining amortisation periods for acquired intangible assets at 31 July 2024 are as follows:

	Customer base	Trademark	Patent/ technology/ other
Volution Holdings Limited and its subsidiaries	–	14 years	–
Fresh AB and its subsidiaries	–	9 years	–
PAX AB and PAX Norge AS	–	10 years	–
inVENTer GmbH	–	11 years	11 years
Ventilair Group International BVBA and its subsidiaries	–	2 years	–
Energy Technique Limited and its subsidiaries	1 years	13 years	–
NVA Services Limited and its subsidiaries	3 years	8 years	–
Breathing Buildings Limited	3 years	8 years	–
VoltAir System AB	9 years	9 years	–
Simx Limited	10 years	20 years	–
Oy Pamon Ab	5 years	15 years	5 years
Air Connection ApS	5 years	–	–
Nordic Line ApS	–	–	–
Ventair Pty Limited	7 years	17 years	–
ClimaRad BV	6 years	13 years	–
Nordiska Klimatfabriken AB	3 years	8 years	–
Energent Oy	3 years	8 years	–
ERI	8 years	18 years	–
VMI	7 years	9 years	4 years
I-Vent	–	10 years	–

Individually material intangible assets with definite useful lives:

	Carrying amount 2024 £000	Remaining amortisation 2024 Years
Customer base		
Simx Limited	5,224	10 years
ClimaRad BV	8,356	6 years
ERI	9,059	8 years
Trademark		
Volution Holdings Limited and its subsidiaries	15,605	14 years
ClimaRad BV	2,413	13 years
ERI	2,473	18 years

15. Business combinations

Business combinations in the year ended 31 July 2024

DVS

On 4 August 2023, Volution Group acquired the trade and assets of Proven Systems Limited (DVS), a market leading supplier and installer of home ventilation solutions in New Zealand. The acquisition of DVS is in line with the Group's strategy to grow by selectively acquired value-adding businesses in new and existing markets and geographies.

Total consideration for the purchase of the trade and assets of DVS was £8.5 million (NZ$17.7 million), net of cash acquired, with further contingent cash consideration of up to NZ$9 million based on stretching targets for the financial results for the 12 months ended 3 August 2024 and the 12 months ended 31 March 2026. Contingent consideration was assessed based on the current estimate of the future performance of the business for the 12 months ended 3 August 2024 as £nil, with NZ$3 million payable if EBITDA exceeds NZ$3 million, and for the 12 months ended 31 March 2026 as NZ$nil with a range of NZ$nil to NZ$9 million based on EBITDA performance from NZ$3.5 million to NZ$4 million.

The fair value of contingent consideration is calculated by estimating the future cash flows for the company based on management's knowledge of the business and how the current economic environment is likely to impact performance. If EBITDA for each period for which contingent consideration is measured is 10% higher than expected, contingent consideration would be £nil

Transaction costs relating to professional fees associated with the business combination in the year ending 31 July 2024 were £31,000 and have been expensed as cost of business combinations separately disclosed on the face of the consolidated statement of comprehensive income above operating profit.

The fair value of the net assets acquired is set out below:

	Book value £000	Fair value adjustments £000	Fair value £000
Intangible assets	35	3,976	4,011
Property, plant and equipment	185	–	185
Inventory	875	–	875
Trade and other receivables	130	–	130
Trade and other payables	(627)	–	(627)
Deferred tax liabilities	–	(1,113)	(1,113)
Total identifiable net assets	598	2,863	3,461
Goodwill on the business combination			5,037
Discharged by:			
Cash consideration			8,498

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2024

15. Business combinations continued

Business combinations in the year ended 31 July 2024 continued

Goodwill of £5,037,000 reflects certain intangibles that cannot be individually separated and reliably measured due to their nature. These items include the value of expected synergies arising from the business combination and the experience and skill of the acquired workforce. The fair value of the acquired tradename and customer base was identified and included in intangible assets.

DVS generated revenue of £7,801,000 and generated a profit after tax of £280,000 in the period from acquisition to 31 July 2024 that is included in the consolidated statement of comprehensive income for this reporting period.

If the combination had taken place at 1 August 2023, the Group's revenue and profit before tax would have been the same as reported, as the acquisition took place on 4 August 2023.

Business combinations in the year ended 31 July 2023

VMI

On 4 April 2023, Volution Group plc acquired the entire share capital of Ventilairsec (VMI), a company based in Nantes, France. VMI designs and manufactures a range of residential ventilation systems focused on a low-carbon positive input ventilation technology known as 'VMI'. The acquisition provides Volution with direct access to the French market, one of the largest ventilation markets in Europe. The acquisition of VMI is in line with the Group's strategy to grow by selectively acquiring value-adding businesses in new and existing markets and geographies.

Total consideration for the purchase of the entire issued share capital was £7.9 million (€9.0 million), net of cash acquired, with a further contingent cash consideration of up to €5 million based on the performance for the year ended 31 December 2023; £nil consideration was earned or paid.

Transaction costs relating to professional fees associated with the business combination in the year ended 31 July 2023 were £532,000 and have been expensed as cost of business combinations separately disclosed on the face of the consolidated statement of comprehensive income above operating profit.

The fair value of the net assets acquired is set out below:

	Book value £000	Fair value adjustments £000	Fair value £000
Intangible assets	1,217	2,369	3,586
Property, plant and equipment	224	–	224
Inventory	1,180	–	1,180
Trade and other receivables	1,445	–	1,445
Trade and other payables	(1,314)	213	(1,101)
Debt	(894)	–	(894)
Deferred tax liabilities	–	(592)	(592)
Cash and cash equivalents	1,371	–	1,371
Total identifiable net assets	3,229	1,990	5,219
Goodwill on the business combination			4,072
Discharged by:			
Cash consideration			9,291

Goodwill of £4,072,000 reflects certain intangible assets that cannot be individually separated and reliably measured due to their nature. These items include the value of expected synergies arising from the business combination and the experience and skill of the acquired workforce. The fair value of the acquired trade name and customer base was identified and included in intangible assets.

VMI generated revenue of £2,057,000 and profit after tax of £71,000 in the period from the business combination to 31 July 2023 that are included in the consolidated statement of comprehensive income in the prior year.

If the combination had taken place at 1 August 2022, the Group's revenue would have been £8,272,000 higher and the profit after tax from continuing operations would have been £796,000 higher than reported in the year to 31 July 2023.

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2024

15. Business combinations continued

Business combinations in the year ended 31 July 2023 continued

I-Vent

On 22 June 2023, Volution Group plc acquired the entire share capital of I-Vent, a company based in Slovenia and Croatia. I-Vent designs, manufactures and supplies residential ventilation systems, primarily focused on decentralised heat recovery. The acquisition of I-Vent is in line with the Group's strategy to grow by selectively acquiring value-adding businesses in new and existing markets and geographies.

Total consideration for the purchase of the entire issued share capital was £21.7 million (€25.2 million), net of cash acquired, with a further contingent cash consideration of up to €15.0 million. At the date of acquisition and at 31 July 2023, contingent consideration was assessed based on the estimate of the future performance of the business as £nil, with a range and performance thresholds for each of three years of: year 1 range from €0 to €3,000,000, based on EBITDA performance from €3,600,000 to €4,080,000 for year ended 31/12/23, year 2 range from €0 to €5,000,000, based on EBITDA performance from €4,080,000 to €5,280,000 for year ended 31/12/24, and year 3 range from €0 to €7,000,000, based on EBITDA performance from €5,280,000 to €7,5000,000 for year ended 31/12/25.

Transaction costs relating to professional fees associated with the business combination in the year ended 31 July 2023 were £98,000 and have been expensed as cost of business combinations separately disclosed on the face of the consolidated statement of comprehensive income above operating profit.

The fair value of the net assets acquired is set out below:

	Book value £000	Fair value adjustments £000	Fair value £000
Intangible assets	55	1,626	1,681
Property, plant and equipment	290	–	290
Inventory	959	–	959
Trade and other receivables	290	–	290
Trade and other payables	(1,011)	–	(1,011)
Deferred tax liabilities	–	(372)	(372)
Cash and cash equivalents	3,099	–	3,099
Total identifiable net assets	3,682	1,254	4,936
Goodwill on the business combination			19,813
Discharged by:			
Cash consideration			24,749

Goodwill of £19,813,000 reflects certain intangible assets that cannot be individually separated and reliably measured due to their nature. These items include the value of expected synergies arising from the business combination, the experience and skill of the acquired workforce, and from the access to this important and growing market that the acquisition allows. The fair value of the acquired trade name and customer base was identified and included in intangible assets.

Subsequently, the Group has adjusted prior period balances for contingent consideration liability and goodwill due to the fair value of the contingent consideration liability and goodwill recognised on acquisition of I-Vent in 2023 being determined only provisionally. During the 12-month re-measurement period since acquisition a re-measurement period adjustment was identified, and adjustments to the contingent consideration liability and goodwill have been recognised by revising comparative information for the prior period presented in the statement of financial position as if the accounting for the business combination had been finalised at the acquisition date. Contingent consideration liabilities in the prior period have been increased by €4,800,000 (£4,115,000) and goodwill on acquisition of I-Vent has been increased by €4,800,000 (£4,115,000).

I-Vent generated revenue of £621,000 and profit after tax of £31,000 in the period from the business combination to 31 July 2023 that are included in the consolidated statement of comprehensive income in the prior year.

If the combination had taken place at 1 August 2022, the Group's revenue would have been £8,143,000 higher and the profit after tax from continuing operations would have been £2,198,000 higher than reported in the year to 31 July 2023.

Cash outflows arising from business combinations are as follows:

	2024 £000	2023 £000
DVS		
Cash consideration	8,498	–
I-Vent		
Contingent consideration	2,566	–
ERI		
Deferred payment	1,874	–
VMI		
Cash consideration	–	9,291
Less: cash acquired with the business	–	(1,371)
I-Vent		
Cash consideration	–	24,749
Less: cash acquired with the business	–	(3,099)
ClimaRad		
Cash consideration[1]	–	126
Total	12,938	29,696

Note:
1. During the prior year Volution Group plc purchased a small proportion of shares capital of ClimaRad for £126,000.

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2024

15. Business combinations continued

Operating cash flows – cost of business combinations:

	2024 £000	2023 £000
VMI	35	532
I-Vent	45	98
DVS	31	207
Other potential or aborted business combinations	95	195
Total	206	1,032

16. Inventories

	2024 £000	2023 £000
Raw materials and consumables	25,231	27,566
Work in progress	2,257	3,242
Finished goods and goods for resale	25,624	28,172
	53,112	58,980

During 2024, £1,320,000 (2023: £970,000) was recognised as cost of sales for inventories written off in the year.

Inventories are stated net of an allowance for excess, obsolete or slow-moving items which totalled £5,855,000 (2023: £5,634,000). This provision was split amongst the three categories: £3,363,000 (2023: £3,187,000) for raw materials and consumables; £195,000 (2023: £111,000) for work in progress; and £2,297,000 (2023: £2,336,000) for finished goods and goods for resale.

17. Trade and other receivables

	2024 £000	2023 £000
Trade receivables	45,694	44,968
Allowance for expected credit loss	(514)	(521)
	45,180	44,447
Other debtors	5,532	4,323
Prepayments	4,527	3,566
Total	55,239	52,336

Movement in the allowance for expected credit losses is set out below:

	2024 £000	2023 £000
At the start of the year	(521)	(772)
Charge for the year	(22)	(39)
Amounts utilised	32	292
Foreign currency adjustment	(3)	(2)
At the end of the year	(514)	(521)

Gross trade receivables are denominated in the following currencies:

	2024 £000	2023 £000
Sterling	24,466	25,361
US Dollar	926	723
Euro	9,216	8,165
Swedish Krona	2,830	2,713
New Zealand Dollar	2,720	2,946
Australian Dollar	4,029	3,914
Other	1,507	1,146
Total	45,694	44,968

Net trade receivables are aged as follows:

	2024 £000	2023 £000
Current	41,711	40,547
Past due		
Overdue 0–30 days	2,123	2,500
Overdue 31–60 days	465	598
Overdue 61–90 days	74	349
Overdue more than 90 days	807	453
Total	45,180	44,447

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 are used. The Group continually assesses the recoverability of trade receivables and the level of provisioning required.

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2024

18. Cash and cash equivalents

	2024 £000	2023 £000
Cash and cash equivalents	**18,243**	21,244

Cash and cash equivalents are denominated in the following currencies:

	2024 £000	2023 £000
Sterling	**4,933**	6,276
Euro	**7,102**	9,828
US Dollar	**485**	200
Swedish Krona	**(1,942)**	34
New Zealand Dollar	**2,105**	2,240
Australian Dollar	**2,183**	1,339
Other	**3,377**	1,327
Total	**18,243**	21,244

19. Trade and other payables

	2024 £000	2023 £000
Trade payables	**21,224**	23,059
Social security and staff welfare costs	**2,030**	1,929
Accrued expenses	**23,399**	22,120
Total	**46,653**	47,108

Trade payables are non-interest bearing and are normally settled on 60-day terms.

20. Leases

Group as a lessee

Set out below are the carrying amounts of right-of-use assets recognised and movements during the year:

Right-of-use assets **2024**	Land and buildings £000	Plant and machinery £000	Fixtures, fittings, tools, equipment and vehicles £000	Total £000
Cost				
At 1 August 2023	36,741	66	4,683	41,490
Additions	897	–	776	1,673
Modifications and other	(790)	–	–	(790)
Expiration of leases	(869)	(29)	(535)	(1,433)
Net foreign currency exchange differences	(893)	(6)	(259)	(1,158)
At 31 July 2024	35,086	31	4,665	39,782
Accumulated depreciation				
At 1 August 2023	9,737	31	1,820	11,588
Charge for the period	3,881	13	844	4,738
Expiration of leases	(869)	(29)	(535)	(1,433)
Net foreign currency exchange differences	(33)	(2)	30	(5)
At 31 July 2024	12,716	13	2,159	14,888
Net book value				
At 31 July 2024	22,370	18	2,506	24,894

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2024

20. Leases continued

Right-of-use assets 2023	Land and buildings £000	Plant and machinery £000	Fixtures, fittings, tools, equipment and vehicles £000	Total £000
Cost				
At 1 August 2022	29,069	327	3,289	32,685
Additions	2,003	38	1,376	3,417
Remeasurement	4,223	–	–	4,223
Disposals	–	–	(65)	(65)
Expiration of leases	(156)	(93)	(110)	(359)
Net foreign currency exchange differences	1,602	(206)	193	1,589
At 31 July 2023	36,741	66	4,683	41,490
Accumulated depreciation				
At 1 August 2022	7,320	271	1,527	9,118
Charge for the period	3,286	33	576	3,895
Disposals	–	–	(15)	(15)
Expiration of leases	(156)	(93)	(110)	(359)
Net foreign currency exchange differences	(713)	(180)	(158)	(1,051)
At 31 July 2023	9,737	31	1,820	11,588
Net book value				
At 31 July 2023	27,004	35	2,863	29,902

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the year:

Lease liabilities 2024	**Land and buildings £000**	**Plant and machinery £000**	**Fixtures, fittings, tools, equipment and vehicles £000**	**Total £000**
At 1 August 2023	**29,174**	**33**	**2,001**	**31,208**
Additions	**897**	**–**	**776**	**1,673**
Modifications and other	**(790)**	**–**	**–**	**(790)**
Interest expense	**721**	**2**	**40**	**763**
Lease payments	**(4,516)**	**(15)**	**(1,141)**	**(5,672)**
Foreign exchange movements	**(859)**	**(4)**	**(290)**	**(1,153)**
At 31 July 2024	**24,627**	**16**	**1,386**	**26,029**
Analysis				
Current	**3,522**	**8**	**1,228**	**4,758**
Non-current	**21,105**	**8**	**158**	**21,271**
At 31 July 2024	**24,627**	**16**	**1,386**	**26,029**

Lease liabilities 2023	Land and buildings £000	Plant and machinery £000	Fixtures, fittings, tools, equipment and vehicles £000	Total £000
At 1 August 2022	23,775	36	1,156	24,967
Additions and remeasurement	6,226	38	1,376	7,640
Early termination	–	–	(65)	(65)
Interest expense	599	3	33	635
Lease payments	(3,778)	(41)	(663)	(4,482)
Foreign exchange movements	2,352	(3)	164	2,513
At 31 July 2023	29,174	33	2,001	31,208
Analysis				
Current	3,599	14	141	3,754
Non-current	25,575	19	1,860	27,454
At 31 July 2023	29,174	33	2,001	31,208

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2024

20. Leases continued

The following are amounts recognised in the statement of comprehensive income:

	2024 £000	2023 £000
Depreciation expense of right-of-use assets (cost of sales)	2,904	2,507
Depreciation expense of right-of-use assets (administrative expenses)	1,834	1,388
Interest expense	**763**	**635**

21. Other financial liabilities

2024	Foreign exchange forward contracts £000	ClimaRad BV £000	I-Vent £000	ERI £000	Total £000
Contingent consideration					
At 1 August 2023	330	8,877	4,115	7,720	21,042
Re-measurement of financial liabilities	–	870	–	–	870
Re-measurement of contingent consideration	–	6,599	(1,529)	(316)	4,754
Consideration paid	–	–	(2,566)	(1,874)	(4,440)
Foreign exchange	(138)	–	(20)	–	(158)
At 31 July 2024	**192**	**16,346**	**–**	**5,530**	**22,068**
Analysis					
Current	192	16,346	–	5,530	22,068
Non-current	–	–	–	–	–
Total	**192**	**16,346**	**–**	**5,530**	**22,068**

2023	Foreign exchange forward contracts £000	ClimaRad BV £000	I-Vent £000	ERI £000	Total £000
Contingent consideration					
At 1 August 2022	–	7,052		7,080	14,132
Further consideration recognised	–	–	4,131	–	4,131
Re-measurement of financial liabilities	–	(54)	–	–	(54)
Re-measurement of contingent consideration	–	1,879		640	2,519
Foreign exchange movements	330	–	(16)	–	314
At 31 July 2023	**330**	**8,877**	**4,115**	**7,720**	**21,042**
Analysis					
Current	330	–	2,571	–	2,901
Non-current	–	8,877	1,544	7,720	18,141
At 31 July 2023	**330**	**8,877**	**4,115**	**7,720**	**21,042**

The fair value of contingent consideration is calculated by estimating the future cash flows for the acquired company These estimates are based on management's knowledge of the business and how the current economic environment is likely to impact performance. The relevant future cash flows are dependent on the specific terms of the sale and purchase agreement. For non-current liabilities due more than one year from the balance sheet date, the assessed contingent liability is discounted using the discount rates for the relevant CGU (note 13).

Current

On 17 December 2020, Volution Group plc acquired 75% of the issued share capital of ClimaRad Holding B.V. and subsidiaries (ClimaRad), a company based in the Netherlands. Total consideration for the purchase of 75% of the issued share capital was €41,100,000 (£37,100,000) with a commitment to purchase the remaining 25% on or before 28 February 2025. The future consideration for the purchase of the remaining 25% is set at 25% of 13 times the EBITDA of ClimaRad for the financial year ended 31 December 2024, plus the non-controlling interest share of profits earned in the periods up to and including 31 December 2024, less interest and principal on the Vendor loan already paid, and is subject to a cap of €100 million. The expected value of the future consideration is partially in the form of a vendor loan of €11,600,000 (£9,605,000) payable to certain individuals including the co-founder and management team of ClimaRad on completion of the purchase of the remaining 25% on or before 28 February 2025, and an additional element of contingent consideration. The contingent consideration at 31 July 2024 was assessed based on the current estimate of the future performance of the business as £16,346,000, discounted to present value (2023: £8,877,000).

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2024

21. Other financial liabilities continued

Current continued

The liability has increased significantly, largely as a result of increasing the estimate of expected EBITDA performance for the year ended 31 December 2024 (as well as the impact of unwinding the discounted amount by one year). At 31 July 2023, a sensitivity analysis concluded that the valuation of this contingent consideration was not a major source of estimation uncertainty at that date. However, EBITDA performance for the current period was beyond the sensitivities considered reasonable at 31 July 2023. Given the short period of time remaining in the assessment year to 31 December 2024, the Group considers a 10% EBITDA variance sensitivity appropriate at 31 July 2024. If actual EBITDA for the year ended 31 December 2024 varies by 10% from the estimate, the contingent consideration would vary by approximately £2,400,000.

On 9 September 2021, Volution Group plc acquired 100% of the issued share capital of ERI Corporation DOO Bitola (North Macedonia), ERI Corporation S.R.L. (Italy) and Energy Recovery Industries Trading SLU (Spain) and 51% of the issued share capital of Energy Recovery Industries Corporation Ltd (UK). On 14 October 2022, Volution Group plc acquired the remaining 49% of the issued share capital of Energy Recovery Industries Corporation Ltd (UK). The contingent consideration at 31 July 2024 was assessed based on the current estimate of the future performance of the business as £5,530,000 (2023: £7,720,000), with a range from €0 to €12,400,000, based on EBITDA performance from €4,500,000 to €8,500,000 for year ended 31 December 2024. If actual EBITDA for the year ended 31 December 2024 varies by 10% from the estimate, the contingent consideration would vary by approximately £1,700,000.

The contingent consideration at 31 July 2024 related to the acquisition of I-Vent was assessed as £Nil (2023:£4,115,000), the reduction being the result of the €3,000,000 related to year 1 performance being paid in March 2024 and the €2,000,000 related to year 2 performance being reduced to £Nil as a result of a change in the estimate of performance for year 2 (the year ended 31 December 2024). The strong finish to calendar year 2023 was followed by a more difficult trading period in spring/summer 2024 as a result of the introduction of local competition from April 2024 which caused some disruption in the local market. Although performance has since improved, the Group estimate that the previously expected performance for the year 2 and year 3 measurement years will not be achieved.

If the forecast EBITDA for year 2 and year 3 were 10% higher, the contingent consideration would remain Nil. The forecast EBITDA for year 2 and 3 would need to increase by c60% for the contingent consideration threshold to be met.

The foreign exchange forward contracts are carried at their fair value with the gain or loss being recognised in the Group's consolidated statement of comprehensive income. Refer to note 27 for the fair value hierarchy the Group uses to determine the fair value of financial instruments.

22. Interest-bearing loans and borrowings

	2024		2023	
	Current £000	Non-current £000	Current £000	Non-current £000
Unsecured – at amortised cost				
Borrowings under the revolving credit facility (maturing 2025)	–	49,794	–	79,369
Cost of arranging bank loan	–	–	–	(692)
	–	49,794	–	78,677
Lease liabilities (note 20)	4,758	21,271	3,754	27,454
Other loans	–	565	–	802
ClimaRad vendor loan	9,605	–	–	9,771
Total	14,363	71,630	3,754	116,704

Revolving credit facility – at 31 July 2024

Currency	Amount outstanding £000	Termination date	Repayment frequency	Rate %
GBP	–	2 December 2025	One payment	SONIA + margin%
Euro	49,794	2 December 2025	One payment	EURIBOR + margin%
Swedish Krona	–	2 December 2025	One payment	STIBOR + margin%
Total	49,794			

Revolving credit facility – at 31 July 2023

Currency	Amount outstanding £000	Termination date	Repayment frequency	Rate %
GBP	–	2 December 2025	One payment	SONIA + margin%
Euro	79,369	2 December 2025	One payment	EURIBOR + margin%
Swedish Krona	–	2 December 2025	One payment	STIBOR + margin%
Total	79,369			

On 9 September 2024, the Group refinanced its bank debt. The Group now has in place a £230 million multi-currency 'Sustainability Linked Revolving Credit Facility', together with an accordion of up to £70 million. The facility matures in September 2027, with the option to extend for up to two additional years. The old facility was repaid in full early, on 11 September 2024, and a new multi-currency 'Sustainability Linked Revolving Credit Facility' was entered into.

The interest rate on borrowings includes a margin that is dependent on the consolidated leverage level of the Group in respect of the most recently completed reporting period. For the year ended 31 July 2024, Group leverage was below 1.0:1 and therefore the margin will remain at 1.25%. (31 July 2023: Group leverage was below 1.0:1 with the margin at 1.25%).

At 31 July 2024, the Group had £100,200,000 (2023: £70,631,000) of its multi-currency revolving credit facility unutilised, plus an unutilised accordion of up to £30,000,000.

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2024

22. Interest-bearing loans and borrowings continued

Changes in liabilities arising from financing activities

	1 August 2023 £000	Cash flows £000	Foreign exchange movement £000	New/ other £000	Interest £000	31 July 2024 £000
Non-current interest-bearing loans and borrowings (excluding lease liabilities)	79,369	(28,451)	(1,124)	–	–	49,794
Debt related to the business combination of VMI (see note 15)	802	(237)	–	–	–	565
Lease liabilities	31,208	(5,672)	(1,153)	883	763	26,029
ClimaRad vendor loan	9,771	–	(166)	–	–	9,605
Total liabilities from financing activities	121,150	(34,360)	(2,443)	883	763	85,993

The ClimaRad vendor loan is at 5.0% fixed rate of interest.

	1 August 2022 £000	Cash flows £000	Foreign exchange movement £000	New leases £000	Changes due to business combination £000	Interest/ other £000	31 July 2023 £000
Non-current interest-bearing loans and borrowings (excluding lease liabilities)	74,351	3,710	1,308	–	–	–	79,369
Debt related to the business combination of VMI (see note 15)	–	(92)	–	–	894	–	802
Lease liabilities	24,967	(4,482)	2,513	7,640	–	570	31,208
ClimaRad vendor loan	9,557	–	214	–	–	–	9,771
Total liabilities from financing activities	108,875	(864)	4,035	7,640	894	570	121,150

23. Provisions

2024	Product warranties £000	Property dilapidations £000	Total £000
At 1 August 2023	1,625	467	2,092
Arising during the year	1,869	6	1,875
Utilised	(1,674)	–	(1,674)
Foreign currency adjustment	(24)	–	(24)
At 31 July 2024	1,796	473	2,269
Analysis			
Current	1,400	50	1,450
Non-current	396	423	819
Total	1,796	473	2,269

2023	Product warranties £000	Property dilapidations £000	Total £000
At 1 August 2022	1,540	463	2,003
Arising during the year	1,873	15	1,888
Utilised	(1,811)	–	(1,811)
Foreign currency adjustment	23	(11)	12
At 31 July 2023	1,625	467	2,092
Analysis			
Current	1,381	410	1,791
Non-current	244	57	301
Total	1,625	467	2,092

Product warranties

A provision is recognised for warranty costs expected to be incurred in the following 12 months on products sold during the year and in prior years. Product warranties are typically one to two years; however, based on management's knowledge of the products, claims in relation to warranties after more than 12 months are rare and highly immaterial.

Property dilapidations

A provision has been recognised for dilapidations relating to obligations under leases for leasehold buildings and will be payable at the end of the lease term.

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2024

24. Authorised and issued share capital and reserves

	Number of ordinary shares issued and fully paid	Ordinary shares £000	Share premium £000
At 31 July 2023 and 31 July 2024	200,000,000	2,000	11,527

The 200,000,000 authorised ordinary shares of £0.01p each.

At 31 July 2024, a total of 2,151,214 (2023: 2,471,100) ordinary shares in the Company were held by the Volution EBT, all of which were unallocated and available for transfer to participants of the Long Term Incentive Plan, Deferred Share Bonus Plan and Sharesave Plan on exercise. During the year, 700,000 ordinary shares in the Company were purchased by the trustees (2023: 550,000) and 1,019,886 (2023: 262,565) were released by the trustees at £3,942,724 (2023: £973,960). The market value of the shares at 31 July 2024 was £11,767,140 (2023: £9,923,938).

The Volution EBT has agreed to waive its rights to dividends.

25. Deferred tax liabilities

2024	1 August 2023 £000	(Charged)/ credited to income £000	Credited to equity £000	Translation difference £000	On business combinations £000	31 July 2024 £000
Temporary differences						
Depreciation in advance of capital allowances	(2,896)	64	–	–	–	(2,832)
Fair value movements of derivative financial instruments	123	(52)	–	–	–	71
Development costs, customer base, trademark and patents	(15,147)	1,816	–	216	(1,113)	(14,228)
Unutilised tax losses	1	27	–	–	–	28
Other temporary differences	1,275	45	–	(4)	–	1,316
Share-based payments	3,307	96	(380)	–	–	3,023
Deferred tax assets	(13,337)	1,996	(380)	212	(1,113)	(12,622)

2023	1 August 2022 £000	(Charged)/ credited to income £000	Credited to equity £000	Translation difference £000	On business combinations £000	31 July 2023 £000
Temporary differences						
Depreciation in advance of capital allowances	(1,714)	(1,180)	–	(2)	–	(2,896)
Fair value movements of derivative financial instruments	(182)	305	–	–	–	123
Development costs, customer base, trademark and patents	(16,464)	2,142	–	139	(964)	(15,147)
Unutilised tax losses	63	(62)	–	–	–	1
Other temporary differences	1,125	208	–	(58)	–	1,275
Share-based payments	2,950	93	264	–	–	3,307
Deferred tax liability	(14,222)	1,506	264	79	(964)	(13,337)

26. Dividends paid and proposed

	2024 £000	2023 £000
Cash dividends on ordinary shares declared and paid		
Interim dividend for 2024: 2.80 pence per share (2023: 2.50 pence)	5,538	4,942
Proposed dividends on ordinary shares		
Final dividend for 2024: 6.20 pence per share (2023: 5.50 pence)	12,267	10,879

An interim dividend payment of £5,538,000 is included in the consolidated statement of cash flows (2023: £4,942,000).

A final dividend payment of £10,879,000 is included in the consolidated statement of cash flows relating to 2023 (2023: £9,891,000).

The proposed final dividend on ordinary shares is subject to approval at the Annual General Meeting and is not recognised as a liability at 31 July 2024.

There are no income tax consequences attached to the payment of dividends in either 2024 or 2023 by the Group to its shareholders.

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2024

27. Risk management

Derivative financial instruments

The Group uses forward foreign currency contracts to reduce exposure to foreign exchange risk.

Forward foreign currency contracts

The Group's purchases in foreign currencies, net of Group sales in those currencies, represent approximately 7% (2023: 10%) of total material and component purchases. Each quarter the Group enters into forward exchange contracts for the purchase of the budgeted monthly net expenditure in US Dollars for the following rolling 12–15 months. 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.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risks, 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 when appropriate.

At 31 July 2024, the Group had commitments under forward foreign exchange contracts with varying settlement dates to 3 July 2025 (2023: 5 July 2024). See note 21 for fair values.

Sensitivity analysis

The Group recognises that movements in certain risk variables (such as interest rates or foreign exchange rates) might affect the value of its derivatives and also the amounts recorded in its equity in the overseas entities and its statement of comprehensive income for the period. Therefore the Group has assessed:

- what would be reasonably possible changes in the risk variables at the end of the reporting period; and
- the effects on profit or loss and equity if such changes in the risk variables were to occur.

Interest rate risk

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on the Group's floating rate loans and borrowings which at the relevant reporting dates are not hedged. With all other variables being constant the Group's profit before tax is affected through the impact on floating rate borrowings as follows. There is only an immaterial impact on the Group's equity.

	Increase in basis points	Effect on profit before tax £000
31 July 2024		
Sterling	**+25**	**–**
Swedish Krona	**+25**	**–**
Euro	**+25**	**(124)**
31 July 2023		
Sterling	+25	–
Swedish Krona	+25	–
Euro	+25	(198)

The assigned movement in basis points for interest rate sensitivity analysis is based upon the currently observable market environment.

The Group's cash balances are held in bank current accounts and earn immaterial levels of interest. Management has concluded that any changes in the SONIA and STIBOR rates will have an immaterial impact on interest income earned on the Group's cash balances. No interest rate sensitivity has been included in relation to the Group's cash balances.

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2024

27. Risk management continued

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 and translated into GBP for consolidation into the Group's results. Foreign exchange risk also arises when the individual entities enter into transactions that are not denominated in their functional currency.

The following tables illustrate the impact of several changes to the spot GBP/USD, GBP/EUR, GBP/SEK, GBP/DKK, GBP/NZD and GBP/AUD exchange rates of +5% weakening of GBP. The tables below reflect the impact on profit before tax and equity if those changes were to occur. Only the impact of changes in the SEK, USD, EUR, DKK, NZD and AUD denominated balances has been considered as these are the most significant non-GBP denominations used by the Group.

	Change in GBP vs USD/SEK/EUR/DKK/NZD/AUD rate	Effect on profit before tax 2024 £000	2023 £000
Swedish Krona	5%	**519**	488
US Dollar	5%	**(255)**	(245)
Euro	5%	**642**	900
Danish Krone	5%	**17**	23
New Zealand Dollar	5%	**261**	304
Australian Dollar	5%	**294**	242

	Change in GBP vs USD/SEK/EUR/DKK/NZD/AUD rate	Effect on equity 2024 £000	2023 £000
Swedish Krona	5%	**(752)**	(703)
Euro	5%	**582**	481
Danish Krone	5%	**45**	47
New Zealand Dollar	5%	**(232)**	(202)
Australian Dollar	5%	**(38)**	(9)

Hedge of net investments in foreign operations

The Euro denominated loans at 31 July 2024, which can be found in note 22, have been designated as a hedge of the net investments in the subsidiaries in Europe. The borrowing is being used to hedge the Group's exposure to the Euro foreign exchange risk on these investments. Gains or losses on the retranslation of this borrowing are transferred to other comprehensive income to offset any gains or losses on translation of the net investments in the subsidiaries.

There is an economic relationship between the hedged items and the hedging instrument as the net investments create a translation risk that will match the foreign exchange risk on the borrowing. The underlying risk of the hedging instrument is identical to the hedged risk component. The hedging gain recognised in other comprehensive income before tax is equal to the change in fair value used for measuring effectiveness. There is no ineffectiveness recognised in profit or loss and we do not expect there to be any.

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 regularly review cash flow forecasts/projections 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 at least the next three years.

The tables below summarises the maturity profile of the Group's significant undiscounted financial liabilities at 31 July 2024.

At 31 July 2024	Less than one year £000	Between one and five years £000	More than five years £000	Total £000
Financial liabilities				
Interest-bearing loans and borrowings (excluding interest and lease liabilities)	**–**	**49,794**	**–**	**49,794**
Lease liabilities	**5,196**	**12,274**	**10,708**	**28,178**
ClimaRad vendor loan	**9,605**	**–**	**–**	**9,605**
Forward foreign currency exchange outflow	**17,127**	**–**	**–**	**17,127**
Forward foreign currency exchange inflow	**(16,935)**	**–**	**–**	**(16,935)**
Contingent consideration – ClimaRad BV	**18,054**	**–**	**–**	**18,054**
Contingent consideration – ERI	**5,900**	**–**	**–**	**5,900**
Trade payables and other accrued expenses	**44,623**	**–**	**–**	**44,623**
	83,570	**62,068**	**10,708**	**156,346**

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2024

27. Risk management continued

Liquidity risk continued

The tables below summarises the maturity profile of the Group's significant undiscounted financial liabilities at 31 July 2023.

At 31 July 2023	Less than one year £000	Between one and five years £000	More than five years £000	Total £000
Financial liabilities				
Interest-bearing loans and borrowings (excluding interest and lease liabilities)	–	79,369	–	79,369
Lease liabilities	4,602	13,382	13,900	31,884
ClimaRad vendor loan	–	9,771	–	9,771
Forward foreign currency exchange outflow	15,380	–	–	15,380
Forward foreign currency exchange inflow	(15,050)	–	–	(15,050)
Contingent consideration – ClimaRad BV	–	12,800	–	12,800
Contingent consideration – ERI	1,900	6,900	–	8,800
Trade payables and other accrued expenses	45,179	–	–	45,179
	52,011	122,222	13,900	188,133

Fair values of financial assets and financial liabilities

There are no material differences between the book values and fair values for any of the Group's financial instruments carried at amortised cost. Derivative financial instruments have all been valued using other techniques, for which all inputs that 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 cash and cash equivalents and deposits with banks and financial institutions and other financial instruments.

Trade receivables

Customer credit risk is managed by each business unit subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment. Outstanding customer receivables and contract assets are regularly monitored and any shipments to major customers are generally covered by credit insurance obtained from reputable banks and other financial institutions.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e. by geographical region, product type, customer type and rating, and coverage by credit insurance). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables are written off if past due for more than one year and are not subject to enforcement activity. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset disclosed in note 17. The Group does not hold collateral as security. The credit insurance is considered an integral part of trade receivables and considered in the calculation of impairment.

Set out below is the information about the credit risk exposure on the Group's trade receivables and contract assets using a provision matrix:

31 July 2024	Current £000	<30 days £000	30–60 days £000	61–90 days £000	>91 days £000	Total £000
Expected credit loss rate	<0.2%	<0.1%	1.1%	8.6%	35.0%	
Estimated total gross carrying amount at default	42,089	2,125	470	81	1,241	46,006
Expected credit loss	66	2	5	7	434	514

31 July 2023	Current £000	<30 days £000	30–60 days £000	61–90 days £000	>91 days £000	Total £000
Expected credit loss rate	<0.1%	<0.1%	1.5%	5.1%	50.4%	
Estimated total gross carrying amount at default	40,577	2,502	607	368	914	44,968
Expected credit loss	30	2	9	19	461	521

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2024

27. Risk management continued

Financial instruments and cash deposits

Credit risk from balances with banks and financial institutions is managed in accordance with the Group's policy. The Group deposits cash with reputable financial institutions, from which management believes the possibilities of loss to be remote. The Group's maximum exposure to credit risk for the components of the statement of financial position at 31 July 2024 and 2023 is the carrying amount. The Group's maximum exposure to derivative financial instruments is noted in either note 21 or in the liquidity tables on pages 175 and 176.

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 (excluding treasury shares), 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 acquisitions and has arranged debt facilities to allow for fluctuations in working capital requirements. There have been no changes to the capital management policy in the current period. Management manages capital on an ongoing basis to ensure that covenant requirements on third party debt are met.

Fair value hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1 – quoted (unadjusted) prices in active markets for identical assets or liabilities;
- Level 2 – other techniques for which all inputs that have a significant effect on the recorded fair value are observable, either directly or indirectly; and
- Level 3 – techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Financial instruments carried at fair value comprise the derivative financial instruments in note 21 and the contingent consideration in notes 15 and 21.

For hierarchy purposes derivative financial instruments are deemed to be Level 2 as external valuers are involved in the valuation of these contracts. Their fair value is measured using valuation techniques including the DCF model. Inputs to this calculation include the expected cash flows in relation to these derivative contracts and relevant discount rates. Contingent consideration is deemed to be Level 3; see note 21 for details on the valuation techniques used to measure the fair value.

28. Related party transactions

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

No related party loan note balances exist at 31 July 2024 or 31 July 2023.

There were no material transactions or balances between the Company and its key management personnel or members of their close family other than the compensation shown below. At the end of the period, key management personnel did not owe the Company any amounts.

The Companies Act 2006 and the Directors' Remuneration Report Regulations 2013 require certain disclosures of Directors' remuneration. The details of the Directors' total remuneration are provided in the Directors' Remuneration Report (see pages 117 to 129).

Compensation of key management personnel

	2024 £000	2023 £000
Short-term employee benefits	**4,888**	3,886
Share-based payment charge (see note 31)	**904**	1,003
Total	**5,792**	4,889

Key management personnel is defined as the CEO, the CFO and the 15 (2023: 14) individuals who report directly to the CEO.

The Group also incurred fees and expenses of £414,000 (2023: £400,000) in respect of Claire Tiney, Amanda Mellor, Nigel Lingwood, Margaret Amos and Jonathan Davis for their services as Non-Executive Directors.

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2024

29. Group structure details

At 31 July 2024, Volution Group plc held 100% of the voting shares of the following subsidiaries:

Group company	Principal activity	Country of incorporation
Windmill Topco Limited[1]	Intermediate holding company	England
Volution Holdings Limited[1]	Intermediate holding company	England
Energy Technique Limited[1]	Intermediate holding company	England
Indirect		
Windmill Midco Limited[1]	Intermediate holding company	England
Windmill Cleanco Limited[1]	Intermediate holding company	England
Windmill Bidco Limited[1]	Intermediate holding company	England
Manrose Manufacturing Limited[1]	Non-trading	England
Volution Ventilation Group Limited[1]	Intermediate holding company	England
Torin-Sifan Limited[1]	Original equipment manufacturer	England
Anda Products Limited[1]	Non-trading	England
Axia Fans Limited[1]	Non-trading	England
Roof Units Limited[1]	Non-trading	England
Torin Limited[1]	Non-trading	England
Vent-Axia Limited[1]	Non-trading	England
Vent-Axia Clean Air Systems Limited[1]	Non-trading	England
Vent-Axia Group Limited[1]	HR services to Group	England
ET Environmental Limited[1]	Non-trading	England
Diffusion Environmental Systems Limited[1]	Non-trading	England
NVA Services Limited[1]	Non-trading	England
SW National Ventilation Limited[1]	Non-trading	England
Airtech Humidity Controls Limited[1]	Non-trading	England
Sens-Air Limited[1]	Non-trading	England
Breathing Buildings Limited[1]	Non-trading	England
Volution Ventilation UK Limited[1]	Ventilation products	England
Volution Holdings Sweden AB[2]	Intermediate holding company	Sweden
Volution Sweden AB[2]	Ventilation products	Sweden
VoltAir System AB[3]	Ventilation products	Sweden
Volution Norge AS[4]	Ventilation products	Norway
inVENTer GmbH[5]	Ventilation products	Germany
Volution Management Holdings GmbH[5]	Intermediate holding company	Germany
Volution Deutschland Real Estate GmbH[5]	Property holding company	Germany

Group company	Principal activity	Country of incorporation
Ventilair Group International[6]	Intermediate holding company	Belgium
Ventilair Group Belgium BVBA[6]	Ventilation products	Belgium
Ventilair Group Netherlands B.V.[7]	Ventilation products	Netherlands
Vent-Axia B.V.[7]	Ventilation products	Netherlands
Simx Limited[8]	Ventilation products	New Zealand
Volution Ventilation New Zealand Limited[8]	Intermediate holding company	New Zealand
Oy Pamon Ab[9]	Ventilation products	Finland
Air Connection ApS[10]	Ventilation products	Denmark
Ventair Pty Limited[11]	Ventilation products	Australia
ERI Corporation DOO Bitola[12]	Ventilation products	North Macedonia
ERI Corporation SRL[13]	Ventilation products	Italy
Energy Recovery Industries Trading SLU[14]	Ventilation products	Spain
Energy Recovery Industries Corporation Limited[1]	Ventilation products	UK
Ventilairsec[15]	Ventilation products	France
Neosfair[15]	Ventilation products	France
I-VENT doo[16]	Ventilation products	Slovenia
Lunos Hrvatska d.o.o[17]	Ventilation products	Croatia
DVS[8]	Ventilation products	New Zealand

Registered offices
1. Fleming Way, Crawley, West Sussex RH10 9YX.
2. Gransholmsvägen 136, 35599 Gemla, Sweden.
3. Box 7033, 12107 Stockholm-Globen, Sweden.
4. Professor Birkelands vei 24B, 1081 Oslo, Norway.
5. Ortsstraße 4a 07751 Löberschütz, Germany.
6. Pieter Verhaeghestraat 8, 8520 Kuurne, Belgium.
7. Kerver 16, 5521 DB Eersel, the Netherlands.
8. 1 Haliday Place, East Tamaki, Auckland, 2013, New Zealand.
9. Keskikankaantie 17, 15680 Hollola, Finland.
10. Rude Havvej 17B, DK-8300 Odder, Denmark.
11. 4 Capital Pl, Carrum Downs VIC 3201, Australia.
12. BURSA 124 7000, Bitola, North Macedonia.
13. Via Modigliani 90 81031 Aversa, Italy.
14. Calle Pere Dezcallar I Net 11 Planta 2, 07003 Palma De Mallorca Illes Balears, Spain.
15. 16 Rue des Imprimeurs, 44220 Couëron, France.
16. Robbova ulica 2, 1000 Ljubljana, Slovenia.
17. Zagreb (Grad Zagreb), Samoborska cesta 153A, Croatia.

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2024

29. Group structure details continued

At 31 July 2024, Volution Group plc held 75.65% of the voting shares of the following subsidiaries:

Group company	Principal activity	Country of incorporation
Volution Ventilation Holdings B.V.[1]	Intermediate holding company	Netherlands
ClimaRad Holding B.V[1]	Intermediate holding company	Netherlands
ClimaRad BV[1]	Ventilation products	Netherlands
ClimaRad d.o.o[2]	Ventilation products	Bosnia

Registered offices
1. Lübeckstraat 25, 7575 EE Oldenzaal, the Netherlands.
2. Kamenolom 10, 71215 Blazuj, Sarajevo, Bosnia and Herzegovina.

Torin-Sifan Limited, Volution Holdings Limited, Volution Ventilation Group Limited, Vent-Axia Group Limited and Energy Recovery Industries Corporation Limited are exempt from the requirements of the Companies Act 2006 relating to the audit of individual accounts by virtue of Section 479A of that Act.

30. Commitments and contingencies

Commitments for the acquisition of property, plant and equipment as of 31 July 2024 are £626,000 (2023: £582,000).

31. Share-based payments

The Company operates a share-based incentive scheme for Directors and key employees, known as the Volution Long Term Incentive Plan (LTIP). Share options were granted in March 2018, October 2018 and October 2019; these nil-cost options normally vest after three years assuming continuing employment with the Company. The extent to which the options will vest is dependent upon the Company's performance over a three-year period set at the date of grant. The vesting of the awards will be determined by the Company's relative total shareholder return (TSR) performance and EPS growth. The TSR element of the options granted has been valued using the Group's share price volatility, the correlation between the share price movements of TSR comparators and the relevant vesting schedule.

	2024	2023
Outstanding at 1 August	**3,639,160**	2,954,091
Granted during the year	**696,754**	920,834
Dividend equivalent added on vesting	**30,409**	28,355
Exercised during the year	**(1,050,589)**	(187,697)
Lapsed during the year	**(82,757)**	(76,423)
Outstanding at 31 July	**3,232,977**	3,639,160

The weighted average exercise price for all options is £nil.

The total number of options granted in the year were 696,754 (2023: 920,834), of the total number of options outstanding at 31 July 2024, 1,552,724 had vested and were exercisable.

The weighted average fair value of each option granted during the year was £3.75 (2023: £3.02).

The weighted average remaining contractual life for the share options outstanding as at 31 July 2024 was 7.0 years (2023: 7.5 years).

The following information is relevant in the determination of the fair value of options granted during the year under the LTIP:

	2024
Option pricing model used	**Monte Carlo**
Weighted average share price at grant date (£)	**3.75**
Exercise price (£)	**nil**
Expected dividend yield (£)	**nil**
Expected life (years)	**3**
Expected volatility	**38.4%**
Risk-free interest rate	**4.5%**

The volatility assumption, measured at the standard deviation of expected share price returns, is based on a statistical analysis of share prices over a period commensurate with the expected life of the option.

The share-based remuneration expense comprises:

	2024 £000	2023 £000
Equity-settled schemes	**1,200**	1,357
	1,200	1,357

The Group did not enter into any share-based payment transactions with parties other than employees during the current or previous periods.

32. Events after the reporting period

After the year end, on 10 September 2024, the Group refinanced its bank debt. The Group now has in place a £230 million multi-currency "Sustainability Linked Revolving Credit Facility", together with an accordion of up to £70 million. The facility matures in September 2027, with the option to extend for up to two additional years. The old facility was repaid in full early, on 11 September 2024, and a new multi-currency "Sustainability Linked Revolving Credit Facility" was entered into.

After the year-end, on 20 September 2024, the Group signed an agreement to acquire Fantech for an initial consideration of AUD$220 million (£113.4 million) on a debt free cash free basis, with further non contingent consideration of AUD$60 million (£30.9 million) payable twelve months after the completion date. Conditions to completion of the transaction include anti-trust approvals which we are optimistic will be satisfied within approximately two to three months of signing.

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2024

33. Glossary of terms

Adjusted basic and diluted EPS: calculated by dividing the adjusted profit/(loss) for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing the adjusted net profit/(loss) attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period 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 2,143,783 dilutive potential ordinary shares at 31 July 2024 (2023: 3,365,875).

Adjusted EBITA: adjusted operating profit before amortisation.

Adjusted EBITDA: adjusted operating profit before depreciation and amortisation.

Adjusted finance costs: finance costs before net gains or losses on financial instruments at fair value and the exceptional write-off of unamortised loan issue costs upon refinancing.

Adjusted operating cash flow: adjusted EBITDA plus or minus movements in operating working capital, less net investments in property, plant and equipment and intangible assets.

Adjusted operating profit: operating profit before exceptional operating costs, release of contingent consideration and amortisation of assets acquired through business combinations.

Adjusted profit after tax: profit after tax before exceptional operating costs, release of contingent consideration, exceptional write-off of unamortised loan issue costs upon refinancing, net gains, or losses on financial instruments at fair value, amortisation of assets acquired through business combinations and the tax effect on these items.

Adjusted profit before tax: profit before tax before exceptional operating costs, release of contingent consideration, exceptional write-off of unamortised loan issue costs upon refinancing, net gains, or losses on financial instruments at fair value and amortisation of assets acquired through business combinations.

Adjusted tax charge: the reported tax charge less the tax effect on the adjusted items.

CAGR: compound annual growth rate.

Cash conversion: calculated by dividing adjusted operating cash flow by adjusted EBITA.

Constant currency: to determine values expressed as being at constant currency we have converted the income statement of our foreign operating companies for the year ended 31 July 2024 at the average exchange rate for the year ended 31 July 2023. In addition, we have converted the UK operating companies' sale and purchase transactions in the year ended 31 July 2024, which were denominated in foreign currencies, at the average exchange rates for the year ended 31 July 2023.

EBITA: profit before net finance costs, tax, and amortisation.

EBITDA: profit before net finance costs, tax, depreciation, and amortisation.

Net debt: bank borrowings and lease liabilities less cash and cash equivalents.

Operating cash flow: EBITDA plus or minus movements in operating working capital, less share-based payment expense, less net investments in property, plant and equipment and intangible assets.

ROIC: measured as adjusted operating profit for the year divided by average net assets adding back net debt, acquisition-related liabilities, and historic goodwill and acquisition-related amortisation charges (net of the associated deferred tax).

Parent Company Statement of Financial Position

At 31 July 2024

	Notes	2024 £000	2023 £000
ASSETS			
Non-current assets			
Property, plant and equipment	4	**110**	140
Investments	5	**199,322**	199,322
Deferred tax asset	6	**3,423**	3,417
Total non-current assets		**202,855**	202,879
Current assets			
Other receivables and prepayments	7	**121,937**	135,160
Cash and short-term deposits		**469**	1,118
Total current assets		**122,406**	136,278
Total assets		**325,261**	339,157
LIABILITIES			
Current liabilities			
Trade and other payables	9	**(24,291)**	(24,461)
Other current financial liabilities	8	**(313)**	(433)
Total current liabilities		**(24,604)**	(24,894)
Non-current liabilities			
Interest-bearing loans and borrowings	10	**(49,794)**	(78,677)
Total non-current liabilities		**(49,794)**	(78,677)
Total liabilities		**(74,398)**	(103,571)
Net assets		**250,863**	235,586

	Notes	2024 £000	2023 £000
Capital and reserves			
Share capital	11	**2,000**	2,000
Share premium		**11,527**	11,527
Treasury shares		**(2,250)**	(2,390)
Share-based payment reserve		**5,200**	5,357
Capital reserve		**(273)**	(273)
Retained earnings		**234,659**	219,365
Total equity		**250,863**	235,586

As permitted by Section 408 of the Companies Act 2006, the Company's income statement has not been included in these financial statements.

The Company's profit for the year ended 31 July 2024 was £33.4 million (2023: £27.5 million).

The financial statements on pages 182 to 189 of Volution Group plc (registered number: 09041571) were approved by the Board of Directors and authorised for issue on 9 October 2024.

On behalf of the Board

Ronnie George
Chief Executive Officer
9 October 2024

Andy O'Brien
Chief Financial Officer
9 October 2024

Parent Company Statement of Changes in Equity

For the year ended 31 July 2024

	Share capital £000	Share premium £000	Treasury shares £000	Share-based payment reserve £000	Capital reserve £000	Retained earnings £000	Total £000
At 1 August 2022	2,000	11,527	(3,574)	4,910	(273)	208,312	222,902
Profit for the year	–	–	–	–	–	27,515	27,515
Total comprehensive income	–	–	–	–	–	27,515	27,515
Share-based payment	–	–	–	1,826	–	–	1,826
Purchase of own shares	–	–	(1,834)	–	–	–	(1,834)
Vesting of shares	–	–	3,018	(1,379)	–	(1,639)	–
Dividends paid	–	–	–	–	–	(14,823)	(14,823)
At 1 August 2023	2,000	11,527	(2,390)	5,357	(273)	219,365	235,586
Profit for the year	–	–	–	–	–	33,370	33,370
Total comprehensive income	–	–	–	–	–	33,370	33,370
Share-based payment	–	–	–	1,056	–	–	1,056
Purchase of own shares	–	–	(2,732)	–	–	–	(2,732)
Vesting of shares	–	–	2,872	(1,213)	–	(1,659)	–
Dividends paid	–	–	–	–	–	(16,417)	(16,417)
At 31 July 2024	**2,000**	**11,527**	**(2,250)**	**5,200**	**(273)**	**234,659**	**250,863**

Parent Company Statement of Cash Flows

For the year ended 31 July 2024

	Notes	2024 £000	2023 £000
Operating activities			
Profit for the year after tax		33,369	27,515
Adjustments to reconcile profit for the year to net cash flow from operating activities:			
Income tax for the year		(3,258)	(2,474)
Business combination-related costs		193	1,032
Cash flows relating to business combination costs		(193)	(1,032)
Finance revenue		(639)	(45)
Finance costs		5,126	5,051
Effect of exchange on foreign denominated loans		(1,124)	1,308
Share-based payment expense		1,200	1,357
Depreciation of property, plant and equipment	4	33	35
Working capital adjustments:			
Decrease/(Increase) in other receivables and prepayments		16,842	(16,995)
Increase in trade and other payables		2	1,438
Net cash flow generated from operating activities		51,551	17,190

	Notes	2024 £000	2023 £000
Investing activities			
Purchase of property, plant and equipment	4	(5)	(13)
Proceeds from disposal of property, plant and equipment		3	–
Interest received		–	45
Net cash flow generated from investing activities		(2)	32
Financing activities			
Interest paid		(4,598)	(3,008)
Repayment of interest-bearing loans and borrowings		(56,734)	(62,240)
Proceeds from new borrowings		28,283	65,950
Issue costs of new borrowings		–	(300)
Dividend paid to equity holders		(16,417)	(14,823)
Purchase of own shares		(2,732)	(1,834)
Net cash flow (used in) financing activities		(52,198)	(16,255)
Net (decrease)/increase in cash and cash equivalents		(649)	967
Cash and cash equivalents at the start of the year		1,118	151
Cash and cash equivalents at the end of the year		469	1,118

Notes to the Parent Company Financial Statements

For the year ended 31 July 2024

1. General information

These financial statements were approved and authorised for issue by the Board of Directors of Volution Group plc (the Company) on 9 October 2024.

The Company is a public limited company and is incorporated and domiciled in the UK (registered number: 09041571). The share capital of the Company is listed on the London Stock Exchange. The address of its registered office is Fleming Way, Crawley, West Sussex RH10 9YX.

2. Accounting policies

Basis of preparation

The financial statements are prepared in accordance with UK-adopted international accounting standards (IFRS).

The financial statements are presented in GBP (£), rounded to the nearest thousand (£000) unless otherwise stated. They have been prepared under the historical cost convention.

The policies applied by the Company are consistent with those set out in the notes to the consolidated financial statements. The following additional policies are also relevant to the Company financial statements.

Investments (note 5)

Investments in subsidiary undertakings are valued at cost, being the fair value of the consideration given and including directly attributable transaction costs. The carrying value is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

Dividends received

Revenue is recognised when the Company's right to receive the payment is established, which is generally when the shareholders approve the dividend.

Financial instruments

For detailed disclosures of financial instruments refer to note 27 of the Group financial statements.

New standards and interpretations

The standards or interpretations listed below have become effective since 1 August 2023 for annual periods beginning on or after 1 January 2023.

The following amendments became effective as at 1 January 2023:

- Amendments to IAS 12 'Deferred tax related to assets and liabilities arising from a single transaction';
- Amendments to IAS 8 'Definition of accounting estimates'; and
- Amendments to IAS 1 and IFRS Practice Statement 2 'Disclosure of accounting policies'.

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective.

The following amendments became effective as at 1 January 2024:

- Amendments to IAS 1 'Classification of liabilities as current or non-current';
- Amendments to IFRS 16 'Lease liability in a sale and leaseback';
- Amendments to IAS 1 'Non-current liabilities with covenants'; and
- Amendments to IAS 7 'Supplier finance arrangements'.

The following amendments will became effective after 1 January 2025:

- Amendments to IFRS 18 'Presentation and disclosure in financial statements'.The Directors do not expect that the adoption of the Standards listed above will have a material impact on the consolidated financial statements of the Company in future periods.

Accounting judgements and key sources of estimation uncertainty

In the application of the Company 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 Directors have concluded that there are no key judgements or major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

3. Staff costs

	2024 £000	2023 £000
Wages and salaries	**5,047**	4,127
Social security costs	**379**	338
Share-based payment charge	**1,200**	1,357
Other pension costs	**92**	76
	6,718	5,898

Other pension costs relate to the Company's contribution to defined contribution pension plans. Total contributions payable in the next financial year are expected to be at rates broadly similar to those in 2023/24 but based on actual salary levels in 2024/25.

Average monthly number of employees in the year

	2024 Number	2023 Number
Administration	**19**	17

Notes to the Parent Company Financial Statements continued

For the year ended 31 July 2024

3. Staff costs continued

Directors' remuneration

	2024 £000	2023 £000
Amounts paid in respect of qualifying services		
Aggregate Directors' remuneration	3,265	3,748
Aggregate Non-Executive Directors' remuneration	414	400
Aggregate Directors' cash payment in lieu of employer's pension contribution	43	59
Aggregate Directors' pension scheme contributions	–	–

The number of Directors accruing benefits under Company money purchase pension arrangements was £nil (2023: £nil).

The Company also incurred fees and expenses of £414,000 (2023: £400,000) in respect of Claire Tiney, Amanda Mellor, Nigel Lingwood, Margaret Amos and Jonathan Davis for their services as Non-Executive Directors.

4. Property, plant and equipment

2024	Fixtures, fittings, tools, equipment and vehicles £000	Total £000
Cost		
At 1 August 2023	302	302
Additions	5	5
Disposals	(21)	(21)
At 31 July 2024	286	286
Accumulated depreciation		
At 1 August 2023	162	162
Disposals	(19)	(19)
Charge for the year	33	33
At 31 July 2024	176	176
Net book value		
At 31 July 2024	110	110

2023	Fixtures, fittings, tools, equipment and vehicles £000	Total £000
Cost		
At 1 August 2022	289	289
Additions	13	13
At 31 July 2023	302	302
Accumulated depreciation		
At 1 August 2022	127	127
Charge for the year	35	35
At 31 July 2023	162	162
Net book value		
At 31 July 2023	140	140

5. Investments

	£000
Cost and net book value	
At 31 July 2023 and 31 July 2024	199,322

For a list of the subsidiaries in which Volution Group plc held 100% of the voting shares as at 31 July 2024, see note 29 of the Group financial statements.

The Company has considered whether there is objective evidence that the investment in subsidiaries is impaired. Considering models and assumptions consistent with those used for the Group goodwill impairment testing (see note 13 of the Group financial statements), no indicator of impairment has been identified.

Notes to the Parent Company Financial Statements continued

For the year ended 31 July 2024

6. Deferred tax assets

Deferred tax assets and liabilities arise from the following:

	1 August 2023 £000	Charged to income £000	Credit to equity £000	31 July 2024 £000
Deferred tax asset				
Temporary differences	**3,417**	**386**	**(380)**	**3,423**

	1 August 2022 £000	Credit to income £000	Credit to equity £000	31 July 2023 £000
Deferred tax asset				
Temporary differences	2,719	434	264	3,417

7. Other receivables and prepayments

	2024 £000	2023 £000
Amounts owed by Group undertakings	**121,141**	134,451
Prepayments	**796**	709
	121,937	135,160

The Group has considered the recoverability of the amounts owed by Group undertakings. Consideration was given to the different scenarios for the recovery of the intercompany loan receivables, the possible credit losses that could arise and the probabilities for these scenarios. Based on this assessment, the amounts owed by Group undertakings are considered fully recoverable and therefore no provision for expected credit loss has been recognised.

8. Other financial liabilities

	2024 Current £000	2023 Current £000
Financial liabilities		
Foreign exchange forward contracts	**313**	433
	313	433

The foreign exchange forward contracts are carried at their fair value with the gain or loss being recognised in the Company's statement of comprehensive income. Refer to note 27 within the Group's financial statements for the fair value hierarchy the Company uses to determine the fair value of financial instruments.

9. Trade and other payables

	2024 £000	2023 £000
Trade payables	**390**	552
Other payables	**251**	411
Accruals	**3,019**	2,773
Amounts owed to Group undertakings	**20,631**	20,725
	24,291	24,461

10. Interest-bearing loans and borrowings

	2024		2023	
	Current £000	Non-current £000	Current £000	Non-current £000
Unsecured – at amortised cost				
Borrowings under the revolving credit facility (maturing 2025)	**–**	**49,794**	–	79,369
Cost of arranging bank loan	**–**	**–**	–	(692)
	–	**49,794**	–	78,677

Revolving credit facility – at 31 July 2024

Currency	Amount outstanding £000	Termination date	Repayment frequency	Rate %
GBP	**–**	**2 December 2025**	**One payment**	**SONIA + margin%**
Euro	**49,794**	**2 December 2025**	**One payment**	**EURIBOR + margin%**
Swedish Krona	**–**	**2 December 2025**	**One payment**	**STIBOR + margin%**
Total	**49,794**			

Revolving credit facility – at 31 July 2023

Currency	Amount outstanding £000	Termination date	Repayment frequency	Rate %
GBP	–	2 December 2025	One payment	SONIA + margin%
Euro	79,369	2 December 2025	One payment	EURIBOR + margin%
Swedish Krona	–	2 December 2025	One payment	STIBOR + margin%
Total	79,369			

Notes to the Parent Company Financial Statements continued

For the year ended 31 July 2024

10. Interest-bearing loans and borrowings continued

On 9 September 2024, the Group refinanced its bank debt. The Group now has in place a £230 million multi-currency 'Sustainability Linked Revolving Credit Facility', together with an accordion of up to £70 million. The facility matures in September 2027, with the option to extend for up to two additional years. The old facility was repaid in full early, on 11 September 2024, and a new multi-currency 'Sustainability Linked Revolving Credit Facility' was entered into.

The interest rate on borrowings includes a margin that is dependent on the consolidated leverage level of the Group in respect of the most recently completed reporting period. For the year ended 31 July 2024, Group leverage was below 1.0:1 and therefore the margin will remain at 1.25%.

At 31 July 2024, the Group had £100,206,000 (2023: £70,631,000) of its multi-currency revolving credit facility unutilised, plus an unutilised accordion of up to £30,000,000.

Reconciliation of movement in financial liabilities

	2024 £000	2023 £000
At 1 August	79,369	74,351
Additional loans	28,283	65,950
Repayment of loans	(56,734)	(62,240)
Interest charge	4,427	3,008
Interest paid	(4,427)	(3,008)
Foreign exchange	(1,124)	1,308
At 31 July	49,794	79,369

Changes in liabilities arising from financing activities

	1 August 2023 £000	Cash flows £000	Foreign exchange movement £000	New leases £000	31 July 2024 £000
Non-current interest-bearing loans and borrowings	79,369	(28,451)	(1,124)	–	49,794

	1 August 2022 £000	Cash flows £000	Foreign exchange movement £000	New leases £000	31 July 2023 £000
Non-current interest-bearing loans and borrowings	74,351	3,710	1,308	–	79,369

11. Share capital and share premium

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

	Number of ordinary shares issued and fully paid	Share capital £000	Share premium £000
At 31 July 2023 and 31 July 2024	200,000,000	2,000	11,527

12. Dividends paid and proposed

	2024 £000	2023 £000
Cash dividends on ordinary shares declared and paid		
Interim dividend for 2024: 2.80 pence per share (2023: 2.50 pence)	5,538	4,942
Proposed dividends on ordinary shares		
Final dividend for 2024: 6.20 pence per share (2023: 5.50 pence)	12,267	10,879

The interim dividend payment of £5,538,000 is included in the consolidated statement of cash flows (2023: £4,942,000).

A final dividend payment of £10,879,000 paid in 2024 is included in the consolidated statement of cash flows relating to 2023 final dividend (2023: £9,891,000).

The proposed dividend on ordinary shares is subject to approval at the Annual General Meeting and is not recognised as a liability at 31 July 2024.

Notes to the Parent Company Financial Statements continued

For the year ended 31 July 2024

13. Related party transactions

The following table provides the total amount of transactions that have been entered into with subsidiary undertakings for the relevant financial period.

	2024		2023	
Related parties	Amounts owed by related parties £000	Amounts owed to related parties £000	Amounts owed by related parties £000	Amounts owed to related parties £000
Volution Ventilation Group Limited	75,673	19,966	95,066	19,966
Volution Holdings Limited	39,511	–	39,385	–
DVS	5,957	–	–	–
VMI	–	665	–	759
	121,141	20,631	134,451	20,725

Sales made to Volution Holdings Limited of £4,340,000 (2023: £4,113,000) relate to management fees. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash.

No sales were made to Volution Ventilation Group Limited; the outstanding balance is an intercompany loan which has been repaid in part during the year.

Compensation of key management personnel

The Executive and Non-Executive Directors are deemed to be key management personnel of Volution Group plc. It is the Board that has responsibility for planning, directing and controlling the activities of the Group. Please refer to note 3 for details of the Executive and Non-Executive Directors' remuneration.

There were no material transactions or balances between the Company and its key management personnel or members of their close family. At the end of the year, key management personnel did not owe the Company any amounts.

14. Share-based payments

For detailed disclosures of share-based payments granted to employees, refer to note 31 of the Group financial statements.

ESG Data

TCFD / Companies act reference – where to find disclosures

Recommended disclosures	Reference
Governance • Board oversight (pages 64 and 190) CA s414CB(a) • Management's role (pages 64 and 190) CA s414CB(a)	• Our governance structure provides clear oversight and ownership of the Group's sustainability strategy and management of climate risk and opportunity. • In 2021, we established the Group Management Sustainability Committee and Senior Independent Non-Executive Board member Amanda Mellor assumed Board oversight responsibility for Volution's sustainability strategy and targets.
Strategy • Climate-related risks and opportunities (pages 86 and 87, 191 and 192) CA s414CB(d) • Impact on strategy (page 72) CA s414CB(e) • Resilience (page 193) CA s414CB(f)	• Our purpose is to provide healthy indoor air, sustainably and this commitment to sustainability is integral to everything we do. Our business model is underpinned by our sustainability pillars of Product, Planet and People. • Our sustainability ambition is to champion the energy-saving potential of our products and solutions and we are well positioned to seize the opportunities that regulatory tailwinds bring us. • We have identified transition risks related to reputation, policy and regulation, and technology but have not assessed any of these risks as high under either scenario under the short, medium or long term. • We have undertaken a review of our major production and warehouse locations, and have concluded we are not exposed to significant risk. • In preparing the Group's financial statements, we have considered the impact of climate-related risks on our financial position and performance, and have not identified any material adverse impact on the financial statements or judgements within.
Metrics and targets • Metrics (pages 84 and 194 to 201) CA s414CB(h) • Scope 1, 2, 3 emissions (pages 194 to 201) CAs414CB(h) • Targets (page 82, 194 to 201) CA s414CB(g)	• We developed two key metrics in 2020 to measure our progress against our net zero ambitions: the percentage of revenue derived from low-carbon products, and the percentage of recycled plastic used in our manufactured products, • In 2021 we set out our ambition to be a carbon net zero business and have submitted targets to SBTi. • We have set detailed forecasts and targets for the short, medium and long term, aligned to our net zero ambitions for Scope 1,3 and 3 • We have provided details of our Scope 1, 2 and 3 emissions on both a location and market basis
Risk • Risk processes (pages 86 and 87, 191 to 193) CA s414CB(b) • Integration into overall risk management (pages 86 and 87, 49 to 58) CAs414CB(c)	• We have continued to embed climate risk into our broader risk management framework and have integrated climate change into our principal risks. • Our risk review consider the risks and opportunities under the short, medium and long term, as well as over our chosen climate scenarios.

TCFD pillar – Governance

Climate change is embedded in the governance structure of the Group through a decentralised local ownership, overseen by Group leadership and under the ultimate oversight of the Board. The Board is collectively responsible for promoting the long-term sustainable success of the Company, generating value for shareholders and contributing to wider society.

The principal way that climate change is embedded into this governance structure is shown in the diagram on page 64 and described in more detail in section a) and b) below

a. Board oversight of climate-related risks and opportunities

The Board has ultimate oversight and responsibility for climate change. The Board receives a review of the Group's risks and opportunities twice per year, including an assessment of climate-related risks and opportunities. The Board assessed those risks and approved the principal risks presented on pages 49 to 58. The Board considered whether climate change should be disclosed as an individual standalone principal risk, but concluded it was more appropriate to embed the specific impacts of climate change risks within existing principal risks – a 'cross cutting' approach. The Group does not believe the any individual or collection of climate change risks are themselves material to the financial prospects of the Group. See pages 49 to 58 for description of the Group's Risk management process).

The Board received updates each month on key sustainability KPIs, and during the year (twice in FY24) received a more detailed review of performance against the sustainability targets and the Group's disclosures relating to TCFD. Once per year, the complete set of emissions data, performance against targets, and setting of new targets where relevant is received by the Audit Committee and Board for review and approval to be published externally. The performance of the Executives against their sustainability-related incentives is reviewed by the Remuneration Committee (pages 117 to 129).

The Board and certain individual Board members kept up to date on climate-related issues through attending external seminars and discussing with Group advisers. Board Members' relevant experience is described on pages 94 and 95.

ESG Data continued

b. Management's role in assessing and managing climate-related risks and opportunities

The Group Management Sustainability Committee is responsible for assessing and managing climate-related risks and opportunities and co-ordinating with the Group Risk Management Committee to ensure that climate-related risks are fully integrated into the risk management process. The Board representative on the committee communicates the activities of the Group Management Sustainability Committee to the Board.

The Group Management Sustainability Committee met twice during FY24. The members of the Committee include Amanda Mellor (Senior Independent Non-Executive Director providing Board oversight), Ronnie George (CEO) and Andy O'Brien (CFO), the Managing Directors of each Business and Group ESG subject-matter experts.

Environment	Group Business Development Director
	Group Financial Controller
Social	Group HR Director
Governance	Group Company Secretary
Overall ESG	Group ESG Analyst

The Managing Director of each business unit is responsible for assessing the specific climate risks and opportunities within their business and submitting to the Group Management Risk Committee. The Group Management Sustainability Committee enables relevant issues to be discussed and to exchange information and best practice. The Committee this year focused on our carbon-reduction plan and the risks and opportunities of climate change and delivering our climate-reduction targets.

The ESG subject-matter experts are responsible for ensuring they keep up to date with changes in reporting and relevant standards to provide assistance to local business management.

The Remuneration Committee

The LTIPs of the Executives have, since FY20, included ESG measures that focus on two targets that are linked to our 2025 goals for optimising recycled plastics used in our manufactured products and increasing the low-carbon credentials in the product portfolio measured as a percentage of revenue.

This year, the LTIPs for the first time included a measure directly linked to our SBTi aligned carbon intensity targets to 2029.

The measures have a 20% weighting in the LTIPs with a maximum pay-out that is aligned to the targets shown on pages 122 and 123.

TCFD pillars – Strategy and Risk

Our strategy sets out our response to the transition to a net zero economy and limiting the effects of climate change (see pages 34 to 37).

Our sustainability ambition is to champion the energy-saving potential of our products and solutions and support the net zero ambitions of the countries in which we operate. The regulatory tailwinds should significantly increase demand for our sustainable and innovative ventilation solutions, while our leading position in the UK, Continental Europe and Australasia ventilation markets means that we are well positioned to seize this opportunity.

a. Climate-related risks and opportunities the organisation has identified in the short, medium and long term

Methodology and risk ratings

We carry out a full risk management process each year (see pages 49 to 58) including a separate but integrated bottom-up climate-related risk review. The climate-related risk process followed the same process as the wider risk management process considering both the likelihood and the potential impact of each risk. The Climate related risks are reviewed each year and submitted to the Volution Group Risk Committee each year. A full bottom up assessment of Climate risk is carried out every three years with the next assessment to be carried out in FY25. This year, we have again concluded that climate change represents a net opportunity to Volution through our ability to continue to drive growth from the regulatory and market tailwinds.

Scenarios

We assessed our risks and opportunities under a 1.5°C Paris-aligned scenario and a 4°C 'hot house' scenario to provide a broad view of outcomes. Under a 1.5°C orderly scenario, risks relate primarily to the transition to a net zero world, the regulatory response, and the changing political, consumer and investor expectations. Under a 4°C scenario, the physical impacts of a changing climate will become more apparent. These scenarios are aligned to the Network for Greening the Financial System's (NGFS) climate scenarios.

The timeframes used when identifying risks are short term (less than five years) which is the period over which we prepare detailed bottom-up plans, medium term (5 – 15 years) which is the period over which our continued strategy to provide healthy air sustainability under our strategic pillars will be delivered including specific targets to reduce carbon, and long term (beyond 15 years) which is the period aligned to the useful economic life of some of our property assets and where the potential impacts under different scenarios are less certain. These different periods have allowed us to assess risks and opportunities that are immediate and well defined and those which may arise over time but which are much less certain.

We have given clear emphasis to both our transition and physical risks and opportunities.

We have adopted the same approach to the materiality of these risks and opportunities as for our principal risks and uncertainties.

ESG Data continued

Volution products support legislative transition as we decarbonise
Buildings are responsible for around 36% of total CO_2 emissions and 40% of total energy demand. If we are to hit global net zero targets, we must deal with the existing building stock, as well as building new compliant buildings. With 90% of the buildings we have today expected to be still standing by 2050, and a current refurbishment rate of just 1% per year, we need new initiatives.

To deliver net-zero-ready buildings, we must make them air-tight, insulate them well and decarbonise the heating source. These actions will impact the indoor environment, and ventilation will be even more important for both health and comfort. Doing that without losing heat, and therefore energy, will require energy-efficient ventilation solutions including Heat recovery.

If we are successful and reduce the energy demand in buildings by 80% by 2050, we will save more than 30% of our total energy needs. To achieve this, we need to at least triple the rate of existing building stock renovation, to 3% a year.

As a structural growth driver, in March 2023, the European Parliament passed a comprehensive revision of the 2010 Energy Performance of Buildings Directive (EPBD IV) to cover existing buildings for the first time. These regulations will stimulate the renovation market in the EU, as they will trigger a wave of renovations and create a greater demand for energy-efficient upgrades. Similar regulatory drivers exist in all our markets and are fully described on pages 18 to 23. These responses to climate change will increase demand for our low-emission products and services.

b. The impact of climate-related risks and opportunities on the organisation's business, strategy and financial planning

As described on page 192, we have identified physical risks to some of our locations and supply chains and transitional risks related to reputation, policy and regulation. However, our sustainability ambition is to champion the energy savings potential of our products and solutions, and we are well positioned to seize the opportunities that regulatory tailwinds bring us.

The opportunities that are available to us are a key driver to our Sustainable Growth Model. Our organic growth is driven by our local businesses taking the opportunities available to them in each market, driven in part by the local regulatory tailwinds (see pages 18 to 23). Our drive to innovate and develop new products ensures that we are able to maintain a leadership position in low-carbon and heat-recovery products (see pages 76 to 79). Our growth from acquisition targets successful businesses that specialise in low-carbon and heat-recovery products, evidenced by our three most recent acquisitions (I-Vent, VMI and DVS).

We have concluded that we do not expect the risks of climate change to have a material impact on our financial prospects over the short, medium or long term, and hence those risks have not materially impacted our strategy nor financial planning.

However, we have made a commitment to net zero and published targets that we intend to meet. We have assessed the impact of these commitments and concluded that they do not have a material adverse financial impact as shown in the table below.

Climate related commitment/target/action	Financial impact assessment
2022 – transition of UK procured electricity to 100% renewable sources.	Multi year agreements in place for UK for whole of FY2024 with no significant increase in cost.
2025 – 70% of our sales are low-carbon products.	Our 2025 target is already surpassed in FY24.
2026 – 75% of our sales are low-carbon products.	We have set a new target of 75% by FY26.
2025 – 90% of the plastic processed in our factories are from recycled sources.	We have made significant progress and our use of recycled plastic in our products averaged 78.1% for FY24. This was below our target of 83.4% and the 90% target for FY25 will be difficult to achieve. However, our Q4 FY24 exit rate reached 83% and we continue to focus on maximising this important initiative – at no additional cost to virgin plastic.
We will operate an all electric fleet.	We have a small fleet, mainly of automobiles, which are being replaced by hybrid and ultimately electric as they become due, at no significant incremental costs over fossil fuel cars. In FY24 we slowed the move to all electric as we await some stability in the electric vehicle market, but continued with hybrid replacements where appropriate.
We will work with our supply chain and industry to increase the use of new and sustainable products and inputs.	Building mutually beneficial relationships, with no significant direct cost to Volution.
We will delivery energy net gain through our product portfolio.	Our target to increase Heat Recover product sales will deliver net benefit through up-selling to higher value products.
We will close the loop on the circular economy, recovering our end-of-life products, recycling and reusing.	We will roll out an end-of-life recovery program when an economically efficient process is confirmed. No program has yet been developed.

ESG Data continued

c. The resilience of the organisation, taking into consideration different future climate scenarios

The Directors have concluded that Volution is expected to be resilient to the impacts of climate change across the two scenarios that have been assessed. Moreover, we are well placed to take the opportunities that climate change brings.

In 2022, we carried out a detailed review of physical climate risks (acute and chronic) to ensure we understand the resilience of our critical properties to climate change. Climate change poses a physical risk to the buildings that we occupy including offices, factories and warehouses. Four sites have been assessed as having a moderate to high exposure to flood from flood-defended rivers in the current climate, with only one more site at a high risk as a result of climate change by 2050. In the long term, in the 2050s and beyond, drought and heat stress could have an increased potential impact, including water scarcity, higher risk of fires and an impact on operations, safety and wellbeing. None of our significant manufacturing sites are expected to be at risk of significant impact from climate change under the 1.5°C scenario under the short, medium or long term, or under the 4°C scenario under the short or medium term.

The locations at most risk are typical locations in our decentralised structure, and none of them represent a material portion of the Group operating profits or assets. The impact of any one of these locations being closed for a sustained period as a result of flooding for example, would not have a material impact on the long-term resilience of the Group.

Our decentralised structure also enables us to remain close to local regulation and policy transition risks and we work with industry bodies and regulators in each market. Over the longer term, our combination of centralised technical support and local market knowledge ensures our product development process will deliver products that regulators will require. In the 1.5C scenario, demand for products that improve energy efficiency of buildings will increase as governments seek to ensure that target is met.

We have considered whether our strategy may need to change to address potential climate-related risks and opportunities and have concluded that our strategy is appropriate to take the opportunities that climate change presents, and resilient against the potential risks, and we do not envisage any need to change our strategy.

In 2024, we undertook an initial risk identification exercise for key sites in our three most recent acquisitions in Slovenia (I-Vent), New Zealand (DVS) and France (VMI) to understand the regional and local vulnerability to climate change and highlight key risk areas. Our initial conclusions are that heat stress and drought risks are low for all of these added locations and regional extreme weather risks are high, however further data is needed to understand the specific risk to these facilities which are urban and inland.

Risk score by location

4ºC global warming scenario at 2050

Facility name	Country	Drought	Heat stress	Precipitation	River flood (defended)	Sea level rise
Brisbane	AU	Moderate	High	Very high	Moderate	No data/no risk
Greve	DK	Very low	Very low	Low	Very high	No data/no risk
Bitola	MK	Very high	Moderate	Low	Very high	No data/no risk
Christchurch	NZ	Moderate	Low	Low	Very high	No data/no risk
Burrowbridge	UK	Low	Low	Low	Very high	No data/no risk
Auckland	NZ	Moderate	Low	Moderate	Very low	No data/no risk
Nylanda	SE	Very low	Very low	Low	Moderate	Moderate
Surrey	UK	Moderate	Low	Low	Moderate	No data/no risk
Perth	AU	Very high	High	Low	Very low	No data/no risk
Sarajevo	BA	Moderate	Low	Moderate	Moderate	No data/no risk
Melbourne	AU	High	Moderate	Low	Very low	No data/no risk
Odder	DK	Low	Very low	Low	Very low	No data/no risk
Harlev	DK	Very low	Very low	Low	Very low	No data/no risk
Cambridge	UK	Moderate	Low	Low	Very low	No data/no risk
Reading	UK	Moderate	Low	Low	Very low	No data/no risk
Greenbridge	UK	Moderate	Low	Low	Very low	No data/no risk
Westmead	UK	Moderate	Low	Low	Very low	No data/no risk
Crawley	UK	Moderate	Low	Low	Very low	No data/no risk
Eersel	NL	Low	Moderate	Low	Very low	No data/no risk
Oldenzaal	NL	Low	Low	Low	Very low	No data/no risk
Löberschütz	DE	Low	Low	Low	Very low	No data/no risk
Kuurne	BE	Low	Low	Low	Very low	No data/no risk
Hollola	FI	Very low	Very low	Low	Very low	No data/no risk
Hallefornas	SE	Very low	Very low	Low	Very low	No data/no risk

Key
- No data/no risk
- Very low
- Low
- Moderate
- High
- Very high

ESG Data continued

TCFD pillar – Metrics and Targets

a. The metrics used by the organisation to assess climate-related risks and opportunities

We disclose all Scope 1, 2 and 3 carbon emissions, in total and by business. We have set detailed annual targets for emissions aligned to the SBTi methodology, and are awaiting approval of those targets, which we expect to receive in early FY25.

Our metrics for the % of our total revenue that is from low-carbon and heat-recovery products tracks the extent to which we are utilising the opportunities that Climate change brings. The success of our investments and capital allocation, both in terms of plant and equipment and in the acquisition of low-carbon businesses, is reflected in increased sales from these products.

We have aligned our revenue with the EU Taxonomy and continue to report under the FTS Russell Green Economy taxonomy.

We believe these externally reported metrics allows us to demonstrate the success of our continued delivery against our sustainable growth strategy.

We show in page 193, the proportion of our locations which are at some physical risk from climate change.

b. Scope 1, Scope 2, and Scope 3 greenhouse gas emissions

For the first time in FY23, we disclosed all material Scope 1, 2 and 3 emissions, including the emissions from the use of our products.

This year, we have further improved our measurement and conversion methods to better align with best practice, and include a full inventory of our entire perimeter for the first time.

Full details of our emissions are shown on pages 195 and 196. Our Scope 1 and 2 emissions are not material to our total emissions, representing just 6% of ‘operational emissions (excluding emissions from use of our products). The most significant Scope 1 and 2 emission sources in FY24 are electricity (51%), gas (15%) and vehicle fuel (25%). The most significant Scope 3 emission sources in FY24 are from the use of products (91%), distribution (2%), purchased products (10%) & other 2%.

The methodology we have used to calculate our emissions varies by type of emission and is detailed on pages 195 and 196. We have increased the accuracy of our emissions data-gathering and have adjusted the FY23 base year figures where appropriate if more reliable data is now available. For example, where reliable country-level carbon conversion rates have now become available, we have adjusted the prior year reported emissions to ensure a like-for-like comparison year-on-year. Where there is uncertainty and assumptions are used, we have detailed the assumptions and disclosed sensitivities to the assumptions.

Our perimeter includes all companies and subsidiaries in the Group under our financial or operational control. Our base year for target-setting aligned with SBTi is 2023 to ensure we are using as accurate a base position as possible. As we grow in part through acquisition, the base level will be re-assessed when appropriate and targets will be adjusted accordingly.

c. The targets used by the organisation to manage climate-related risks and opportunities and performance against targets

This year, we have developed and submitted our SBTi aligned targets. Although these targets are yet to be approved, we are reporting against these targets in FY24 and show our targets in the short and long term (see pages 82, 195 and 196).

Our targets have been developed with the help of an external consultant, and contain a combination of active reductions – specific actions that we will take as a business, as well as an independent assessment of the passive reductions that will occur in our industry, supply chain, and in terms of grid decarbonisation. The combination of these active and passive carbon reductions, should they be delivered, will enable us to achieve the targets we have set.

Our chosen measure of carbon intensity has increased to 12.8tCO_2/£m revenue (FY23 restated: 12.3tCO_2/£m revenue). This increase is impacted by the inclusion of emissions from our three most recent acquisitions for the first time in FY24, and of increases to the carbon conversion factors of North Macedonia. In addition we used more fuel in car journeys and more gas in our UK facilities. We continue to drive energy efficiencies through the work of our colleagues around the business (page 85).

Our total absolute scope 1, 2 and 3 emissions totalled 662,043tCO_2, which is 10.3% lower than FY23 and 13.7% ahead of the target for the year. This decrease is primarily the result of product mix at our heat recovery cell business (ERI), where a lower mix of very large commercial heat cells has reduced the expected emissions from the use of our products sold in FY24 overall their lifetime, and the increase in the proportion of our sales made up of low-carbon products.

Definitions

Carbon neutral – To offset carbon emissions, we may purchase credits for carbon removal or avoidance projects. In FY23 our carbon neutral status boundary included all scope 1 and 2 emissions, colleague commuting and waste. We have not purchased carbon credits in FY24, opting instead to invest directly in our own emission reductions, and hence we are not carbon neutral in FY24.

Net zero – The maximum feasible emissions reductions of carbon have been made and only residual emissions are counterbalanced by carbon removal credits. Our net zero target boundary includes all scope 1, 2 and 3 emissions, both upstream and downstream.

ESG Data continued

Energy use, emissions and targets – Scope 1 and 2

	Performance				Targets[3]		
	2023		2024		2024	2034	2050
Scope 1	tCO_2e	KwH	tCO_2e	KwH	tCO_2e	tCO_2e	tCO_2e
Gas	544	2,975,988	641	3,473,786			
Other fuel[4]	306	1,632,255	237	885,263			
Vehicle fuels[4,5]	1,183	5,066,416	1,189	5,006,952			
Refrigerants[6]	–	–	53	–			
Total scope 1	2,034	9,674,659	2,120	9,366,373			
Scope 2							
Scope 2 (location based)[7]	1,996	9,327,115[8]	2,317	10,109,068[9]			
Scope 1 and 2 total (location based)	4,029	19,001,775	4,437	19,475,440	3,600	1,178	386
Scope 2 (market based)	743	9,327,115	642	10,109,068			
Total Scope 1 and 2 (market based)	2,777	19,001,775	2,762	19,475,440			
Carbon intensity per £m of revenue, location based	12.3		12.8		11.6	10.2	4.7
Carbon intensity per £m of revenue, market based	8.47		7.95		8.8	8.0	3.3
Energy intensity per £m of revenue, market based		57,932		56,028			

1. GHG emissions have been assessed against the GHG Protocol Methodologies using DEFRA emission factors for the UK and local specific electricity emission factors.
2. Scope 1 and 2 emissions are calculated from 11 months of actual consumption, extrapolated to 12 months based on average usage.
3. Our Scope 1, 2 and 3 targets are aligned to the SBTi principles
4. Not including Carbon for biofuels, which is reported separately in 'Out of Scope' emissions
5. EV fleet emissions have been transferred from Scope 1 to Scope 2 for consistency with 2024 methodology
6. Emissions from refrigerant use are updated and calculated based on top-up value as opposed to system capacity
7. FY23 emissions have been recalculated with updated emission factors to improve accuracy, where more accurate 2023 conversion factors are now available.
8. Restatement of 2023 electricity consumption to include self-generated electricity (2023: 53.8 KWh generated from solar panels)
9. Gross KWh energy usage reported, of which 111.6k KWh was self-generated – energy emissions are based off the net KWh, energy retrieved from the grid (2023 53.89k KWh self generated)

ESG Data continued

Energy use, emissions and targets – Scope 3

	Performance		Targets[3]		
	2023	2024	2024	2034	2050
Upstream scope 3	tCO_2e	**tCO_2e**	tCO_2e	tCO_2e	tCO_2e
Category 1 – Purchased goods and services[12]	77,948	**67,530**			
Category 2 – Capital goods	4,691	**4,552**			
Category 3 – Energy-related activities[13]	1,219	**1,955**			
Category 4 – Upstream transportation and distribution[14,15]	15,763	**12,185**			
Category 5 – Waste generated in operations[16]	546	**39**			
Category 6 – Business travel	386	**279**			
Category 7 – Employee commuting[17]	695	**555**			
Category 8 – Upstream leased assets[18]	–	**–**			
Downstream scope 3					
Category 9 – Downstream transportation and distribution	–	**–**			
Category 10 – Processing of sold products[19]	–	**–**			
Category 11 – Use of sold products[20]	632,429	**570,398**			
Category 12 – End-of-life treatment of sold products[21]	192	**113**			
Category 13 – Downstream leased assets[18]	–	**–**			
Category 14 – Franchises[18]	–	**–**			
Category 15 – Investments[18]	–	**–**			
Total scope 3 emissions	733,868	**657,605**	763,867	260,035	72,974
Total scope 1, 2 and 3 emissions	737,898	**662,043**	767,468	261,214	73,360

10. DEFRA Government spend and activity emission factors used for consistency across the group
11. Calculated from 11 months of actual consumption, extrapolated to 12 months based on average usage.
12. Hybrid methodology using activity data for plastics and spend data for all other calculations"
13. Transport and distribution losses not included in Scope 2, including fleet and business travel
14. Emissions for category 4 and 9 have been aggregated into category 4. It is not currently possible to accurately separate upstream & downstream emissions.
15. Spend-based methodology used for consistency
16. Calculated from total weight of waste generated in operations, and the relevant DEFRA conversion factor.
17. Includes assumptions for Group extrapolated from UK average data
18. Not relevant to group operations
19. Emissions are minimal and are not material to operations
20. 2023 emissions have been recalculated with updated emission factors to improve accuracy.
21. Weight of sold products determined using weight data or estimates based on sales data. Data gaps were filled using extrapolations from existing data.

Further definitions, basis of preparation, calculation methodology and historical data can be found on pages 200 to 202.

ESG Data continued

Emissions recalculation policy and process

In alignment with the principals of the SBTi under which we have set our short, medium and Long term targets, we have reviewed the targets we set in FY23 to ensure they are still relevant and appropriate. We do not believe that there have been any material changes in climate science and there are no changes in our business context, and so they continue to be relevant in FY24. Our policy on recalculations and restatements of emissions data is to review our GHG inventory on an annual basis and we will restate our data and/or recalculate our targets when required: to reflect significant changes to our company structure, methodology changes or errors. Where a restatement or recalculation is performed, it will be clearly described. During FY24 we have reassessed FY23 emissions for all scopes and made adjustments where necessary to provide greater accuracy. This reassessed FY23 base year has then been aligned to our existing short, medium and Long term targets.

Review of our Energy use and emissions data

It is currently not mandatory for energy use and emissions data to be assured and this year our data has not been assured. However, but we chose to engage with independent consultants Carbon Footprint to assist in recalculating the FY23 base year for use in developing targets for our SBTi submission, and to provide information such as carbon conversion factors and modelling assistance in calculating FY24 actual emissions. Our energy use and carbon emissions data collection and modelling was internally reviewed by a Volution business process and control specialist.

Carbon emissions by country

Country	Scope 1 (tCO_2e)	Scope 1 and 2 Location Based (tCO_2e)	Scope 1 and 2 Market Based (tCO_2e)	Total Scope 3 (tCO_2e)
United Kingdom	1,204	1,342	1,212	296,980
Sweden	355	17	359	10,551
Norway	64	0	65	2,794
Finland	66	31	186	6,617
Denmark	29	24	73	1,682
Germany	19	92	55	17,675
Netherlands	36	24	44	8,458
Belgium	131	33	194	10,780
Bosnia and Herzegovina	4	249	144	2,880
North Macedonia	5	438	164	149,751
France	92	6	101	5,335
Slovenia	61	6	71	1,953
New Zealand	51	19	51	36,835
Australia	8	36	44	105,315
TOTAL	**2,126**	**2,317**	**2,762**	**657,605**

Carbon avoidance methodology

Methodology

The methodology considers both domestic and non-domestic buildings, following the design standards and guidance in SAP 2012 and CIBSE Guide B2. The total heat load is a function of the fabric heat losses, heat losses due to infiltration and heat losses due to ventilation. The calculated energy savings and greenhouse gas (GHG) emissions reductions relate to the reduced heating load due to the selected MVHR product.

The calculation methodology and assumptions include:

- number of devices sold;
- device airflow rate (24 hours/day for domestic, 14 hours/day for non-domestic);
- assumed heat recovery efficiencies;
- external temperature per country;
- relevant emissions factors for gas and electricity;
- internal setpoint temperature of 21°C (with 12°C setback for non-domestic);
- the energy used in using the devices;
- product performance as tested for the Ecodesign Directive; and
- average lifetime of use has been assumed as 10 years, and the electricity grid is assumed to decarbonise at a 5% per year.

Assumptions and uncertainties of avoided emissions

We recognise that there is not yet a universally accepted method of measuring or reporting 'avoided emissions' (sometimes referred to as 'Scope 4' emissions), and that any measure can only ever be an estimate. The TCFD framework does not include avoided emissions with the reporting recommendations, and together with the assumptions and uncertainties involved in the calculations means that avoided emissions reported for FY2024 should not be considered to be at the same level of accuracy as our Group emissions reported within the TCFD section. However, we understand from our stakeholders that the energy saving potential of our products is useful information and is provided for that purpose.

The emissions calculated using our model should be assumed to be the upper limit of energy savings. The calculation is sensitive to the variables noted under 'methodology' and other limitations. Limitations include: The domestic application baseline assumes mains gas boiler heating, heat loss due to infiltration is not adjusted for wind speed, the thermal capacity and inertia has not been considered, domestic applications are modelled on detached houses and Commercial applications are modelled on open plan offices. Adjusting the model for these limitations may either raise or lower avoided emissions calculations. Sensitivities to key assumptions include: a 1% increase in the rate of electricity decarbonisation year on year reduces avoided emissions by 4.3%, lowering the internal setpoint temperature from 21°C to 20°C reduces avoided emissions by 8.3%, and decreasing unit lifetime use from 10 to 9 years reduces avoided emissions by 8.2%.

ESG Data continued

SFDR Principal Adverse Indicators (PAI)

We are reporting on PA indicators to help investors with their reporting for the EU Sustainable Finance Disclosure Regulation (SFDR).

Adverse sustainability indicator	Indicator/Metric	Volution response
GHG emissions		
1	Scope 1, 2 and 3 emissions	Scope 1: 2,120 tCO_2, Scope 2: 2,317 tCO_2, Scope 3: 657,605 tCO_2 (pages 195 and 196)
2	Carbon footprint	Total emissions: 662,043 tCO_2 (page 196)
3	Carbon intensity	Scope 1 & 2 intensity 12.8 tCO_2/£1m revenue (page 195)
4	Exposure to companies in the fossil fuel sector	Volution does not operate in fossil fuel sector
5	Share of non renewable energy consumption	86.7% of energy used was from renewable sources or tariffs, 13.3% non-renewable
6	Energy consumption in GwH per €1 revenue	Scope 1 & 2 energy consumption: 19.48 Gwh = 0.049 Gwh/€1m Revenue (page 200)
Biodiversity		
7	Activities negatively affecting biodiversity	Our operations do not have a significant impact on biodiversity.
8	Emissions to water	We do not discharge solid, liquid or contaminants into bodies of water.
9	Hazardous waste	We use a non-material amount of hazardous waste, which is properly recycled or disposed. 1,400kg.
Social and employee		
10	Violations of UK Global Compact principles and OECD GME	We are not aware of any violations of the UNGC principles or OECD GME
11	Lack of processes and compliance mechanisms	We joined the UN Global Compact in FY 22 and have since signed the CEO water mandate and continue to engage. We have comprehensive policies in place aligned with principles of the UNGC and OECD Guidelines including Anti corruption, Anti modern slavery, Ethical tax etc
12	Unadjusted gender pay gap	We publish gender pay gap data for the UK only
13	Board gender diversity	At 31 July 2024 c40% of the Board was female (page 93)
14	Exposure to controversial weapons	Volution is not involved in the manufacture or sales of weapons

ESG Data continued

The Sustainability Accounting Standards Board (SASB)

The SASB Foundation was founded in 2011 as a not-for-profit, independent standards-setting organisation. Volution provides information in alignment with SASB reporting guidelines for its sector (electrical and electronic equipment). The below table shows the reported topics and metrics and where further detail can be found within this report.

Accounting metric and SASB code	Response/data/reference
Energy management Total energy consumed (RT-EE-130a.1) Percentage of grid electricity (RT-EE-130a.1)	Our total energy consumption across the Group during the year was 70,112 GJ representing all electricity and heat and direct fuel use across all of our facilities, of which 52% was electricity sourced from the grid. A small but increasing proportion is "off grid", exemplified by the solar array on the Reading facility.
Percentage renewable (RT-EE-130a.1	Of the electricity consumed, 87.6% was from renewable sources, including renewable tariffs and on-site generation.
Hazardous waste management Amount of hazardous waste generated, percentage recycled (RT-EE-150a.1)	We use a non-material amount of hazardous waste, which is properly recycled or disposed. 1,400 kg.
Number and aggregate quantity of reportable spills and quantity recovered (RT-EE-150a.2)	Zero reportable spills.
Product safety Number of product recalls issued, total units recalled (RT-EE-250a.1)	Zero product recalls related to product safety.
Monetary losses from legal proceedings associated with product safety (RT-EE-250a.2)	No monetary losses as a result of product safety issues.
Product lifecycle management Percentage of products, by revenue, that contain IEC 62474 declarable substances (RT-EE-410a.1)	We manufacture a large proportion of our products ourselves and use no IEC 62474 declarable substances in the production process. We are continuing to review supply chain products for relevant substances and will report in future if necessary.
Percentage of eligible products, certified to an energy efficiency certification (RT-EE-410a.2)	This metric is not relevant at a global level as it is only applicable in the US and Canada.
Revenue from renewable energy-related and energy efficiency-related products (RT-EE-410a.3)	Revenues derived from products that are low carbon account for 70.9% (2023: 70.1%) of total revenue (see page 86).
Materials sourcing Description of the management of risks associated with the use of critical materials (RT-EE-440a.1)	Our suppliers make a vital contribution to our performance and engaging with our carefully selected, high quality supply chain ensures we can maintain security of supply. Reviews and supplier audits are carried out to ensure compliance with our Code of Conduct and our policies on the prevention of bribery, corruption and modern slavery. The Group is exposed to fluctuations in the price of raw materials and has implemented procedures to limit exposure to rising prices, including hedging of foreign currencies
Business ethics Description of policies and practices for prevention of bribery, corruption and anti-competitive behaviour (RT-EE-510a.1)	Volution is committed to complying with all applicable laws and regulations in the countries in which we operate. Our policies are available on our website.
Monetary losses from legal proceedings associated with bribery or corruption (RT-EE-510a.2)	No legal proceedings and no monetary losses.
Monetary losses from legal proceedings associated with anti-competitive behaviour (RT-EE-510a.3)	No legal proceedings and no monetary losses.
Activity measures Number of units produced by product category (RT-EE-000.A)	A breakdown of revenues by activity and product type is shown on page 155.
Number of employees (RT-EE-000.B)	Workforce statistics are shown on page 157. The average number of employees was 1,869 (2023: 1,871).
Reportable accident frequency rate	Accident frequency rates are shown on page 74. We report frequency rates per 100,000 hours worked, representing an approximation of the hours worked during a person's lifetime, and allowing comparability across our business units and with other companies. Reportable accidents per 100,000 hours worked in 2024 was 0.20 (2023: 0.30).
Minor accident frequency rate	Minor accidents per 100,000 hours worked in 2024 was 0.10. (2023: 0.50).
Fatalities	Zero fatalities occurred during the year.

ESG Data continued

% Recycled plastic

FY20	FY21	FY22	FY23	FY24
56.0%	59.7%	67.2%	76.2%	**78.1%**

The % recycled plastic used in our facilities' is the proportion of recycled plastic used in production in our main plastic manufacturing locations in the UK, Nordics and Bosnia Herzegovina, shown as a % of total used. The weight of the recycled plastic is shown as a proportion of the total plastic used (including virgin plastic) in manufacturing our own products. The perimeter and calculation methodology is unchanged in each of the reported years shown. The target for FY24 was 83.4%.

% Low carbon sales

FY20	FY21	FY22	FY23	FY24
59.0%	62.1%	66.1%	70.1%	**70.9%**

The % of Low carbon sales is the proportion of total Group revenue that is from the sale of products that are categorised as 'low-carbon products', shown as a % of total Group revenue. We define our low carbon products as products that use less energy than the products they replace, or as products that are used within the local calculation methods to reduce emissions from buildings. A full definition is given on page 202. The perimeter and calculation methodology is unchanged in each of the reported years shown. The target for FY24 was 67.8%

% Heat recovery sales

FY20	FY21	FY22	FY23	FY24
na	na	30.1%	31.4%	**31.7%**

The % of Heat recovery sales' is the proportion of total Group revenue that is from the sale of products that are categorised as 'Heat recovery products', shown as a % of total Group revenue. We define our Heat recovery products as systems, and products and accessories that may be used within a system, of ventilation that collects heat from exhaust air that would otherwise be lost and reuses such heat by transferring it to the incoming fresh air. The perimeter and calculation methodology is unchanged in each of the reported years shown. There is no target set for % Heat recovery sales. The % reported for FY23 has been restated from 33.8% due to improved data collection.

Energy consumption

	Scope 1	Scope 2	Total
FY20	na	na	na
FY21	11,133,933	9,109,225	20,243,158
FY22	9,169,000	9,578,815	18,747,815
FY23	9,674,659	9,327,115	19,001,774
FY24	**9,366,373**	**10,109,068**	**19,475,440**

Scope 1 energy use covers all direct energy use from the business, including all vehicle fuels, gas and heating fuels.

Scope 2 energy use covers all purchased energy with data obtained from energy supply bills, using 12 months of data where possible and extrapolated out using average usage for 11 months where data gaps exist to cover the full 12 months of usage. From 2023, energy consumption is reported gross including all self-generated electricity.

The GHG inventory perimeter for each year includes 100% of the businesses within the Group that have been within the Group for at least one complete year, including all businesses that are within financial or operation control. Acquisitions made during the year are not included in that years figures.

Carbon emissions

	Scope 1	Scope 2 Location Based	Scope 2 Market Based	Scope 3	Total location based
FY20	4,196	na	na	na	4,196
FY21	2,368	1,769	na	na	4,137
FY22	1,920	1,855	904	51,832	52,345
FY23	2,034	1,996	743	733,868	737,898
FY24	**2,120**	**2,317**	**642**	**657,605**	**662,043**

Scope 1 emissions include all direct emissions from the business, including all vehicle fuels, gas and heating fuels. All emissions are calculated using DEFRA emission factors published in the appropriate year.

Scope 2 emissions include all purchased electricity. The data is gathered primarily from energy bills, using 12 months of data where possible and extrapolated out using average usage where data gaps exist to cover 12 months of usage. All emissions are calculated using DEFRA emission factors published in the appropriate year.

Scope 2 location based emissions are calculated with emission factors specific to the energy grid of each operating country.

Scope 2 Market Based emission are calculated using an emission factor that accounts the residual emissions in the energy grid.

Scope 3 emissions include all indirect emissions across the Group for FY24. The number of scope 3 categories included has expanded over the reported periods shown, and as such, the year-on-year reported emissions are not directly comparable.

Carbon is reported in tonnes of carbon equivalent (tCO_2e) and encompass all greenhouse gasses. The GHG inventory perimeter for each year includes 100% of the businesses within the Group that have been within the Group for at least one complete year, including all businesses that are within financial or operation control. Acquisitions made during the year are not included in that years figures.

% of our scope 2 electricity from renewables

FY20	FY21	FY22	FY23	FY24
na	na	73.7	86.5	**86.7**

The percentage of total scope 2 energy purchase within the business from renewable sources including self generated and renewable tariffs/products as a proportion of overall scope 2 energy purchased.

Carbon intensity

FY20	FY21	FY22	FY23	FY24
19.4	15.1	12.3	12.3	**12.8**

Carbon intensity is calculated as Scope 1 and 2 location based carbon emissions in tonnes per £million revenue. The perimeter and calculation methodology is unchanged in each of the reported years shown. The GHG inventory perimeter for each year includes 100% of the businesses within the Group that have been within the Group for at least one complete year, including all businesses that are within financial or operation control. Acquisitions made during the year are not included in that years figures. The target for FY24 was 11.6. The intensity reported for FY23 has been restated from 11.1 due to improved data collection, the addition of some car journeys not included at the time, and updated emission factors to improve accuracy, where more accurate 2023 conversion factors are now available.

ESG Data continued

Reportable accident frequency rate

FY20	FY21	FY22	FY23	FY24
0.03	0.20	0.25	0.30	**0.20**

Reportable accident frequency rates per 100,000 hours worked are calculated by dividing the number of reportable accidents recorded in the year by the total number of hours worked and multiplied by 100,000. A reportable accident is defined as an accident where the injured colleague is unable to work for more than 7 days, and is aligned to the UK HSE RIDDOR category of injury. 100,000 hours is chosen as it represents an approximation of the hours worked during a person's lifetime, and allowing comparability across our business units and with other companies.

Minor incidents frequency rate

FY20	FY21	FY22	FY23	FY24
na	0.61	0.43	0.50	**0.18**

Minor accident frequency rates per 100,000 hours worked are calculated by dividing the number of minor accidents recorded in the year by the total number of hours worked and multiplied by 100,000. A minor accident is defined as an accident where the injured colleague is unable to work for more than 1 day but less than 7.

Safety walks

FY20	FY21	FY22	FY23	FY24
na	na	187	391	**476**

A safety walk is defined as a formal assessment performed by senior management to assess and address health and safety risks within an operational facilities, with the number shown for the financial year.

Number of colleagues

FY20	FY21	FY22	FY23	FY24
1,445	1,538	1,898	1,871	**1,869**

Average number of FTE over the financial year. This number includes all companies within the group.

Gender diversity – total employees	Male	Female	Other	Total
FY20	980	465	0	1,445
FY21	1,034	504	0	1,538
FY22	1,321	577	0	1,898
FY23	1,310	561	0	1,871
FY24	**1,308**	**561**	**1**	**1,869**

Gender diversity – Board	Male	Female	Other	Total
FY20	5	2	0	7
FY21	5	2	0	7
FY22	4	3	0	7
FY23	4	3	0	7
FY24	**4**	**3**	**0**	7

Based on average number of FTE for the financial year, from data held in company records. This number includes all companies within the group.

Carbon reduction metrics

	FY23	FY24
1 – Emissions from purchased plastic	11,589	11,611
2 – Emissions from Air freight	1,701	762
3 – Scope 2 Market-based emissions	743	642
4 – Emissions from gas used at our facilities	544	641
5 – Emissions from owned vehicles and fuel use	1,183	1,189
Total	15,760	14,845

When setting our carbon reduction targets in FY23 we disclosed a selection of active reduction initiatives that would be a driver for carbon reductions and that we would track each year.

1 – Virgin plastic has a higher carbon footprint than recycled. Despite the year-on-year increase in the percentage of our products manufactured from recycled plastic, the total plastic used has increased as have conversion factors.

2 – The reduction in reported Air freight emissions represents a deliberate reduction in air-freighting year-on-year. FY23 has been restated, aligned to DEFRA factors, to ensure that emissions are not overstated.

3 – We aim to move any remaining purchased electricity to contracted renewable tariffs.

4 – Our aim to reduce natural gas use in UK by switching facilities to electricity is a longer term metric. The increase year-on-year is natural variability primarily due to cooler weather.

5 – Emissions remain high as vehicle use has increased, and the transition to a fully hybrid/electric fleet continues as vehicles need replacing. Transition to full EVs is progressing more slowly as we respond to an unstable EV market.

Employee Engagement – methodology

We partnered with WeSoar, a London-based HR Technology and advisory firm to ensure a transparent and unbiased survey process. All colleagues across Volution Group (except new acquisitions in the year – DVS and iVent) were invited to participate. The survey was translated into multiple languages and was sent by email to each employee. We have a significant proportion of our colleagues who do not have a company email address and they were sent the survey link to their personal email address. Designated computer terminals were provided on site to ensure these colleagues had easy access to the survey.

Participation rate is calculated as the total number of completed surveys divided by the total number of employees. All individual responses were confidential and reported in the aggregate subject to a minimum of four responses to protect data confidentiality. A validated and consistent Likert Scale was used for all questions.

The engagement score was calculated using five key items* identified from a pool of 20 survey items categorized under the following factors – Purpose, Commitment, Leadership, Role, Work Environment, Innovation, Retention, Diversity & Inclusion, Advocacy, Communication, Wellbeing, Collaboration, Growth, Belonging.

These five items form the Engagement Index, which represents the overall engagement score, giving equal weightage to each question. The selected items measure critical engagement factors: Advocacy, Belonging, Commitment, and Retention. These factors are essential for modern workplace engagement as they reflect how strongly employees connect with the organization's values, their willingness to recommend it, their commitment to staying, and their overall satisfaction. This targeted approach ensures the engagement score provides an accurate measure of how aligned and committed employees feel.

- I would recommend my organisation as a great place to work.
- My organisation motivates me to contribute more than what is normally required to complete my job.
- I am proud to work for my organisation.
- I would stay even if offered a similar job at another company with comparable pay and benefits.
- I plan to be working in my organisation two years from now.

The results have been presented on pages 70 and 71.

Glossary of Technical Terms

Alternating current or AC	the flow of electric current which reverses direction periodically, typically at 50Hz in the UK and Europe. This is the standard type of electricity supply to domestic and commercial properties
AC blowers	a low-pressure fan with an AC motor
AC motor	an alternating current motor
AHU	air handling unit: a ventilation device which usually integrates air, heating and filtration into one combined unit. May also include cooling and heat recovery
Decentralised heat recovery	a system of ventilation that collects heat from exhaust air that would otherwise be lost and reuses such heat by transferring it to the incoming fresh air. Decentralised heat recovery consists of multiple units supplying and extracting from around the home
EC/DC	electronically commutated direct current
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
Fan coil	a device used to heat or cool a space which includes a water coil and fan for connection to the wider HVAC package within a building
HVAC	heating, ventilation and air conditioning
Hybrid ventilation	a method that combines both passive and mechanical means to form a mixed mode ventilation system
IAQ	indoor air quality
Motorised impellers	a motor that is supplied complete with an impeller attached to it
MVHR	mechanical ventilation with heat recovery: a centralised system of ventilation that collects heat from exhaust air that would otherwise be lost and reuses such heat by transferring it to the incoming fresh air
NVHR	natural ventilation with heat recycling
OEM	original equipment manufacturer
PIV	positive input ventilation: this is an energy efficient method of pushing out and replacing stale, unhealthy air by gently pressurising the home with fresh, filtered air to increase the overall circulation of air in the dwelling
RMI	repair, maintenance and improvement
Rotary heat exchanger	a type of heat exchanger consisting of a circular honeycomb matrix which rotates in the airstream of a heat recovery device
Plate heat exchanger	a type of heat exchanger consisting of a series of plates which transfer the heat from one airstream to another
Specifiers	persons who may specify certain characteristics of products

Low-carbon products – definition

We define our low-carbon revenue as a) revenue from products that are designed to be more energy efficient than the product, or method of ventilation or air movement that they replace, and/or b) revenue from products which reduce carbon emissions as verified through national calculation methodologies or recognised schemes for improving the energy efficiency of buildings. In our European businesses, this is driven by the Energy Performance of Buildings Directive (EPBD) with every local jurisdiction having their own national calculation method. In the UK, products that reduce carbon emissions are included in the Standard Assessment Procedure (SAP) and are listed on the Product Characteristics Database (PCDB) or applied in commercial buildings through the Simplified Building Energy Model (SBEM). In Germany, products that reduce carbon use calculations through DIN V 4701-10:2003-08 combined with DIN V 4108-6:2004-03 or DIN V 18599- 6:2018-09. We also include products that are listed through other schemes which recognise energy saving measures such as the Energy Technology List (ETL) in the UK, or in Australia, products that help improve the 'star rating' of a home in the Nationwide House Energy Rating Scheme (NatHERS). In addition, we include products that save energy over traditional methods such as our products with automation and our DC/EC motorised extract fans. Our low-carbon products are aligned to our accreditation with the FTSE Russell Green Economy mark where our low-carbon revenue is defined as deriving from 'green' products and services as defined by FTSE Russell's Classification System (2023), within the category of Buildings and Property EM.01.0 'revenue generating activities related to the design, development, manufacture or installation of energy efficient products or services for use in buildings'.

Shareholder Information

Shareholder services

For any enquiries concerning your shareholding please contact our registrar:

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Equiniti has a shareholder portal offering access to services and information to help manage your shareholdings and inform your important investment decisions. Please visit www.shareview.co.uk.

Shareholder helpline: 0371 384 2030[1] from the UK
or +44 (0) 121 415 7047 from overseas.

Note
1. Lines are open 8.30 am to 5.30 pm, Monday to Friday (excluding public holidays in England and Wales).

You can access our Annual Report and Accounts and other shareholder communications through our website, www.volutiongroupplc.com.

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External independent auditor
PricewaterhouseCoopers LLP

Corporate brokers
Berenberg
Jefferies International Limited

Legal adviser
Norton Rose Fulbright

Financial PR adviser
FTI Consulting

Company Secretary and registered office

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Forward-looking statements

The Annual Report and Accounts contains certain statements, statistics and projections that are or may be forward looking. The accuracy and completeness of all such statements including, without limitation, statements regarding the future financial position, strategy, projected costs, plans and objectives for the management of future operations of Volution Group plc and its subsidiaries is not warranted or guaranteed. These statements typically contain words such as "intends", "expects", "anticipates" and "estimates" and words of similar import. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Although Volution Group plc believes that the expectations reflected in such statements are reasonable, no assurance can be given that such expectations will prove to be correct. There are a number of factors, which may be beyond the control of Volution Group plc and could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. Other than as required by applicable law or the applicable rules of any exchange on which our securities may be listed, Volution Group plc has no intention or obligation to update forward-looking statements contained herein.

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