

volution



Healthy air, sustainably

Volution Group plc Annual Report 2023



Welcome to our Annual Report 2023

Volution Group plc

is a leading supplier of ventilation products with primary markets in the UK, Continental Europe and Australasia. We aim for our products to enhance customers' experience of ventilation by reducing energy consumption, improving indoor air quality and design and making them easier to use.



Our energy efficient indoor air quality solutions help contribute to the global green economy



www.volutiongroupplc.com

Cover: Image taken by
Natalie Humphrey, Marketing, UK

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Our Sustainable Growth Model

A healthy net zero carbon future

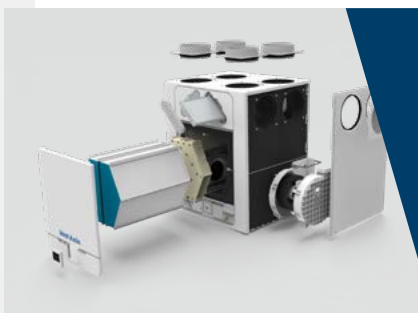
Our purpose is to provide healthy indoor air sustainably

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.

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.

Our purpose

Our sustainability pillars



Product

Engineer sustainable solutions

» Product
Page 56



Planet

Improve environmental performance

» Planet
Page 64



People

Connect people together

» People
Page 84

Our strategy

We aim to achieve our goals through a combination of three strategic objectives:



Organic growth



Value-adding acquisitions



Operational excellence

» Our strategy
Page 26

Our business model

We are committed to building on the strength of our successful business model; we continue to develop these differentiators that are central to making us a successful organisation.

» Our business model
Page 22

Our values

Our values form the basis for our behaviour and our culture. These values guide the way that we work, communicate and deal with each other and with stakeholders, and form an important part of our success.

» Our values
Page 86

Underpinned by our investment case

We aim to continue to deliver value for our investors with reliable, strong and consistent development in financial results whilst minimising our impact on the environment and helping deliver the net zero carbon goals of the geographies in which we operate.

» Our investment case
Page 6

Highlights

Strong, compounding financial performance

Another year of excellent progress in both financial performance and delivering against our ESG initiatives, enabling us to provide “Healthy Air, Sustainably”.

Financial highlights

Revenue

+6.6%

Organic revenue

+4.6%

on constant currency (cc) basis

Geographic diversity continues, revenue from non-UK customers

60%

Adjusted EPS

+7.5%

a compound annual growth rate of 12.7% since IPO in 2014

Excellent cash conversion

106%

closing leverage of 0.8x

Dividend

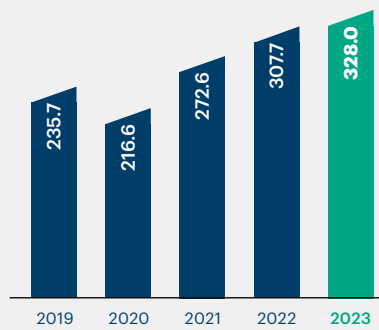
8.0p

+9.6%

» Key performance indicators pages 34 to 37

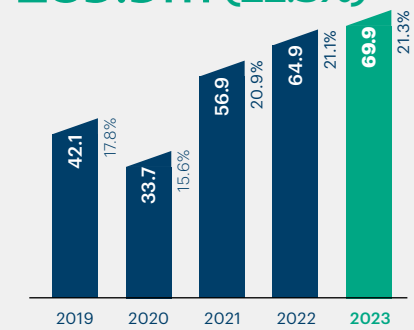
Revenue £m

£328.0m



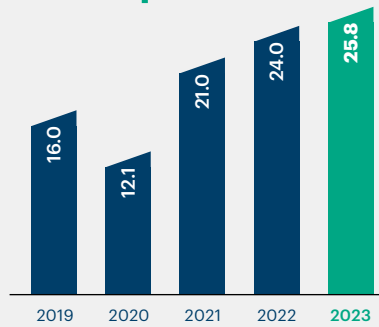
Adjusted operating profit and adjusted operating profit margin £m (% of revenue)

£69.9m (21.3%)



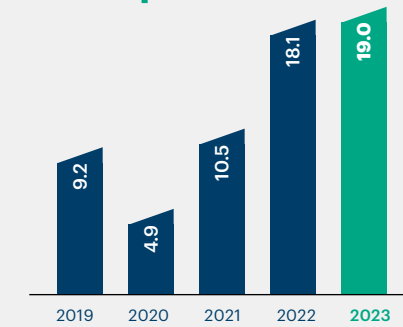
Adjusted basic EPS pence

25.8p



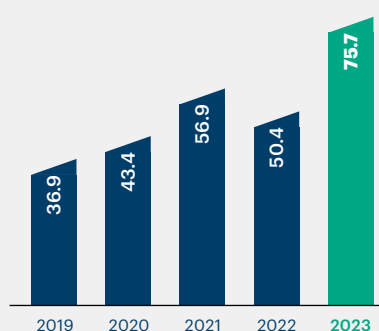
Reported basic EPS pence

19.0p



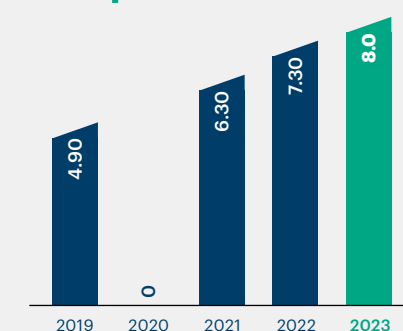
Adjusted operating cash flow £m

£75.7m



Dividend per share pence

8.0p



The Group uses some alternative performance measures to track and assess the underlying performance of the business. These measures include adjusted operating profit, adjusted profit before tax, adjusted EPS, adjusted operating cash flow, net debt and net debt (excluding lease liabilities). For a definition of all the adjusted and non-GAAP measures, please see the glossary of terms in note 34. A reconciliation from reported profit after tax to adjusted profit after tax, adjusted profit before tax and adjusted operating profit is set out in note 2.



Operational highlights **Healthy Air, Sustainably**

- Operating margins increased despite inflationary pressures, with continued good price discipline, robust cost control and good factory efficiency
- £29.7m invested in two European acquisitions:
 - VMI (France), initial consideration of £7.9m, net of cash acquired. Provides Volution with direct access to the French market, one of the largest ventilation markets in Europe
 - I-Vent (Slovenia and Croatia), initial consideration of £21.7m, net of cash acquired. Further extends our product portfolio and European market leadership in decentralised residential heat recovery
- Post year end, completed the acquisition of DVS (New Zealand), a direct to consumer supplier of whole home residential ventilation systems, for upfront consideration of £8.5m
- Successfully launched exciting new products in the year including our new Vent-Axia Econiq range of centralised heat recovery units

- 70.1% of revenue from low-carbon, energy saving products (2022: 66.1%), of which 33.8% (2022: 30.1%) was from heat recovery ventilation systems
- Excellent progress against our key sustainability targets:
 - 76.2% of plastic used in own manufacturing facilities from recycled sources (2022: 67.2%), as we continue to develop innovative strategies to increase the utilisation and availability of recycled plastic materials
 - Reduction of 9.8% in our carbon intensity, to 11.1t CO₂e per £m of revenue (2022: 12.3t)

Sales revenue low carbon

Target FY23: 65.6%

70.1%

Recycled plastic

Target FY23: 76.8%

76.2%

Scope 1 & 2 Carbon intensity

Target FY23: 11.6¹

11.1¹

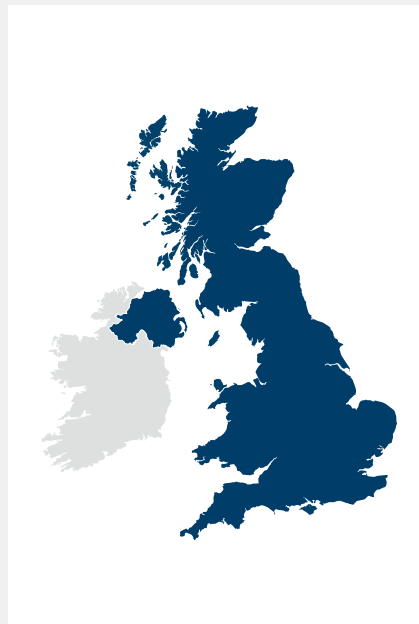
1. tCO₂e/£m of revenue

At a Glance

Acquisitions broadening our geographic diversity

We are market leaders in residential and commercial ventilation solutions.

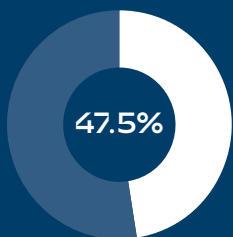
Our regional coverage



United Kingdom

£156.1m

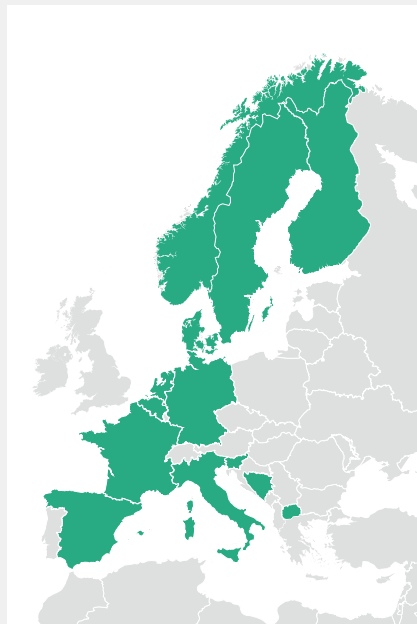
% of Volution Group revenue by region



39.6% UK customers

7.9% Export customers

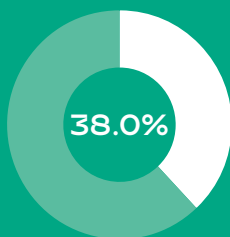
» To read more see pages 16 and 17



Continental Europe

£124.5m

% of Volution Group revenue by region



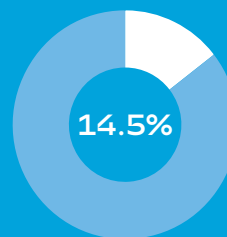
» To read more see pages 18 and 19



Australasia

£47.4m

% of Volution Group revenue by region



» To read more see pages 20 and 21

Our businesses

Volution Group plc is a leading supplier of ventilation products with primary markets in the UK, Continental Europe and Australasia.

We aim for our products to enhance customers' experience of ventilation by reducing energy consumption, improving indoor air quality and design and making them easier to use.



Residential ventilation solutions

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 solutions

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.

Janika Uusitalo, Oulainen, Finland



Ventilation components and other products

The Volution Group's remaining products encompass a number of key components required for ventilation devices including low energy motors and heat recovery cells. These are supplied to a broad range of customers around the world. In addition, we sell some traded products within our channels including heating and cooling products, hygiene products, lighting and door chimes.

Davinder Kumari, Swindon, UK

Our Investment Case

Reasons to invest

Delivering strong growth by maximising the opportunities of the legislative transition as we decarbonise.

Regulatory tailwinds

Our products are supported by regulatory tailwinds as we help avoid carbon emissions supported by the Building Regulations and the EU taxonomy.

New Part O introduced in the UK to reduce the risk of overheating on modern, airtight buildings.

» See for more detail on regulations
Pages 38 to 47

Indoor air quality awareness

Increased focus on good indoor air quality (IAQ) and the importance of ventilation for health.

New changes to the EPBD to measure indoor environmental quality, including IAQ.

» See for more detail on regulations
Pages 38 to 47

Unrivalled product range

We service both residential and commercial sectors, in both public and private new build and refurbishment applications in the UK, the Nordics, Central Europe and Australasia, including the manufacture and supply of key technology components required for the decarbonisation of buildings.

60%

of our revenue is from non UK customers.

» See for at a Glance
Page 4

Structural undersupply

In many of our markets there is a structural undersupply of new homes along with existing ageing stock in need of refurbishment.

UK continues to fall short of UK Government target of 300,000 homes.

» See for more detail on regulations
Pages 38 to 47

Sustainability

Delivering healthy indoor air whilst minimising our impact on the environment and helping support the United Nations Sustainable Development Goals.

76.2%

of material from recycled sources

» See for Sales of low carbon products
Page 56

Growth

Organic revenue growth from a focused sales strategy. Strong track record of acquiring and integrating value-adding businesses into the Group, leveraging our sales channels and our expertise in product development, manufacturing and supply chains.

9.8%

5 year CAGR revenue

» Sales for highlights
Page 2

Fragmented markets

Relatively niche local markets with strong defensibility. In many of our markets we have leading brands, products and sales channel access. Our business model helps develop substantial customer loyalty and barriers to entry.

21

brands and sales offices in 14 countries

» See for the Business model
Page 22

Strong cash generation and robust financial model

Strong and reliable profitability growth leads to strong cash generation and cash conversion.

98%

average cash conversion
% over the last 5 years

» See for highlights
Page 2

Financial targets

Revenue growth

+10% p.a.

Adjusted operating margin
(% of revenue)

>20%

Adjusted operating cash flow conversion

>90%

Organic revenue growth

+3 to 5% p.a.

Adjusted earnings
per share

+10% p.a.

Return on Invested Capital (ROIC)

mid-20s %



Product Design, Hollola, Finland

Note

1. The Group uses some alternative performance measures to track and assess the underlying performance of the business. These measures include adjusted operating profit, adjusted profit before tax, adjusted EPS, adjusted operating cash flow, net debt and net debt (excluding lease liabilities). The reconciliation of the Group's reported profit before tax to adjusted profit measures of performance is summarised in the table on page 30 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 34 to the consolidated financial statements.

Chair's Statement

Strong results and delivering on our purpose



“

In my first few months as Chair of Volution, I have taken time to visit more of our sites. On these visits, I have again been struck by the Volution team's passion and pride in our products, the technical capabilities of our people, the delivery of excellent customer service, and the genuine commitment to the Group's sustainability ethos. The evidence can be seen in the dedication to operational excellence, innovation and the shared commitment to support our contribution to customers and the communities in which we operate.

Nigel Lingwood
Non-Executive Chair



Simx Team, Auckland, New Zealand

Dear shareholder,

In this, my first statement as Chair of Volution, I am pleased to report another strong year of progress. The Group has continued to demonstrate the strength of its business model and strategy, achieving revenue growth of 6.6%, an adjusted operating margin of 21.3% with excellent cash generation during the year.

Volution is a business with a strong purpose and one that has an excellent track record of delivering value to all stakeholders. A key differentiator for Volution amongst its peers is the increase of industry regulation designed to make indoor air cleaner and decarbonise buildings. It is this regulation that has continued to be a key driver of Volution's growth this year, particularly in the UK public sector, where improving poor quality housing has become a legal requirement. It will also provide Volution with considerable resilience in a market where current high interest rates have had an adverse impact on new build construction levels and consumer confidence.

Whilst macroeconomic challenges continue, Volution's performance has demonstrated the strength and resilience of its business model, supported by our broad geographic and product diversity.

Strategy

The three strategic pillars of the Group are organic growth, value-adding acquisitions and operational excellence. These strategic pillars, together with a focus on sustainability, provide the platform for the implementation of the Group's purpose, to provide "Healthy Air, Sustainably". Solid progress was made during the year with good organic growth, whilst the acquisition of VMI, based in France, and I-Vent, based in Slovenia and Croatia, has further strengthened the Group's geographic and product diversification. The Group also acquired DVS in New Zealand, which was completed shortly after the year end.

Performance and results

Group revenue increased to £328.0 million (2022: £307.7 million) whilst adjusted operating profit was up 7.7% at £69.9 million (2022: £64.9 million), representing a margin of 21.3% (2022: 21.1%). Reported profit before tax increased to £48.8 million (2022: £47.2 million).

The Group's adjusted earnings per share was 25.8 pence, representing an increase over the prior year of 1.8 pence, up 7.5%. The compound annual growth rate of adjusted basic earnings per share since IPO in 2014 is 12.7%, demonstrating consistent delivery of double-digit earnings growth over the period. Reported basic earnings per share for the year was 19.0 pence (2022: 18.1 pence).

Adjusted operating cash flow was £75.7 million (2022: £50.4 million), and we spent £29.7 million, net of debt acquired, on two acquisitions during the year. As a result, net debt excluding lease liabilities at the year-end remained largely unchanged at £58.1 million (2022: £60.8 million).

Chair's Statement continued



Tour of Volution site in Växjö, Sweden

Dividends

Recognising our strong performance in the year and our continued confidence in the business, the Board has recommended a final dividend of 5.5 pence per share, giving a total dividend for the financial year of 8.0 pence per share (2022: 7.3 pence per share), an increase of 9.6% 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 3.2x (2022: 3.3x).

Subject to approval by shareholders at the Annual General Meeting on 13 December 2023, the final dividend will be paid on 19 December 2023 to shareholders on the register at 24 November 2023.

Environmental, social and governance (ESG) objectives

Volution is committed to high standards of corporate responsibility, sustainability and employee engagement and continues to focus on its contribution to a more sustainable world through its operations, culture and ventilation solutions. The Group aims to give full consideration to the long-term impact of all business operations, which means that, wherever feasible, our products and services are sustainably sourced.

The disclosures in our Sustainability Report, including our TCFD disclosure, have been further developed this year to provide a better understanding of our Scope 3 emissions and the carbon footprint of our products. In addition, the Company has received an improved AA rating from MSCI, following improvements in Volution's decarbonisation initiatives – one of the benchmarks for ESG ratings. We are very proud of our London Stock Exchange Green Economy Mark, first received in 2021.

Our people and culture

As a Board, we understand the importance of building engagement and a good corporate culture. We regularly monitor the company 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 two Group-wide Employee Forum events each year, enabling in-depth insights to be brought to the Board on the views, opinions and focus areas of our people. A Group-wide workforce engagement survey will be launched later this year and as a Board we look forward to the further insights that this will afford us.

Safety at work is always central to everything we do, and the Group remains focused on a zero-harm ambition. I am pleased to report good progress in the area of health and safety, although we saw a small increase in the reportable incident rate compared to last year, and the Company remains fully committed to further strengthening the health and safety culture across all our businesses.

Our talented people across the global business are at the heart of our continued success and essential in the execution of Group strategy. I am grateful to all Volution colleagues for their commitment and contribution. I would like to welcome our new colleagues from VMI, I-Vent and DVS to the Volution Group.

Board changes

Paul Hollingworth retired as Chair of the Board on 23 June 2023, having served on the Volution Board for nine years. I was delighted to be appointed as Paul's successor and would like to thank Paul for his leadership and contribution to Volution during his tenure. I would also like to thank my Board colleagues for their assistance in ensuring a smooth and orderly succession process.

As part of the succession process, I stepped down from the role of Audit Chair and, on 23 June 2023, we were pleased to welcome Jonathan Davis to the Board as an Independent Non-Executive Director and Chair of the Audit Committee. With his strong financial and accounting expertise and extensive public company and international experience, I am confident that Jonathan will make a strong contribution to the Board.

Governance

The Group is committed to high levels of corporate governance, in line with its status as a company with a premium listing on the Main Market of the London Stock Exchange and as a member of the FTSE 250. We are fully compliant with the 2018 edition of the UK Corporate Governance Code.

As a Board we are responsible to the Company's shareholders for delivering sustainable shareholder value over the long term through effective management and good governance. As Non-Executive Chair, my role is to provide strong leadership to enable the Board to operate effectively and collegiately. As a Board, it is our view that open, thorough, and robust discussion around key strategic matters, risks and opportunities faced by the Group is central to reaching our strategic goals, including with regard to our acquisition strategy. We are fortunate to have a diverse range of business experience on the Board, enabling rigorous and productive discussions.



Nigel Lingwood
Non-Executive Chair

4 October 2023

Chief Executive Officer's Review

A strong set of results with excellent operating cash conversion, in a market with significant headwinds, further highlighting the resilience of the Group's local brands and wide geographic and end market diversity



“

Our committed local teams have done an incredible job delivering exceptional customer service and another successful year of providing 'Healthy Air, Sustainably'.

Ronnie George
Chief Executive Officer

Summary

- Another year of excellent progress financially, strategically and against our ESG targets.
- Reported revenue growth of 6.6% (6.1% at cc), with organic growth of 5.1% (4.6% at cc) supplemented by inorganic growth of 1.5% (1.5% at cc).
- Adjusted operating profit of £69.9 million, an increase of 7.7% over the prior year (2022: £64.9 million). Reported operating profit of £57.1 million, an increase of 12.4% over the prior year (2022: £50.8 million).
- Adjusted operating margin expansion of 20 bps to 21.3% (2022: 21.1%), as we successfully managed inflationary headwinds.
- Excellent cash conversion in the year of 106%, above our target of 90%.
- Adjusted earnings per share at 25.8 pence; a compounded annual growth rate of 12.7% since listing in 2014. Reported earnings per share at 19.0 pence.
- Strong M&A momentum:
 - Two acquisitions completed in the year, VMI in France (April 2023) and I-vent in Slovenia (June 2023) further extending our geographic reach and adding further exciting product technology to the Group's product portfolio.
 - A third acquisition, DVS Proven Systems, completed post year-end on 4 August 2023.

Overview

The results we achieved this year are a clear demonstration of Volution's strengths as we benefited from our market leading positions, our wide geographic and end market diversity and our ability to upsell our products supported by industry regulations. We estimate that almost 70% of Group revenue is focused on the refurbishment, maintenance and improvement market ("RMI"), typically more resilient than new build markets in difficult economic times. Against a backdrop of high inflation, rising interest rates, and a slowdown in activity in some of our end markets, we were still able to achieve organic growth of 5.1%. Furthermore, our relentless focus on operational excellence, including strong pricing discipline, robust cost control, value engineering initiatives and good factory efficiency enabled us to expand our operating margin to 21.3%.

Our organic growth was supplemented by our continued focus on acquiring strong local brands with attractive market positions, this activity remains a key tenet of Volution's growth strategy. During the year we were delighted to acquire two businesses, VMI in France and I-Vent in Slovenia, with a third business, DVS Proven Systems, acquired post year-end. These acquisitions provide the Group with increased resilience by broadening its geographic reach and giving it access to attractive new markets. They also bring with them innovative low carbon product solutions to further expand our portfolio.

Volution is a leader in the international heating, ventilation and air conditioning market and our purpose is to provide "Healthy Air, Sustainably". Since listing in 2014 we have delivered consistent revenue and profit growth and strong operating cash flow. It is this consistent cash generation which underpins our ability to acquire businesses, which further increases our already broad geographic market, and we maintain an active pipeline of potential targets.

As we continue to grow organically, and complement our market positions with new acquisitions, our management "bench strength" is of critical importance to our success. During the year we further strengthened our team including hiring a new Operations Director, for our UK businesses and commencing a Managing Director search process for our ClimaRad business in the Netherlands. I am pleased to say that we will be holding our fourth Management Development Programme

later this year and I know from experience how important this programme is for retaining and enhancing our talent pool.

As previously reported, the wider supply chain difficulties experienced by the industry in recent years have now subsided. In response to these earlier difficulties, Volution took steps to mitigate any disruption, thus ensuring we had excellent product availability for our customers throughout this period. This early action served us, and our customers, well and has resulted in an increase in our competitive advantage. There are numerous examples where we have made local market share gains due to strong customer relationships and apparent gaps in competitor product availability. The local teams are focused on consolidating these opportunities in the year ahead.

Our markets

Volution's revenues are weighted towards the refurbishment market which now accounts for around two-thirds of sales, with the balance focused on new build applications. Both new build and refurbishment activities are increasingly regulated, with the former seeing an accelerated change as local economies focus more readily on reducing carbon emissions from new buildings.

The rapid rise in interest rates has had an adverse impact on new build construction levels and consumer confidence during the year. Whilst we are seeing lower overall unit construction output in new residential and commercial projects, ever tightening regulations (focusing on lowering carbon emissions) is supporting demand for Volution's innovative and value adding low carbon solutions, where typically the average unit value is significantly higher than the traditional ventilation solution that it replaces.

Demand in the refurbishment market has been supportive during the year, particularly in the UK where we saw demand in public refurbishment RMI benefiting from the heightened awareness of health risks associated with mould and condensation. Private RMI proved very resilient.

We believe that ventilation refurbishment is far less discretionary than other product categories in buildings. Post the pandemic, we have noticed that there is a more pressing need to replace ventilation products, compared to other elements of refurbishment that can be postponed indefinitely. We have also seen the unintended consequences of home

occupiers reducing heating temperatures during the winter months in response to higher energy prices. This leads to lower temperatures in the dwelling which propagates the risk of mould and condensation problems with air holding significantly more moisture when cold, than at higher temperatures. This too makes the requirement for ensuring good ventilation more pressing.

To deliver on net zero commitments, Governments must address our buildings which, in Europe, are responsible for around 40% of our energy use and 36% of our carbon emissions. Our technology provides solutions to avoid some of those emissions, and increasing regulation is the key driver. This year we have provided more insight in this report into the regulatory position in each of our key geographies, covering both air quality and energy efficiency. Our local teams and our trade associations continue to ensure our voices are heard as the regulations provide strong tailwinds supporting the adoption of higher value ventilation solutions. See more on page 38 to 47.

Results

The Group delivered revenue of £328.0 million (2022: £307.7 million), an increase of 6.6% (6.1% cc), with organic growth of 5.1% (4.6% cc) and inorganic growth from the two acquisitions in the year, as well as the full year effect of the acquisition in the prior year, of 1.5%. Adjusted operating margins increased from 21.1% in the prior year to 21.3%, a strong performance in the face of much higher inflation than in previous years. Reported profit before tax was £48.8 million (2022: £47.2 million), an increase of 3.4%.

Sustainability

Good progress was achieved with our sustainability initiatives. Recycled plastics content in our own production increased substantially in the year to 76.2% of total consumption. A significant proportion of the Group's injection moulding and PVC extrusion production takes place at our Reading facility in the UK and I am proud of the way in which the team developed innovative strategies in the year to increase the utilisation and availability of recycled plastic materials. This is a great example of a cross functional initiative and whilst we still have some way to go to achieve the 90% target by the end of our financial year 2025, the increase from under 60% in 2021 provides a good trajectory towards the target. Utilising recycled materials is also a significant

Chief Executive Officer's Review continued



6.6%

Revenue growth

21.3%

Adjusted operating margin

70.1%

Revenue from our low-carbon products

2

Acquisitions during the year

Sustainability continued

commercial advantage for our customers with many new projects requiring a minimum recycled content in the supply of materials and we are keen to assist in the more circular economy for the supply of products into buildings.

Revenue from our low-carbon products has increased to 70.1% in the year, well ahead of this year's target of 65.6%, and two years ahead of our target of 70% by the end of 2025. We expect the growth in our low carbon product solutions to continue to be ahead of the growth of more traditional products. The recent acquisitions of VMI in France and I-Vent in Slovenia will positively assist our metric in the year ahead as they already have a high concentration of their revenue from low carbon solutions.

Our Sustainability Committee, comprising of our senior leadership 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.

Strategy

Organic growth

We delivered organic growth of 5.1% (4.6% cc) driven by increases in both price and volume.

Volution has a long-term target to consistently deliver annual organic growth in the range of 3-5%. We have again delivered organic growth at the top end of the range, despite the more difficult trading environment in the year. As in previous years, our more vertically integrated business model, our intentional approach to holding a higher component

inventory and our resulting excellent service levels have helped us to deliver this growth. Across the Group there have been notable market share gains directly attributable to superior service levels.

An acceleration of regulatory support; the impact of higher energy costs; and our strong local brands, managed by local, motivated, and empowered teams, have enabled us to deliver an above market growth performance. Our strapline, “Healthy Air, Sustainably”, which we introduced in 2020, resonates strongly across the Group.

Acquisitions

We completed two acquisitions in the year. In April we announced the completion of the acquisition of Ventilairsec (VMI) for an initial consideration of £7.9 million (€9.0 million), net of cash acquired. VMI, based in Nantes, France, 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. Our position in France, whilst currently quite small, is eminently scalable in the years ahead. A new managing director was recruited and a successful handover from the owner has already been completed. We are confident that our wider ranging ventilation solutions from across the Group can assist the local team to grow more rapidly in the period ahead.

The VMI acquisition included an earn-out payment of up to €5 million, which will be calculated on the basis of the EBITDA for the year ended 31 December 2023.

In June 2023 we completed the acquisition of I-Vent for an initial consideration of £21.7 million (€25.2 million), net of cash acquired, with further contingent consideration of up to €15 million based on stretching growth targets for the financial results for the three years up to and including 31 December 2025. I-Vent, based in Slovenia and Croatia, designs, manufactures, and supplies residential ventilation systems, primarily focused on decentralised heat recovery. Similar to the technology in InVENTer Germany, we see complementarity in the respective ranges and our teams are already working out how we can utilise the increased strength in our product portfolio to optimise our offering.

Post year end we also completed the acquisition of DVS (Proven Systems Ltd)

in New Zealand. 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 will be integrated into our Australasian business and provides 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 20bps margin improvement to 21.3% in the face of significant inflationary pressures across materials, labour, and infrastructure costs. Delivering a consistently strong operating profit margin is the culmination of many smaller initiatives across the entire business. Pricing discipline, long term supply chain partnerships, focus on value engineering and operational efficiency initiatives and good investment in new moulding, extrusion and other plant and equipment in 2023, helped underpin our margin.

People

A key highlight of the year was a full return to normal working practices post the pandemic. Our Group is now truly international, and the ability to freely visit all facilities was a tremendous boost. During the year we held more employee engagement meetings than in our recent past. I am privileged to lead such a diverse and talented organisation and the feedback from the people in our local companies is hugely enriching and invaluable to our decision-making processes.

I was delighted to observe lots of examples of cross border co-operation on so many levels. Our technical and procurement resources are managed functionally and provide Volution with a significant resource to support our local operating companies to outperform their local competitors. Enhancing collaboration across these and other working groups is key to our success.

We also held two group wide employee engagement and communication meetings, also attended by Claire Tiney, Non-Executive Director, and chair of the Remuneration Committee, with specific focus on sustainability at one meeting and product development and innovation at the other.

Retention and development of our talented teams is key to our success. Since 2012 we have successfully run three management development programmes across the Group. We are now planning a fourth programme for late October 2023. This current cohort will consist of eighteen high potential managers from all geographic and functional areas of the Group. I am very much looking forward to the programme kick-off, and I also know how excited the participants are to be involved. A look back at the first three management development programmes reveals a retention rate of over 70%.

I 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

Through continued successful execution of our sustainable growth model, we have delivered a strong set of results in a year of significant headwinds. The Group’s resilience is underpinned by our strong local brands, our increasingly wide geographic diversity and the greater proportion of our revenue generated from the refurbishment market. Exceptional customer service provided by dedicated and committed local teams, and an agile and focused approach to fulfilling customer needs has delivered another successful year for the Group.

Whilst we are mindful of the impact of higher interest rates on consumer confidence and new build construction, the regulatory changes in our local markets continue to drive demand for our innovative and well-positioned low carbon product technologies. In addition, our three new acquisitions completed in the last six months; our ongoing focus on operational excellence; and the depth of experience and commitment across our local teams provides resilience and gives us confidence of making further progress in the year ahead.

Ronnie George
Chief Executive Officer
4 October 2023

Regional Review



Rizzy Cook, Crawley, UK

United Kingdom

Market sector revenue	2023 £m	2022 £m	Change (cc) %
UK			
Residential	89.7	75.1	19.5
Commercial	30.2	31.0	(2.8)
Export	12.1	11.7	1.7
OEM	24.1	25.9	(8.0)
Total UK revenue	156.1	143.7	8.3
Adjusted operating profit	35.3	29.3	20.6
Adjusted operating profit margin (%)	22.6	20.4	2.2pp
Reported operating profit	28.1	22.3	26.2

£156.1 million

Revenue

↑8.6%

Revenue growth

£35.3 million

Adjusted operating profit

“

Awareness and understanding of the importance of good ventilation in delivering healthy air inside buildings is now widespread.

The UK delivered the standout performance of the year with strong revenue and profit growth. UK revenues increased from £143.7 million to £156.1 million, an 8.6% increase (8.3% at cc), building on good organic growth delivered in the prior year. The UK saw strong demand in Residential RMI, particularly in the public sector. Alongside this, exceptional customer service, an agile and focused team, and residential market share gains helped deliver this excellent performance. Adjusted operating profit increased from £29.3 million to £35.3 million with a significant increase in the adjusted operating margin at 22.6% up 220 bps from 20.4% in the prior year. The organisational changes made in the prior year bedded in well delivering a more agile and responsive outcome across the business. Revenue growth accelerated in the second half of the year, and we are well placed to deliver further progress in the year ahead. Although high inflation and rises in interest and mortgage rates are stifling new construction activity, Volution's overall market demand continues to be underpinned by regulatory and wider consumer awareness of the importance of indoor air quality.

Residential

Sales in our Residential market sector were £89.7 million (2022: £75.1 million), an impressive organic growth of 19.5%, building on last year's strong organic growth. Moreover, we saw an acceleration of growth in the second half.

In residential new build we delivered another year of revenue growth supported by the increasing penetration of energy efficient ventilation technology in new house construction. In June 2022 revisions to Part F and Part L of the Building Regulations provided increasing support for low carbon energy efficient ventilation systems for new house building. Those changes inevitably take time to impact demand for low carbon solutions, as existing construction sites at the time of the regulatory change will continue to be constructed to the original plan. During the year we certainly benefited from these new changes, but we expect to see a greater proportion of new houses being built with more efficient technology in the year ahead. New account wins have assisted us to grow market share and our exceptional levels of customer service and full product availability to customers, at all times, have set us apart from the competition. Whilst we are confident that regulatory changes in 2022, and further changes to the Future Homes

Standard planned for 2025 (delivering buildings that are net zero ready) will underpin sales of new technology solutions, the new build market faces significant challenge from the effects of high interest and mortgage rates. Housing starts reduced considerably in the year and will result in fewer completions in the period ahead. This will inevitably result in some moderation of demand for energy efficient ventilation systems. Nevertheless, the medium to long term drivers of demand remain compelling. During the year we made iterative changes to our leading ranges of energy efficient ventilation solutions. Our UK ventilation brands provide the widest product range and solutions, and are well supported by new investment in injection moulding and extrusion capacity to safeguard our excellent levels of customer service and availability.

The awareness and understanding of the importance of good quality ventilation in delivering healthy air inside buildings is now widespread. The strong demand we experienced for our refurbishment solutions through the pandemic has continued, which validates our view that ventilation refurbishment is far less discretionary than other types of building refurbishment.

Our residential refurbishment category in the UK was the fastest growing area across the entire Group. Our high end, aesthetically attractive, near silent, comprehensively controlled, private refurbishment solutions continued to deliver good growth in the year.

Across our Vent-Axia, National Ventilation and Manrose brands, we have strong links to our important professional and retail distribution routes to market. We value our distribution customer relationships very highly and the sales teams worked very hard during the year to help educate and train these outlets on the important aspects of the ventilation industry and our market leading solutions.

We have a simple but relentless approach to providing excellent stock availability and customer service, at the centre of which is first class relationships with our suppliers and customers. The Group has the largest UK ventilation sales force supporting customer needs.

Public housing refurbishment demand was very strong in the year. On 9 February 2023, the Government tabled amendments to the Social Housing (Regulation) Bill to introduce 'Awaab's Law', which will require all landlords to investigate and fix reported hazards in their homes within a specified time frame, or rehouse tenants where a home cannot be made safe. 'Awaab's Law', was put in place following the death of a young boy who died due to exposure to black mould in his socially managed home which had 'inadequate ventilation'. This sad event has further emphasised the importance of refurbishment in this market sector. As a result, we witnessed a sharp increase in demand for energy efficient ventilation solutions and this delivered accelerated revenue growth in the second half of the year.

Volusion has been well placed to support these vital refurbishment needs. In the 2022 Annual Report we explained how we were utilising our innovative decentralised heat recovery product solutions from other parts of the Group to support the UK social housing ambition to deliver their 2030 net zero carbon targets. In the year we have been successful in supplying decentralised heat recovery ventilation solutions to projects that require a further step up in their ventilation needs following a more structural refurbishment of the dwelling. Greater air tightness through insulation, an obvious and important upgrade as part of a low carbon refurbishment, then warrants heat recovery ventilation to recover energy and keep fuel

and condensation risks during the last winter, due to the unintended consequence of turning down heating thermostats to save costs. Colder air temperatures means less moisture can be held in the air; the resultant issue is water droplets forming at lower temperatures which leads to greater condensation and mould. The impact of 'Awaab's Law', the lower property temperatures, and consumers investigating how to solve their condensation problems, resulted in a significant increase in demand for "Positive Input Ventilation" technologies. Utilising our strong relationships with our distribution customers, we were able to ensure that contractors could source the exact products they required to service this strong demand. During the latter part of 2023 we further enhanced our product range and have ensured that our customers are well placed to service the expected strong market demand in the year ahead.

Commercial

Sales in our UK Commercial sector were £30.2 million (2022: £31.0 million), an organic decline of 2.8%. Volusion has a relatively small share of the larger commercial ventilation market, albeit with a leading share in the niche area of fan coil ventilation. The year finished strongly, and saw an increase in second half revenue, following a decline in the first half. Excellent progress with our enhanced range of fan coil ventilation enabled us to make good progress with the supply of products to the main market of new London commercial offices. Whilst the commercial office market has generally been more subdued, we are seeing a growing trend and need for more desirable working environments. Employees are demanding brighter, more energy efficient work places and we see a good pipeline of work for both new build and refurbishment needs for fan coil units. During the year we completed key new developments for products that provide commercial heat recovery or commercial heat recycling. This delivered some success in the second half of the year and puts us in a stronger position to gain market share in the year ahead. Our investment in more advanced metal cutting capability at our Dudley facility provides the capacity to support any increase in demand.

Export

Sales in our UK Export sector were £12.1 million (2022: £11.7 million), an organic growth rate of 1.7% at constant currency. Export revenues had declined in the first half of the year, largely due to a significant customer de-stocking exercise, but performed well in the second half, growing at close to 10% on a constant currency basis. Our long-term collaborative relationship with our distributor in Eire delivered another year of growth and given the stronger Irish housing market, we see good underpinning of demand for energy efficient heat recovery solutions in the year ahead.

OEM

Third party Sales in our OEM sector were disappointing at £24.1 million (2022: £25.9 million), an organic decline of 8.0% at constant currency. This was linked to a reduction in customer demand for motorised impellers utilised in products focusing on the new build market. However we delivered a significant increase in the internal supply of our EC3 motorised impellers in the year with several new initiatives underway to capture more of our internal needs in the year ahead. A huge strength of the Group is the vertical integration of moulding, extrusion, and component supply capability and this has been particularly beneficial in recent years where we have faced supply chain challenges. Our strategic intention is to greater utilise our OEM capability to capture more of the internal demand. This initiative is particularly relevant as we foresee ongoing weakness of demand for motorised impellers due to more subdued end market demand for new construction.

Regional Review continued



i-Vent Team, Slovenia

Continental Europe

	2023 £m	2022 £m	Change (cc) %
Market sector revenue			
Central Europe	75.4	65.1	12.7
Nordics	49.1	53.3	(5.7)
Total Continental Europe revenue	124.5	118.4	4.4
Adjusted operating profit	28.4	29.6	(4.0)
Adjusted operating profit margin (%)	22.8	25.0	(2.2)pp
Reported operating profit	25.1	23.2	7.9

£124.5 million

Revenue

↑0.6%

Organic revenue growth at constant currency

↑5.2%

Revenue growth

Our Continental Europe revenues increased from £118.4 million to £124.5 million, growth of 4.4% at constant currency, within which organic growth was 0.6% on a constant currency basis. The sector benefited from the acquisition of VMI in April 2023, I-Vent in June 2023 and the full-year effect of the acquisition of ERI in September 2021. Adjusted operating profit was down 4.0% at £28.4 million versus a prior year of £29.6 million. The adjusted operating profit margin declined in the year by 220bps to 22.8%, partly due to the dilutionary impact of the acquisitions, but also due to the changing mix of revenues with both the higher margin Nordic and German market revenues declining at a higher rate than the growth areas such as ERI in North Macedonia.

Central Europe

Sales in the Central Europe region grew 12.7% at constant currency to £75.4 million compared to the prior year of £65.1 million. Organic revenue growth was 5.9% on a constant currency basis, with inorganic growth coming from the acquisition of VMI, I-Vent and the full-year effect of the acquisition of ERI.

Revenues in Germany in the second half of the year were much weaker than the prior year. Unlike the usual 70%/30% Group wide split of revenues between refurbishment and new build, we have a high concentration of German revenue focused on the new build market. New build construction was much weaker in the second half of the year, coupled with inconsistencies around government subsidies supporting low carbon technologies. Germany has been a strong contributor to our organic growth since 2019 and a revenue decline in the year was unusual. In recent months we have refocused our selling efforts on the significant refurbishment opportunities in the market. Germany, alongside every other country is working out how to achieve its net zero carbon targets. Local government is now providing more clarity on subsidies for various low carbon technologies, and we had some good successes towards the end of the year. Strong pricing management, excellent cost controls and some innovative new product solutions enabled us to maintain our local gross margins. Whilst the new build outlook remains fragile, the medium-term dynamic of heat recovery technology demand in Germany, both in new build and increasingly in refurbishment, remains compelling.



Janika Uusitalo, Oulainen, Finland

inVENTer team, Löberschütz, Germany

In the Netherlands, ClimaRad delivered strong organic growth, accelerating in the second half of the year. Our “total cost of ownership” model is reaping significant dividends as we demonstrate the substantial savings that a ClimaRad decentralised heat recovery system can deliver in a structural refurbishment. The Netherlands market is one of the most progressive in Europe with a focus on decarbonising buildings and an established approach to the future ban of gas boiler installations in the new build market. This is a hugely supportive change in the market increasing the utilisation of heat pump technology and an increased investment in greater insulation for residential buildings. This positions our decentralised heat recovery technology in ClimaRad very well. The project orderbook remains strong and we remain confident that we will make further inroads in the market with our compelling solution in the year ahead.

In Belgium we delivered organic growth, however, the introduction of our new extended range of higher airflow heat recovery systems was delayed until the end of the financial year 2023. Our Econiq range of heat recovery is the culmination of a significant product development investment, and our new application software technology will materially aid commissioning and an improved user experience. Whilst a much later than planned introduction to the market, we are excited about the opportunity to regain lost share in the new financial year.

Nordics

Sales in the Nordics region were £49.1 million (2022: £53.3 million), an organic decline of 5.7% at constant currency compared to the previous year. The Nordics market was especially challenging in the second half of the year with weaker demand and significant customer destocking resulting in a revenue decline. Strong pricing discipline in the Nordics, a moderating of input cost inflation, and the increasing benefits of our new production facility in Växjö, helped us to maintain a strong gross margin performance. Customer de-stocking is largely completed and whilst the local markets, as with all of our markets, are grappling with the higher cost of borrowing, we believe that demand reached its low point in H2 2023. Our Nordic activities are weighted around 65% to refurbishment, which is similar to the rest of the Group, the balance being new build construction. Whilst new build markets are likely to continue to be subdued

whilst interest rates remain at elevated levels, we continue to exploit opportunities in refurbishment for higher value adding solutions such as the significant growth in decentralised heat recovery from a low start point. Volution is the European leader for the supply of decentralised heat recovery in residential buildings and this is a key area of focus for the period ahead.

Acquisitions

Energy Recovery Industries (“ERI”), a leading provider of aluminium heat exchanger cells for heat recovery applications delivered another year of strong revenue growth. In line with our original investment plan to increase our manufacturing capacity in North Macedonia and boost efficiency, we have also invested in new equipment during the year enabling us to shorten lead times and deliver efficiency benefits which further enhanced our operating profit margin. The long-term growth drivers for heat recovery ventilation are strong and we plan to make further investments to enhance our manufacturing facility and capacity in the year ahead.

In April 2023 we acquired VMI in France. Whilst a relatively small player in the French market we are delighted to now have a structural presence in this important market. VMI has an experienced and passionate team of ventilation experts and coupled with the access to our wider portfolio of existing and new product developments we see an opportunity to deliver good organic growth in the French market. Specialising in energy efficient positive input ventilation technology, VMI will benefit from enhancing its product range and new customer relationships.

In June 2023 we completed the acquisition of I-Vent, a provider of decentralised heat recovery ventilation systems in Slovenia and Croatia. The acquisition gives the Group access to fast growing new markets, and I-Vent’s innovative Low Carbon product solutions will further enrich our Group’s expansive product portfolio, particularly in decentralised heat recovery. Retro-fitting heat recovery into existing residential dwellings is a key strategic focus for the Group across Europe. With the majority of existing revenue arising in Slovenia, the Croatian market position, although much smaller, provides potentially a faster growing opportunity due to our lower market penetration.

Regional Review continued



Nisha Desai, Auckland, New Zealand

Australasia

	2023 £m	2022 £m	Change (cc) %
Market sector revenue			
Total Australasia revenue	47.4	45.6	3.6
Adjusted operating profit	11.3	9.9	13.9
Adjusted operating profit margin (%)	23.9	21.8	2.1pp
Reported operating profit	10.7	8.8	22.0

£47.4 million

Revenue

↑3.9%

Revenues growth

£11.3 million

Adjusted operating profit

Sales in our Australasia region were £47.4 million, with organic growth of 3.6% at constant currency. Adjusted operating margins improved to 23.9% versus 21.8% in the prior year. Following a period of substantial organic growth in Australia, organic growth rates moderated in the year as expected. Pricing discipline and excellent cost control enabled us to further increase operating profit margins to 23.9%, a significant improvement over the prior year.

Simx in New Zealand delivered a good performance. Revenue has increased beyond the high levels of previous years when demand had been boosted by the Healthy Homes Act. New Zealand has a structural demand for additional new residential construction, however, as with other markets, higher interest and mortgage costs are stifling demand. Similar to the wider group, our revenue focus is predominantly refurbishment led and we continue to see opportunities to introduce more innovative technology to this market.

The post year end acquisition of DVS Proven Systems, completed on 4 August 2023, further strengthens our position in the residential "Smart Vent" market. With DVS Proven Systems' unique consumer focused approach to ventilation in the local market, we see huge potential to increase sales our value-added solutions. Through direct consumer marketing, we are confident that we can encourage greater penetration of both central and de-central heat recovery systems in New Zealand.

In Australia we continue to make good progress and the launch of our Sky Fan DC range of ceiling fans was particularly successful in the year. We launched our Manrose brand into the DIY sector in the year and we plan to extend this range in the coming months. Ventair has been part of the Group since 2019 and we are delighted that over four years after the successful introduction to the Group we have secured a long-term agreement with the founder and other members of the senior team, so we can continue to work together to further grow our market penetration in Australia. Important elements of our success are the key supplier relationships that we have fostered since the business was founded and the increasing strength of the local team, which is well positioned to capitalise on these relationships.

“

Simx in New Zealand delivered a good performance, with revenue higher now than at the time of the strong refurbishment demand in previous years.



Joshua Varela, Auckland, New Zealand



Ventair Team, Melbourne, Australia

Business Model

How we create value

Why we do

What we do

Volition supports legislative transition as we decarbonise



Health

Making our buildings air tight and insulated leads to poor air quality if we don't ventilate them correctly. Regulations continue to drive the demand for our products.

1/3

of people report mould in their home



Efficient

Volition continues to drive the demand for low carbon products, and our technology provides an important pathway to avoid carbon emissions from buildings.

36%

CO₂ from buildings



Comfort

Modern buildings run the risk of overheating during the summer periods. Our products provide energy efficient solutions to reduce that risk and create comfortable living environments.

2023

record temperatures

» Regulations
Page 38



Design

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

£4.5m

R&D spend

85

People employed in NPD

70.1%

low carbon revenue

» Planet
Page 64



Manufacture

We manufacture whilst remaining focused on sustainability and assemble high quality, technically differentiated ventilation solutions at optimal cost.

12

facilities

83%

of revenue from products we manufacture

76.2%

recycled plastics

» Product
Page 56



Acquire

We continue to acquire and integrate value-adding companies that provide synergistic benefits, routes to market and help us leverage our scale.

25

acquisitions since 2012

c£250m

spend on acquisitions since 2012

» Our Growth Opportunity
Page 48

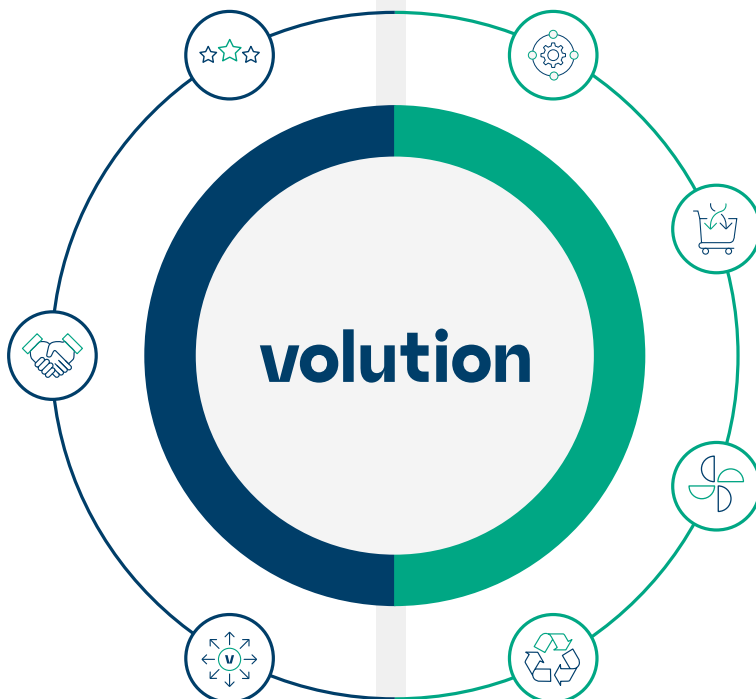
Magnus Sandin (left), Tomas Nilsson (right), Voltair, Stockholm, Sweden

How we do it

The value we create

Strong expertise

Leveraging Group scale



Brands

We have strong brands supported by passionate local champions.



Relationships

Our local teams have an intimate knowledge of our markets and customers.



Distribution channels (multi-channel)

Our multibrand, multichannel strategy enables us to maximise our market reach.



Supply chain

We manage supply chain complexities leveraging our scale and maximising returns.



Cross-selling

Cross selling group products through our sales channels provides strong barriers for competitors.



Group product development

Optimising new product development across our businesses ensures we maximise returns.



Sustainability (recycled plastics)

Using recycled plastic helps reduce our environmental footprint and optimise our costs.

Shareholders

We seek to deliver attractive returns for our shareholders with sustained growth in profit and cash flow.

+12.2%

Adjusted basic EPS 5 year CAGR

Employees

We offer career development within a framework of sustainable employment opportunities.

85%

retention rate

Customers

We listen to our customers and provide unrivalled product solutions within our local markets.

>20,000

SKUs

Suppliers

We develop long term relationships with suppliers, helping each other to grow whilst delivering on our social responsibilities.

1,900

suppliers

Environment

We continually work to reduce our environmental footprint.

2021

Green Economy Mark since 2021

Government and Regulatory

Regulatory tailwinds continue to support the adoption of energy efficient ventilation systems.
















» Regulations
Page 38

» Stakeholders
Page 93

» People
Page 84

Market Overview

Attractive markets with long-term structural growth drivers

	Key trend	Drivers
	Regulatory environment  	<ul style="list-style-type: none">• Net zero targets require greater energy efficiency of buildings to reduce carbon emissions.• EU taxonomy and the Green Deal supporting investment in deep refurbishment of buildings.• Increasingly regular warm weather and improvements in insulation in modern air tight buildings leading to over heating during the summer months.
	Improving air quality for health  	<ul style="list-style-type: none">• Strengthening regulatory tailwinds in refurbishment.• Increasing landlord responsibility to provide acceptable standard of properties with prevention of mould and condensation a key focus area.• Increased air tightness of buildings raises the risk of negative health outcomes unless adequate ventilation is ensured.
	Digital transformation  	<ul style="list-style-type: none">• Many of our businesses operate in traditional markets with electrical wholesale as our primarily route to market. However, our channel to market is changing with increasing numbers of customer using e-business to procure our products.• Our industry is digitising requiring more data for more performance metrics than ever before.
	Macroeconomic factors 	<ul style="list-style-type: none">• Cost of living crisis will increase the adoption of energy saving measures to buildings.• The flow of money into upgrading of buildings through the European Green Deal and the Social Housing Decarbonisation Fund programmes will continue to support the adoption of our products to help save energy and improve air quality within the housing stock.
	Competitive landscape   	<ul style="list-style-type: none">• Global supply chains have put pressure on suppliers of ventilation solutions across our geographies with stock availability becoming a far greater factor in procurement decisions.• Backlog in refurbishment work due to Covid still providing opportunity. Particularly relevant in public RMI.

Links to strategy



Organic growth



Value-adding acquisitions



Operational excellence

» Our Strategy Page 26

Opportunity

How are we responding

- Wider adoption of heat recovery ventilation solutions in buildings through tighter building regulations.
- Funding of renovations of buildings leading to sales of heat recovery devices in refurbishment.
- Energy efficient cooling solutions to be adopted in more of our geographies.
- Innovation in both centralised and decentralised heat recovery product ranges and EC high efficiency motors.
- Capital allocation to new acquisitions improving our sales of heat recovery solutions.
- Development of wider integrated cooling solutions.
- Providing air quality solutions for existing buildings and applications where historically is has been difficult to retrofit products.
- Greater focus on ventilation provision for both new build and refurbishment applications across our geographies.
- Development and launch of new product offerings including higher levels of efficiency, filtration and automation.
- Internationally we take an active role within our trade associations ensuring that regulators continue to consider ventilation when proposing legislative changes.
- Our products and services are being made available through a wider number of channels providing consumers and end users more flexible ways to procure our goods.
- IoT, Building Safety Act and embodied carbon are all areas enabling us to provide more insight and easier access to products, data and performance.
- We continuously develop our sales model, utilise our brands and deploy our sales resources to ensure maximise our opportunities to trade as the sales channels evolve and strengthen barriers to entry for others.
- Improving the operability of our products across platforms as well as development of new data sets helping us differentiate our propositions.
- Energy saving measures such as insulation, air tightness improvements and double glazing can require additional ventilation to prevent poor air quality.
- The wider adoption of higher value, continuous running and heat recovery products in refurbishment.
- Increasing communications around the energy saving potential of heat recovery in retrofit.
- Ensuring that we internationalise our group products, particularly decentralised heat recovery solutions.
- Having stock available whilst others have not has ensured that we have maximised our opportunities to not only ensure we delivery excellent customer service to our existing customers but also attract new customers and take market share.
- Continued demand for ventilation products to service the backlog.
- Increase stock levels across our organisation has ensured that we have maintained supply and buffered supply chain constraints. Capital investments have also been made to increase capacity to ensure that we continue to maximise the opportunities.
- Increased capacity on public housing product line.

Our Strategy

A clear strategy for compounding growth

We aim to achieve our goals through a combination of three strategic objectives: organic growth, selective acquisitions and operational excellence, and this year have continued to embed our focus on environmental, social and governance issues (ESG) into our culture.



Organic growth

What this means

Growth driven through a focused sales strategy for each of our market sectors. Focus on opportunities arising from increasingly favourable regulatory environments and growing public awareness of indoor air quality issues. Promote the benefits to health of higher value ventilation solutions to grow our markets and increase margins. Invest in innovative new products and deliver benefits from recently acquired businesses and drive cross-selling initiatives.

How we do it

- Cross selling group products through our international channels.
- Using our brands to open up new channels to market within the Geographies in which we operate.
- Innovation and new product development to keep growing the depth and width of our range.

Progress

- Organic revenue growth at 4.6% on a constant currency basis.
- Launching a range of decentralised Heat Recovery Solutions into the UK along with the roll out of our new Econiq range across Europe.

Aligning to our sustainability strategy

- Good progress on sales of low-carbon products which now represent 70.1% of our revenue.

» **Our low carbon sales initiatives**
Page 56



Value-adding acquisitions

What this means

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 principally on opportunities in Europe where there are clear synergistic benefits available and on key strategic opportunities outside of Europe.

How we do it

- Acquisitions which open new channels or product categories helping to diversify and reduce risk.
- Allocating capital for businesses that provide opportunities for product or component synergies.
- Structured 200 day plan integration process maximising value creation opportunities.

Progress

- Inorganic growth at 1.5% on a constant currency basis.
- We have completed two acquisitions in the year: VMI in April and I-Vent in June.

Aligning to our sustainability strategy

- Both VMI and I-Vent supply low carbon ventilation solutions to their respective customers.

» **VMI & I-Vent**
Pages 50 and 51

“

I am delighted with the progress we made in 2023. Our strong organic growth, two acquisitions completed in the year and our continuing strong operating profit margin were absolutely on point with our strategy.

Ronnie George
Chief Executive Officer



Operational excellence

What this means

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. We have been building sustainability and ongoing improvement into the culture of our operations teams, helping to drive our ESG strategy.

How we do it

- Stay focused on service and delivering our proposition for customers.
- Continually drive our facilities and teams to optimise operations.

Progress

- Adjusted operating margin of 21.3% (+20bps).
- Well managed supply chains and excellent customer service levels.
- Continued focus on sustainability and waste elimination.

Aligning to our sustainability strategy

- 76.2% of the plastic processed through our own facilities is supplied from recycled sources.

» Progress made on recycled plastic
Page 64



Strategy in action

The group achieved 70.1% of our revenue from low carbon products.

This year we have launched our new Vent-Axia Econiq range of centralised heat recovery units into our sales channels across Europe.

The range consists of 3 sizes, all optimised around a new control platform providing the latest in connectivity and sensor controls.

Optimised to provide the highest levels of heat recovery and ultra low energy, long-life motors, the range will provide us with the next generation of solutions for housing.

Strong margins maintained and excellent cash generation



“

Volution delivered another strong financial performance for the year, with good organic revenue growth, operating margins maintained ahead of our 20% target, robust growth in adjusted EPS and excellent cash generation.

Andy O'Brien
Chief Financial Officer

Financial highlights

- Revenue £328.0m (+6.6%), with organic constant currency (cc) revenue growth of 4.6%.
- Adjusted operating profit £69.9m (+7.7%), operating margin 21.3% (2022: 21.1%).
- Reported operating profit £57.1m (+12.4%).
- Cash conversion 106% (2022: 76%); and debt leverage 0.8x (2022: 0.9x).
- Adjusted EPS 25.8p (+7.5%); reported EPS 19.0p (+5.0%).

Volution delivered another strong financial performance for the year, with good organic revenue growth, adjusted operating margins maintained ahead of our 20% target, and robust growth in adjusted EPS (up 7.5% to 25.8 pence) despite the adverse impacts of higher interest rates on our financing costs.

I am also pleased to report that the Group delivered an excellent cash generation performance, with a working capital net inflow of £2.8 million (2022: £17.7 million outflow) contributing to a cash conversion for the year of 106%, well above our stated 90% target.

Reported and adjusted results

	Reported			Adjusted ¹		
	Year ended 31 July 2023	Year ended 31 July 2022	Movement	Year ended 31 July 2023	Year ended 31 July 2022	Movement
Revenue (£m)	328.0	307.7	6.6%	328.0	307.7	6.6%
EBITDA (£m)	78.3	74.2	5.5%	79.3	73.9	7.4%
Operating profit (£m)	57.1	50.8	12.4%	69.9	64.9	7.7%
Net finance costs (£m)	6.4	2.0	216.7%	4.8	3.4	44.1%
Profit before tax (£m)	48.8	47.2	3.4%	65.1	60.9	6.8%
Basic EPS (p)	19.0	18.1	5.0%	25.8	24.0	7.5%
Dividend per share (p)	8.0	7.3	9.6%	8.0	7.3	9.6%
Operating cash flow (£m)	74.7	50.8	47.1%	75.7	50.4	50.2%
Net debt (£m) ²	89.3	85.8	(3.5)	89.3	85.8	(3.5)
ROIC (%)	27.4%	28.8%	(1.4)pp	27.4%	28.8%	(1.4)pp

Notes

- The Group uses some alternative performance measures to track and assess the underlying performance of the business. These measures include adjusted operating profit, adjusted profit before tax, adjusted EPS, adjusted operating cash flow, net debt and net debt (excluding lease liabilities). The reconciliation of the Group's reported profit before tax to adjusted profit measures of performance is summarised in the table on page 30 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 34 to the consolidated financial statements.
- Net debt, excluding lease liabilities of £31.2 million (2022: £25.0 million) would be £58.1 million (2022: £60.8 million).

Good organic growth, particularly in the UK

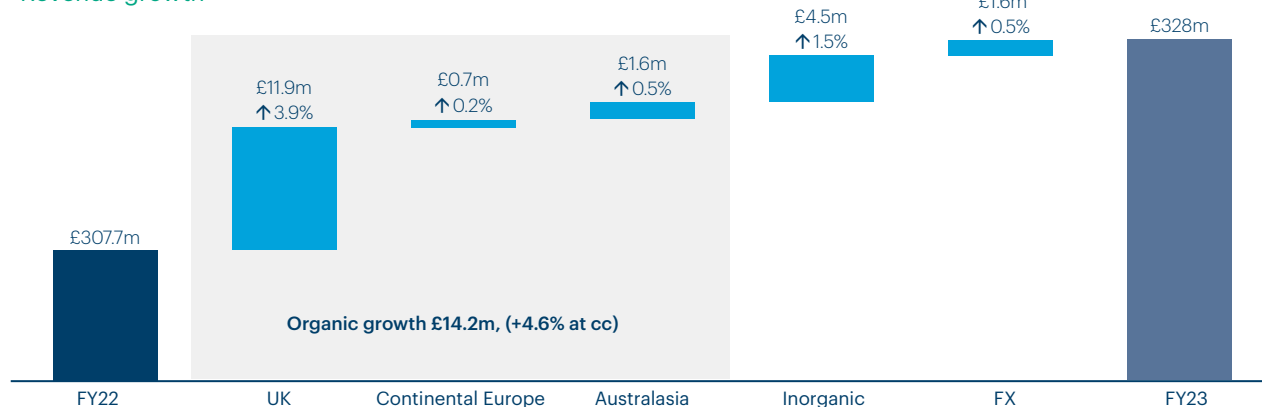
Revenue for the year to 31 July 2023 was £328.0 million, up 6.6% (2022: £307.7 million) within which organic growth accounted for 4.6% (cc) and inorganic growth 1.5%, with a benefit of 0.5% from currency translation impacts.

Our strongest performing region was the UK (up 8.3%), with residential revenue very strong (up 19.5%) fuelled by high public RMI demand as housing providers and tenants became increasingly aware of the health risks associated with mould and condensation. Private RMI also performed well underpinned by both price and volume increases, and demonstrating the less "discretionary" nature of our RMI demand. Our more challenging sectors in the UK were in OEM and Commercial, though the latter did return to growth in the second half of the year.

A more mixed picture in Continental Europe saw us report organic revenue growth (cc) of 0.6%. Good performances in ClimaRad and ERI were offset by challenging market conditions in Germany and the Nordics, linked to weak new build residential markets, and in the case of Germany to the withdrawal of some previously available subsidy programs for energy efficiency investments. Inorganic growth in Continental Europe (3.8%) reflected one month of ERI revenue in September 2022, and then the impact of our new acquisitions in France and Slovenia towards the end of the second half.

Australasia revenue grew 3.6% (cc) after a number of years of very strong growth, a solid performance given relatively subdued market conditions and weaker consumer confidence levels.

Revenue growth

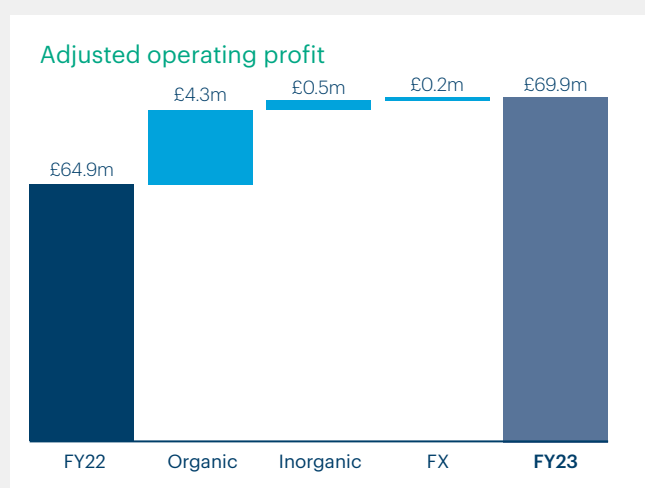


Finance Review continued

Adjusted operating margin of 21.3%

Adjusted operating profit increased by 7.7% in the year to £69.9 million (2022: £64.9 million). The increase of £5.0 million in adjusted operating profit consisted of £4.3 million from organic growth, £0.5 million from acquisitions, and £0.2 million from favourable currency movements.

Inflationary cost pressures on materials diminished through the year. This contrasted with the picture for staff costs, property costs and other categories of overhead costs which continued to experience inflationary pressures. Coupled with good factory performance, efficient customer service and continued judicious selling price management, this enabled us to deliver a 60bps improvement in gross margins to 48.4% (2022: 47.8%) and a 20bps improvement in adjusted operating margin to 21.3% (2022: 21.1%).



Adjusted profit before tax of £65.1 million was 6.8% higher than 2022 (£60.9 million). Reported profit before tax was £48.8 million (2022: £47.2 million) and is after charging:

- £11.1 million in respect of amortisation of intangible assets (2022: £14.5 million);
- £1.7 million (2022: credit of £0.4 million) of other costs of business combinations, of which:
 - £1.0 million relates to costs associated with business combinations (2022: £0.2 million); and
 - £0.7 in respect of contingent consideration in ERI (2022: reduction £0.6 million);
- £1.6 million loss due to the fair value measurement of financial instruments (2022: gain of £1.4 million); and
- £1.9 million re-measurement of future consideration relating to ClimaRad (2022: £1.0 million).

Higher financing costs

Despite leverage (excl. leases) remaining below 1.0x at both the half year and the full year as a result of our strong cash generation, the Group's adjusted financing costs nevertheless increased by 44.1% to £4.8 million (2022: £3.4 million) as a consequence of the significant increase in bank base rates through the period. Our weighted average interest rates on gross debt in the year was 4.44% (2022: 2.02%).

	Year ended 31 July 2023			Year ended 31 July 2022		
	Reported £m	Adjustments £m	Adjusted results £m	Reported £m	Adjustments £m	Adjusted results £m
Revenue	328.0	—	328.0	307.7	—	307.7
Gross profit	158.9	—	158.9	147.1	—	147.1
Administration and distribution costs excluding the costs listed below	(89.0)	—	(89.0)	(82.2)	—	(82.2)
Amortisation of intangible assets acquired through business combinations	(11.1)	11.1	—	(14.5)	14.5	—
Contingent consideration ¹	(0.7)	0.7	—	0.6	(0.6)	—
Costs of business combinations ²	(1.0)	1.0	—	(0.2)	0.2	—
Operating profit	57.1	12.8	69.9	50.8	14.1	64.9
Re-measurement of financial liability	0.1	—	0.1	(0.6)	—	(0.6)
Re-measurement of future consideration ³	(1.9)	1.9	—	(1.0)	1.0	—
Net gain on financial instruments at FV ⁴	(1.6)	1.6	—	1.4	(1.4)	—
Other net finance costs	(4.9)	—	(4.9)	(3.4)	—	(3.4)
Profit before tax	48.8	16.3	65.1	47.2	13.7	60.9
Income tax	(11.3)	(3.0) ⁵	(14.3)	(11.5)	(2.1)	(13.6)
Profit after tax	37.5	13.3	50.8	35.7	11.6	47.3

Notes

1. £0.7 million in respect of a contingent consideration in ERI (2022: reduction of £0.6 million).
2. £1.0 million relates to costs associated with business combinations (2022: £0.2 million).
3. £1.9 million re-measurement of future consideration relating to the business combination of ClimaRad (2022: £1.0 million).
4. £1.6 million was loss due to the fair value measurement of financial instruments (2022: gain of £1.4 million).
5. £3.0 million tax adjustment relates to the tax on the adjusted items above.

Currency impacts

Aside from Sterling, the Group's key trading currencies for our non-UK businesses are the Euro, representing approximately 25% of Group revenues, Swedish Krona (approximately 9%), New Zealand Dollar (approximately 7%) and Australian Dollar (approximately 7%). 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.

The average rates of sterling versus our principal non-sterling trading currencies are shown in the table below.

	Average rate 2023	Average rate 2022	Movement
Euro	1.149	1.182	(2.8)%
Swedish Krona	12.802	12.229	4.7%
New Zealand Dollar	1.965	1.952	0.7%
Australian Dollar	1.803	1.825	(1.2)%

The Group had Euro denominated borrowings as at 31 July 2023 of £79.4 million (2022: £71.9 million) and Swedish Krona denominated borrowings of £nil million (2022: £2.4 million). The Sterling value of these foreign currency denominated loans, net of cash, increased by £1.3 million as a result of exchange rate movements (2022: decreased by £0.9 million).

Transactional foreign exchange exposures arise principally in the form of US Dollar denominated purchases from our suppliers in China. We aim to purchase a substantial proportion of our expected requirements approximately twelve months forward, and as such, we have forward currency contracts in place for approximately 85% of our forecast average forward requirements for the 2024 financial year (approximately \$19 million).

Earnings per share

Our adjusted basic earnings per share for the year was 25.8 pence (2022: 24.0 pence) and our reported basic earnings per share for the year was 19.0 pence (2022: 18.1 pence).

High returns on invested capital (ROIC)

Strong profit and cash generation is a key focus of Volution's financial model, and we look to allocate our capital to investments (both organic and inorganic) that further underpin the future growth of the business and create value for our shareholders.

Over recent years we have reported our return on acquisition investment (ROAI) KPI, see page 37, measuring our success at generating returns from our inorganic growth strategy. We are pleased to introduce a new financial KPI in this year's annual report, Return on Invested Capital (ROIC), measuring the returns for the Group as a whole.

We believe ROIC is not only helpful for shareholders to monitor the returns generated by Volution on an ongoing basis, but another metric which helps demonstrate the underlying quality of the business versus our global peers and its ability to generate shareholder value.

Whilst we will continue to monitor and report the performance of individual acquisitions as they reach the three-year measurement point, we believe that the ROIC will provide a more comprehensive overall measure and so this will be adopted in our KPIs.

The Group's ROIC (pre-tax) for the financial year was 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 also excludes the goodwill and intangible assets arising from the original transaction that created the Group when it was bought out via a leveraged buy-out transaction by private equity house Towerbrook Capital Partners in 2012.

Our ROIC of 27.4% for financial year 2023 is slightly lower than the prior year's 28.8%, as a result of the timing of acquisitions. Our main acquisition in the prior year (ERI) generated 11 months of operating profit in 2022 relative to two-thirds of the associated invested capital being included in the net assets as a result of our three-point average methodology. By contrast our two acquisitions in this financial year were both towards the end of the financial year and so had a very modest contribution to our operating profit. The timing impact of the acquisitions was partly offset by a benefit from both organic growth and operating margin expansion.

Importantly, our ROIC of 27.4% is significantly ahead of the Group's estimated pre-tax Weighted Average Cost of Capital of 10%. Volution continues to have exciting plans for growth, both through organic and inorganic investment. Although, at the time of entry to the Group, acquisitions will be dilutive to ROIC, our track record of improving the returns post acquisition, coupled with continued organic growth, mean we are confident of maintaining Group ROIC above 20% over the medium term while continuing to invest to grow the business.

Taxation

Our reported effective tax rate for the year was 23.4% (2022: 24.4%), the decrease of 1.0pp was driven by favourable business mix effect, increase in Patent Box relief and lower non-deductible items, offsetting the impact of the increase in UK Corporation Tax rate from 19% to 25%. The reduction in effective adjusted tax rate to 21.9% (2022: 22.4%) is lower than the reduction in reported effective tax rates primarily due to non-taxable contingent consideration. Our reported effective tax rate for the year was 23.2% (2022: 24.4%).

We expect our medium-term underlying effective tax rate to be in the range of 22% to 25% of the Group's adjusted profit before tax, depending on the business mix and the profile of acquisitions.

Capital allocation priorities

Volution aims to deliver strong financial returns and cash generation. Our capital allocation priorities, which remain unchanged, are:

- Investment for organic growth, including through capital expenditure, product development and innovation, and ongoing development of our people;
- Value-adding acquisitions; and
- Regular returns to shareholders through dividends.

Finance Review continued

Strong cash generation and balance sheet

Volution's asset light business model and operations are strongly cash generative. Underpinned by a working capital inflow of £2.8 million in the year (2022: outflow of £17.7 million), the Group delivered a strong adjusted operating cash flow of £75.7 million (2022: £50.4 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 25 to the consolidated financial statements) was 106% (2022: 76%).

A summary of the year's cash flow is shown in the tables below, with the principal outflows being in relation to acquisitions (£30.7 million including acquisitions and associated fees), dividends (£14.8 million) and tax paid (£14.0 million). Capital expenditure for the year was £7.8 million (2022: £6.9 million), focused on new product development spend of £2.3 million and operational and capacity enhancements totalling £1.2 million in North Macedonia (ERI), Bosnia (ClimaRad) and the UK. There was also further investment in IT and our vehicle fleets which we are progressively transitioning to hybrid vehicles.

Net debt at 31 July 2023 was £89.3 million (2022: £85.8 million), and is set out in the table below. With low leverage (excluding finance leases) of 0.8x at 31 July 2023 (2022: 0.9x), our strong balance sheet and reliable high levels of cash conversion give us significant capability for future growth investment.

Value-adding acquisitions

Acquisition spend in the year net of cash acquired was £29.7 million (2022: £24.4 million). We completed two acquisitions, Ventilairsec (VMI) in France, and I-Vent based in Slovenia and Croatia. We agreed a further acquisition, DVS Proven Systems (New Zealand), which was completed shortly after the year end.

VMI, based in Nantes, France, was acquired for an initial consideration of £7.9 million (€9.0 million), net of cash acquired. VMI designs and manufactures a range of residential ventilation systems focused on a low carbon positive input ventilation approach. The acquisition provides Volution with direct access to the French market, one of the largest ventilation markets in Europe. The VMI acquisition included an earn-out payment of up to €5 million Euros, which will be calculated on the basis of the EBITDA for the year ended 31 December 2023.

In June 2023 we completed the acquisition of I-Vent for an initial consideration of £21.7million (€25.2 million), net of cash acquired, with further contingent consideration of up to €15 million based on stretching growth targets for the financial results for the three years up to and including 31 December 2025. I-Vent, based in Slovenia and Croatia, designs, manufactures and supplies residential ventilation systems, primarily focused on decentralised heat recovery.

Movements in net debt position for the year ended 31 July

	2023 £m	2022 £m
Opening net debt 1 August	(85.8)	(79.2)
Movements from normal business operations:		
Adjusted EBITDA	79.3	73.9
Movement in working capital	2.8	(17.7)
Share-based payments	1.4	1.1
Capital expenditure	(7.8)	(6.9)
Adjusted operating cash flow:	75.7	50.4
– Interest paid net of interest received	(3.7)	(2.7)
– Income tax paid	(14.0)	(12.2)
– Cash flow relating to business combination costs	(1.0)	(0.2)
– Dividend paid	(14.8)	(13.3)
– Purchase of own shares	(1.8)	(1.9)
– FX on foreign currency loans/cash	(3.1)	0.7
– Issue costs of new borrowings	(0.3)	(0.3)
– IFRS 16 payment of lease liabilities	(4.5)	(3.2)
– IFRS 16 decrease/(increase) in lease liabilities	(6.2)	0.5
Movements from business combinations:		
– Business combination of subsidiaries, net of cash acquired	(29.7)	(16.5)
– Contingent consideration relating to Ventair from operating activities	–	(3.2)
– Contingent consideration relating to Ventair from investing activities	–	(0.9)
– Business combination of subsidiaries, debt repaid	(0.1)	(3.8)
Closing net debt 31 July	(89.3)	(85.8)

A reconciliation of the Group's reported profit before tax to adjusted profit measures of performance are shown in detail in note 2 to the consolidated financial statements.

Reconciliation of Bank debt to Net debt

	2023 £m	2022 £m
Bank debt	(79.4)	(74.3)
Cash	21.3	13.5
Net debt (excluding lease liabilities)	(58.1)	(60.8)
Lease liabilities	(31.2)	(25.0)
Net debt	(89.3)	(85.8)

Reconciliation of adjusted operating cash flow

	2023 £m	2022 £m
Net cash flow generated from operating activities	68.5	41.7
Net capital expenditure	(7.8)	(6.9)
UK and overseas tax paid	14.0	12.2
Contingent consideration relating to the acquisition of Ventair	—	3.2
Cash flow relating to business combination costs	1.0	0.2
Adjusted operating cash flow	75.7	50.4

Funding facilities and liquidity

In December 2022, the Group exercised the option to extend its £150 million multicurrency "Sustainability Linked Revolving Credit Facility", together with an additional accordion of up to £30 million, by a period of twelve months. The maturity date of the facility is now 2 December 2025.

As at 31 July 2023, the Group had £70.6 million of undrawn, committed bank facilities (2022: £75.7 million) and £21.3 million of cash and cash equivalents on the consolidated statement of financial position (2022: £13.5 million).

Returns to shareholders

Adjusted earnings per share increased by 7.5% to 25.8 pence (2022: 24.0 pence). The Board is recommending a final dividend of 5.5 pence which, together with an interim dividend paid of 2.5 pence per share, gives a total dividend per share of 8.0 pence (2022: 7.3 pence), up 9.6% in total. The final dividend is subject to approval by shareholders at the AGM on 13 December 2023 and, if approved, will be paid on 19 December 2023.

Employee Benefit Trust

During the year £1.8 million of non-recourse loans (2022: £1.9 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 550,000 shares at an average price of £3.33 per share in the period (2022: £4.10) and 920,250 shares (2022: 402,407 shares) were released by the trustees with a value of £3,018,420 (2022: £1,114,667). 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

4 October 2023

Key Performance Indicators

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.

Financial targets

Revenue growth

+10% p.a.Adjusted operating margin
(% of revenue)**>20%**

Adjusted operating cash flow conversion

>90%

Organic revenue growth

+3 to 5% p.a.Adjusted earnings
per share**+10% p.a.**

Return on Invested Capital (ROIC)

mid-20s %

Note

1. The Group uses some alternative performance measures to track and assess the underlying performance of the business. These measures include adjusted operating profit, adjusted profit before tax, adjusted EPS, adjusted operating cash flow, net debt and net debt (excluding lease liabilities). The reconciliation of the Group's reported profit before tax to adjusted profit measures of performance is summarised in the table on page 30 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 34 to the consolidated financial statements.

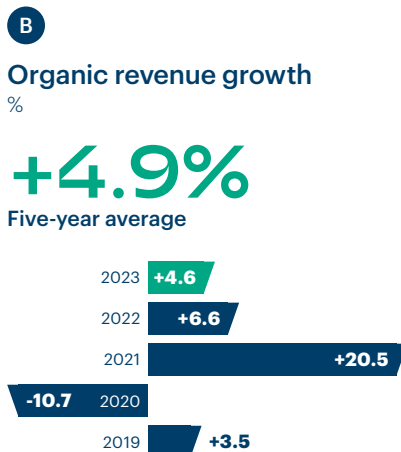
Financial performance



Strategic pillars measured by this KPI



This KPI tracks our performance against our strategic aim to grow the business.



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

- Organic revenue growth is the constant currency % growth in the year.
- Full-year organic growth of 5.1% (4.6% at cc).
- Full-year organic growth delivered in the UK (8.3% at cc), Continental Europe (0.6% at cc) and Australasia (3.6% at cc).



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 0.2pp to 21.3% (2022: 21.1%).

Link to Directors' remuneration



Strategy key



Organic growth



Value-adding acquisitions



Operational excellence

Link to Directors' remuneration key



Long Term Incentive Plan



Annual Bonus Plan

Key Performance Indicators continued

Financial performance continued

D

Working capital as a % LTM revenue

14.7%

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 £2.8 million in the year primarily due to improvement in receivables in the U.K.
- Inventory (excluding new acquisitions) remained broadly flat in the year.
- Receivables improved, notably in the UK.

Link to Directors' remuneration

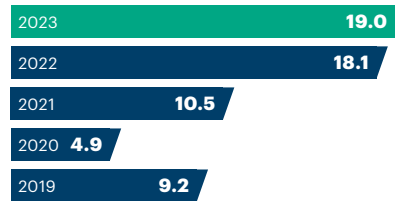


E

Reported basic earnings per share^p

23.2%

Five-year compound



Strategic pillars measured by this KPI



This KPI provides a measure of shareholder value.

Comments

- Reported basic EPS grew 5.0%.

F

Adjusted basic earnings per share^{1 p}

12.2%

Five-year compound



Strategic pillars measured by this KPI



This KPI provides a measure of shareholder value.

Comments

- Adjusted basic EPS grew 7.5%.

Link to Directors' remuneration



Note
1. The Group uses some alternative performance measures to track and assess the underlying performance of the business. These measures include adjusted operating profit, adjusted profit before tax, adjusted EPS, adjusted operating cash flow, net debt and net debt (excluding lease liabilities). The reconciliation of the Group's reported profit before tax to adjusted profit measures of performance is summarised in the table on page 30 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 34 to the consolidated financial statements.

Strategy key



Organic growth



Value-adding acquisitions



Operational excellence

Link to Directors' remuneration key



Long Term Incentive Plan



Annual Bonus Plan

G

Return on invested capital (ROIC) %

27.4%

Group



Strategic pillars measured by this KPI



We look to allocate our capital to investments (both organic and inorganic) that further underpin the future growth of the business and value creation for our shareholders.

Our new Group Return on Invested Capital (ROIC) 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

- 2023 ROIC of 27.4% is significantly ahead of the Group's estimated Weighted Average Cost of Capital.
- Slightly lower than prior year due to the timing of our two acquisitions, both towards the end of the year and so with a very modest contribution to in-year operating profit.

H

Return on acquisition investment (ROAI) %

24.5%

Group



Strategic pillars measured by this KPI



We aim to enhance the value of acquired businesses over time, via a combination of expanding the product portfolio, value engineering and access to the Group's procurement capabilities. We believe that three years is an appropriate timeframe to deploy and bring enhancements to bear, although we do expect to continue enhancing value and improving performance beyond that point. The KPI measures adjusted operating profit of all businesses acquired by the Group since its formation in 2012 and which the Group has held for more than three years, divided by the capital invested to acquire them.

Comments

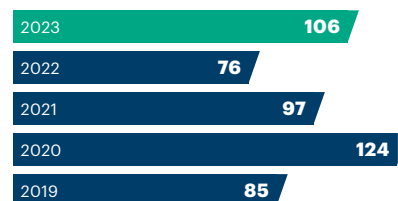
- Returns on our acquisitions remain very strong.

I

Adjusted operating cash flow conversion¹ %

98%

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 decrease of £2.8 million in the year.
- Capital expenditure of £7.8 million (2022: £6.9 million).

Legislation updates

Regulatory tailwinds



Opportunity for growth

Volution products support legislative transition as we decarbonise

Buildings are responsible for circa 36% of total CO₂ emissions and 40% of energy demand. If we are to hit global net zero targets, we must deal with the existing building stock, as well as new build. With 90% of the buildings that exist today still standing by 2050, and a refurbishment rate of just 1% per year, new initiatives are required.

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 environment within the buildings and ventilation will be even more important for both health and comfort. Doing that without losing the heat and therefore the energy will require energy efficient ventilation solutions including energy recovery.

If we are successful and reduce the energy demand in our buildings by 80% by 2050, we will save more than 30% of our total energy needs. However, to achieve it we need to triple the rate of 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.

The scale of the challenge

With circa 240 million homes and over 600 million people living in them in the UK, Europe and Australasia alone, we have a lot to do.

UK

New Build

In the UK Approved Building Regulation Documents "Part F: Means of Ventilation", "Part L: Conservation of Fuel and power" and "Part O: Overheating" are the key documents impacting the profile of sales for Volution.

Part L, F and O are linked, and current versions released in June 2021 deliver buildings with 30% lower emissions than the previous versions. In 2023, a new consultation is due, effective from 2025, which will deliver buildings that are net zero ready. In other words, as we decarbonise our electricity, the buildings will become net zero and no further upgrade work will be required to them in the future.

What does this mean for Volution?

We believe that within a notional dwelling the regulation will support the use on an air-source heat pump to provide space heating and hot water, and MVHR to reduce wasted heat through ventilation and high levels of air tightness and insulation to create a highly efficient, net zero ready dwelling. It is important that the MVHR unit is also likely to be equipped with summer bypass to help mitigate overheating in the warmer months.

Refurbishment

In both social and private rental properties in the UK the Government have set a long-term target for them to achieve and energy performance certificate (EPC) level C or above from 2030. This journey has already started and since 2020, minimum energy efficiency standards (MEES) have made it mandatory for a rental property to be EPC level E or better. To assist in the transition in social housing, the Social Housing Decarbonisation fund has already had successful bids and offered £957 million to 176 projects with an additional £1.1 billion in matched funding.

In addition, "Decent Homes Standards" are being established, setting minimum requirements in all rental properties. These require properties to be free of hazards as defined within the Housing Health and Safety Rating System. Ventilation is considered a hazard if not properly provided.

What does this mean for Volution?

Volution has seen strong demand for low-carbon ventilation solutions in social housing. In addition, we have launched a range of heat recovery products into the social housing sector as they take steps to decarbonise the stock and although a new initiative for 2023, sales have been growing well.



Regulations continue to support the adoption of energy efficient ventilation solutions. The importance of ventilation for health grows as we tighten our building envelopes, but the impact of the heat loss associated also increases. To reduce the heat loss, and avoid carbon emissions, the adoption of heat recovery ventilation devices grows every year.

33.8%
of our revenue is from
heat recovery

Nordics

New Build

All Nordic countries have increased the regulations in respect of more energy efficient ventilation and in almost all situations, some type of energy recovery system will need to be in place. Indeed, heat recovery ventilation units are already the most popular solution, but heat pumps are also growing and is sometimes used in combination with heat recovery units to further boost the energy efficiency. Due to the colder climate in the Nordics, most of the regulatory focus is on heating and less on cooling however we see an increasing demand for cooling applications. New regulations are under development, and we see further regulations to require demand-controlled ventilation and heating applications and also post Covid measures where the ventilation need for housing has increased which will mean ventilation units with higher air volumes will be required. Growth of energy declaration requirements including material and environmental impact from use is very fast.

Sweden is mainly following the national building regulation Boverkets Byggregler 2011:6, later amended in BBR 29/BFS2020:4. A new version is expected from 2025 and the current draft is proposing increased demand for ventilation, especially in smaller residential properties.

New build in Finland is mainly governed by the Maankäyttö – ja rakennuslaki regulation which is stipulating an E-value in Regulation 1010/2017 for energy efficiency measured as maximum SFP value.

Denmark is controlled via the building regulation BR-18 and requires MVHR applications for all new residential and commercial properties. Additionally, and where appropriate given the use of the building, the standards for ventilation (DS-447), fire (DS-428) and insulation (DS 452) will also apply.

Norwegian regulation is called Byggteknisk forskrift (TEK17) and is setting the ventilation requirement for new buildings as well as for larger renovations.

What does this mean for Volution?

The market will continue to grow for heat recovery units and Volution is well prepared for this with both smaller heat recovery applications as well as larger. Our Voltair business in Sweden recently completed the Eurovent® certification for one of its ranges and can now more widely target the growing market. Work is already in process to be well prepared for future regulatory changes and the impact on products and declarations and we see the changes as something positive, as it will require more high quality products and verified performance data. The duct work manufactured in Denmark has over the last couple of years been certified according to the current fire regulation and is therefore approved for use in the market according to the highest standards.

Refurbishment

Ventilation for refurbishment markets is less regulated by governments but more driven by the ambition to reduce energy consumption and improve health/quality of living. More regulations are coming in the refurbishment space, especially for residential apartment buildings where historically there are many supply air systems in place and it will be too costly to install supply air to each apartment, hence the focus on heat pump solutions or ventilation systems with coil-coil energy recovery to recover the heat to the water heating circuit. Small single-family houses use a combination of various technologies from the mid-1980s when the heating recovery era started. Pre 1980s there was limited ventilation in the typical houses with focus on kitchen and bathroom extract fans.

Swedish refurbishment is governed by the same regulations as new construction for larger renovations that require a building permit. Smaller changes where the ventilation system is not altered can be made freely outside the scope of the renovation. The installation of MVHR in extract air buildings will require such permit and hence the development of the market is slower than it should due to the high administrative burden of improving the ventilation system.

Renovation in Finland is similar to Sweden, but focuses more on SFP limits which are higher for renovation than for new build. Higher SFP means lower efficiency requirement, but is still challenging to reach without the appropriate products in place.

Norway and Denmark also follow similar renovation standards as new build which will apply for larger renovation projects, all with the purpose of improving energy efficiency and also to set a ventilation requirement at a minimum level. The legacy of old buildings prohibits full requirements on renovation also in these countries, but it is gradually increasing. New regulations that also include the Environmental Product Declaration (EPD) are gradually being applied for both renovation and new built.

What does this mean for Volution?

Volution has for many years seen a strong demand for low-carbon ventilation solutions for family houses and with the widened range for Volution there has been plenty of focus to convert typical extract ventilations solutions with decentralized ventilation applications that do not require duct work to be installed. Markets will continue to provide opportunity to focus on heat recovery for refurbishment to reduce the energy need of the buildings. Volution has a wide range of products and will continue to promote our wider solutions.

Legislation updates continued



Opportunity for growth continued

France

New build

In France, the construction of new housing is governed by the RE 2020 (Environmental Regulation 2020), which came into force on 1 January 2023.

It is characterized by increased targets for reducing building carbon emissions (which represents 40% of GHG emissions to date).

This implies more consistent levels of insulation of buildings, but also a limit to the energy consumption of the various systems equipping the home and especially the heating.

An important consideration of home design in France, like elsewhere, is the potential for buildings to overheat due to high airtightness and insulation. MVHR with summer bypass has a particular relevance in helping energy efficiency, and at the same time, comfort during the summer months.

What does this mean for Volution:

A heat pump is now the preferred heating solution to meet regulatory constraints, but MVHR makes it possible to reduce consumption even more thanks to energy recovery. Also with insulation making buildings more and more airtight, this increases the need for air renewal and ventilation to maintain the comfort and well-being of occupants.

Refurbishment

As far as refurbishment is concerned, the regulations are more flexible, but in view of the non-compliant installations, controls are strengthened, and government subsidies are more difficult to obtain.

A new and more qualitative approach initiated by the "Association Française de la Ventilation" will mean that a regulatory document will be associated with any renovation of ventilation systems. A "global" renovation incorporating the housing ventilation will soon be required to benefit from government subsidies. In addition, qualification of installation companies will also be necessary.

What does this mean for Volution:

With VMI well positioned in the channel to take new group products to market, along with local expertise Volution are well positioned. VMI also have a range of products which link to electric and water heating or cooling solutions. With the addition of such a broad and deep product offer from Volution, we are well positioned as systems integrate over time.



France has some of the lowest carbon emissions within its energy sector and one of the highest performers globally in renewable energy production. However, as regulations continue to make buildings more airtight, the requirement for energy efficient ventilation remains. Our acquisition of VMI provides us with a company already selling low carbon ventilation solutions and specialising in positive input ventilation. The acquisition not only enhances our product portfolio but provides us with access to new sales channels helping us to cross sell inter-company products.

100%
of VMI sales are low carbon

Netherlands

New Build

In the Netherlands, strict energy requirements are in place for new construction projects through the NTA 8800, also known as the BENG or nZEB standard. Ventilation systems with heat recovery and CO₂ sensors have been identified as the most effective in terms of energy efficiency and indoor air quality.

Furthermore, all newly constructed buildings are required to include heat pumps, which result in lower supply and return temperatures in the central heating system. This demands the use of heat recovery systems for comfortable ventilation, allowing for the downsizing of heat delivery systems due to reduced heat demand. In the Dutch market we have responded to this demand by incorporating low-temperature convectors together with decentralized ventilation systems, achieving two benefits simultaneously.

What does this mean for Volution?

We are well-positioned to benefit from these regulatory frameworks. Our expertise in sensor technology, heat recovery, and innovative ventilation systems allows us to meet and exceed the regulatory demands.

We can strengthen our position in the market and capitalize on the growing demand for energy-efficient and comfortable buildings. Through ongoing innovation of our technical capabilities, we can further improve our offerings to meet the needs of our customers. By staying at the forefront of technological advancements in sensor technology, heat recovery, and ventilation systems, we can provide sustainable and efficient solutions that align with the regulatory frameworks.

Refurbishment

In the context of social housing, the ability to charge higher rents for energy-efficient homes serves as a significant incentive. Additionally, there is a strong focus on reducing energy costs for lower-income households. These factors, coupled with the mandate that, starting from 2030 onwards, homes with an E label or lower cannot be rented out, have generated a substantial need for sustainable renovations.

To further accelerate the transition, a key requirement is the enforced installation of hybrid heat pumps during replacements of the heating system, effective from 2026 in the Netherlands. As a result, incorporating heat recovery systems and sensor technology becomes vital in achieving the sustainability goals outlined for renovation projects.

The Dutch Klimaatakkoord (Climate Agreement) sets ambitious targets, calling for a minimum of 1.5 million homes and buildings to undergo sustainable upgrades by 2030. By this time, the aim is to halve the greenhouse gas emissions originating from buildings. Looking ahead to 2050, the objective is to fully transition all buildings to renewable energy sources.

What does this mean for Volution?

As an HVAC company, we recognise the big potential within the renovation market. The increasing demand for sustainable solutions, driven by the regulatory frameworks, aligns with our expertise and capabilities. By offering innovative technologies, such as heat recovery systems and advanced sensor integration, we can actively contribute to achieving the targets.

Our extensive experience in retrofitting and upgrading existing buildings positions us as a trusted partner for clients seeking to comply with the growing regulatory landscape. Especially with our decentralised products through ClimaRad which are easy to install in these buildings.



The BENG standard means that the adoption of heat recovery ventilation is already well advanced in the Netherlands. Ventilair sell through the wholesaler channel providing a route to installers in both refurbishment and new build. ClimaRad, as the market leader of decentralised heat recovery units have a direct supply model specialising in large scale deep refurbishment projects and new builds of multistorey applications. Together, they provide us with a strong, highly differentiated proposition in the market.

100%

ClimaRad offer a 100% low carbon product portfolio



Opportunity for growth continued

Germany

New Build

In Germany, the Building Energy Act (GEG) has been in force since 2021. The most important points for new construction are:

- 1. Energy saving:** The GEG contains requirements for the maximum primary energy demand and the maximum transmission heat loss of buildings. These requirements are intended to ensure that new buildings are energy efficient and consume little energy. They are based on the primary energy demand of a reference building; new buildings may only have 55% of the primary energy demand of the reference building.
- 2. Renewable energy:** The law prescribes the use of renewable energy for the heat demand of new buildings. This can be done by installing solar systems, heat pumps or other renewable systems.
- 3. Energy performance certificate:** All new buildings must have an energy performance certificate, which provides information on the energy efficiency of the building and helps potential buyers or tenants to decide.
- 4. Controls and inspections:** The GEG provides that compliance with energy efficiency requirements in buildings is monitored by the competent authorities. This includes, for example, the building supervisory authorities of the federal states.

There are extensive support programmes of the "Kreditanstalt für Wiederaufbau" (KfW) in Germany. Here, low-interest loans including a repayment subsidy are granted. The KfW programme "Climate-friendly New Construction – Residential Buildings" promotes new construction and the initial purchase of energy-efficient and sustainable residential buildings and condominiums in Germany. The requirements for a "Climate-friendly residential building" are: A building must achieve efficiency house level 40, have low CO₂ emissions in its life cycle and must not be heated with oil, gas or biomass. Special quality seals ("Quality Seal Sustainable Building Plus" and "Quality Seal Sustainable Building Premium") are also available, which are confirmed by a sustainability certificate and with which higher funding amounts can be achieved.

The funding covers construction and purchase, including ancillary costs, as well as planning and construction supervision by energy efficiency experts and sustainability consultants.

What does this mean for Volution?

On the one hand, it is prescribed by law that newly constructed buildings should consume particularly little energy; on the other hand, such buildings receive particularly extensive support in the form of subsidies. To achieve the required efficiency house standard, it is necessary to construct buildings particularly airtight and to ensure that the heat generated is retained during the necessary air exchange. The installation of a ventilation system with heat recovery is the most sensible solution for this, but is not required by law.

The allocation of subsidies is a strong influencing factor in the building sector. If these cease to exist in the short term, as was the case in 2022, for example, projects will be postponed or efficient technology such as mechanical ventilation will be cancelled, as the legal standards can also be achieved without this technology.

Other factors for the decline and uncertainties in the new construction sector are currently: rising interest rates, increases in construction and material costs as well as delivery difficulties or problems within the supply chains.

Refurbishment

The Building Energy Act (Gebäudeenergiegesetz, GEG) in Germany contains provisions on the energy refurbishment of existing buildings. These provisions aim to reduce the energy consumption and CO₂ emissions of existing buildings and to improve energy efficiency. The most important provisions for refurbishment are:

- 1. Energy requirements:** The GEG sets out certain energy requirements for the refurbishment of buildings. Energy standards such as primary energy demand and transmission heat loss are considered. Different requirements apply depending on the type of refurbishment.
- 2. Energy advice:** Before major refurbishment measures, energy advice by a qualified expert is obligatory. The energy advice is intended to inform owners about sensible refurbishment measures and help them achieve optimal energy efficiency.
- 3. Cost-benefit analysis:** In case of extensive refurbishment measures, owners must carry out a cost-benefit analysis. This should ensure that the refurbishment is economically justifiable and worthwhile for the owners in the long term.
- 4. Subsidy programmes:** The GEG refers to various subsidy programmes that offer financial support for energy-related renovation measures. These subsidies can be provided by government agencies at federal and state level.
- 5. Mandatory refurbishment:** In certain cases, especially in the case of major renovations or the sale of properties, certain minimum energy standards may have to be achieved.
- 6. Exceptions:** There are exceptions and special schemes for listed buildings and other special cases where full energy refurbishment may not be feasible.

There are also subsidy programmes for refurbishment, on the one hand as a pure grant from the Federal Office of Economics and Export Control BAFA, and on the other hand as a low-interest loan with a repayment subsidy from the "Kreditanstalt für Wiederaufbau" (KfW).

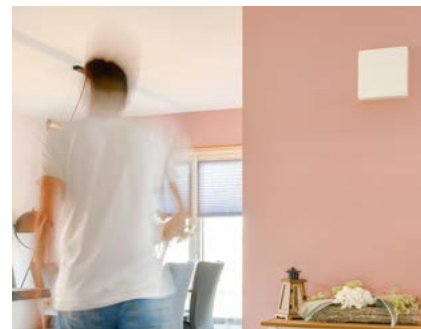
This offers an investment subsidy for individual measures on the building envelope, for heating and other building services. Costs for energy planning and construction supervision are also considered.

The KfW supports the energy-efficient refurbishment of a house, provided the measures result in it achieving at least the KfW Efficiency House Standard 85. Particularly high subsidies apply to the so-called EE standard (energy efficiency standard), for which the use of ventilation with heat recovery is mandatory. The KfW efficiency house levels are based on the GEG reference building (KfW efficiency house 100). The lower the efficiency house level (e.g. 85, 55 or 40), the more environmentally /friendly the building becomes and thus receives a higher funding level.

An amendment to the GEG has been debated for several months. In particular, it deals with the obligation to replace fossil heating systems. Unfortunately, the vote in parliament was not held before the summer break.

What does this mean for Volution?

There is a great need for renovation in Germany: several million residential buildings can currently be classified in energy efficiency class H or worse. In addition, fossil fuels such as coal, oil and natural gas are still the main sources of energy production. The energy-efficient refurbishment of residential buildings can make a decisive contribution to achieving the climate targets of the German government. Here, too, the use of mechanical ventilation with heat recovery makes a decisive contribution to the conservation of the heat energy generated and thus to the energy efficiency of a residential building. Targeted subsidies are intended to ensure that ventilation with heat recovery is used as standard in the energy-efficient refurbishment of buildings. It is important to communicate the possible subsidies comprehensively and sustainably to the respective target groups.



Although the Regulations in Germany do not mandate the installation of heat recovery, the technology has a significant penetration and has continued to grow. A key driver for adoption in Germany has been the availability of financial support subsidies encouraging the adoption. Although we have some short term issues with new build volumes in Germany, the largest opportunity for growth in the medium term will be in refurbishment and this year, our Germany company, Inventer, has been actively running communication campaigns to explain the opportunities for deep refurbishment and availability of financial support to customers.

100%
of Inventer sales are low carbon

Legislation updates continued



Opportunity for growth continued

Belgium

New build

In Belgium, the valid EPB regulations require residential and non-residential buildings to be energy efficient (builders and renovators). EPB (since 1/2006) stands for Energy Performance and Indoor Climate and refers to the energy consumption of a building: insulation, air tightness, ventilation, heating, solar panels but also to the quality of the indoor climate. The primary objective of the legislation is to improve the energy performance of buildings in Belgium. All homes for which a building permission (new construction and renovation) is submitted must comply. New buildings and major energy renovations that achieve a low E-level enjoy a reduction in property tax from the government.

The E-level is a measure of the overall energy performance of a building. The lower the E-level, the more energy efficient the building, and is the result of a calculation and comparison with a reference building. A reporter calculates the E-level, using "EPB software. The E-level depends on factors such as thermal insulation, airtightness, compactness, orientation, sunlight, conscious ventilation losses, fixed installations including heating, hot water, ventilation, cooling and lighting. The imposed e-level had a tightening from E100 to the current E30 (equivalent of energy consumption 30kWh/m²/annum).

After 2024, a further reduction in energy consumption of new buildings will require low-temperature heating solutions. From 2025, gas connection will then be generally banned in new buildings.

The challenge for ventilation technology is to maintain a minimum level of indoor air quality while reducing ventilation losses and ventilation energy. The focus for Belgium is on systems with heat recovery, the quality of the installation with its favourable effect on the power consumption, and limiting the air volumes by demand control based on CO₂ and humidity, and reducing ventilation flows by dividing into rooms and zones.

Ventilation is also valued at the risk of overheating due to climate warming and compact building. Ventilation passively helps maintaining a comfortable indoor temperature and helps reduce installed cooling capacity.

What does this mean for Volution?

In Belgium, we believe there will be a market for demand-driven systems with precise control with sensors and zoning, and integrated systems with ventilation and heat pumps for domestic hot water and heating, with maximum use of the heat recovered from the home and use of the energy from the outside air as a source of heat and cooling.

In combination with renewable energy, the opportunity is to make our ventilation systems work more efficiently to keep the heat out during the day.

Refurbishment

As of 2023, new owners of residential buildings in Flanders will be required, within 5 years of purchase, to thoroughly renovate their house energetically to a minimum EPC label D. The EPC shows the extent to which your home is energy-efficient and ranges from label A+ (very energy-efficient) to F (energy-guzzling). Those who already own a house will be supported financially to improve their building score. As of 2025, every residential building must have a specific EPC label. Ventilation remains an advice and not an obligation, but from now on ventilation will be valued to improve the EPC score of a home.

What does this mean for Volution?

Within Volution Group there are technological and decentralized products and knowledge that can be used for development of renovation market, social housing, and smaller homes. We continue to roll out group products increasing the width and depth of the product range available in Belgium.

Belgium public buildings

Recent legislation has created a general framework to achieve better indoor air quality in all indoor spaces open to the public. One of the important objectives is that in future crisis situations regarding the spread of respiratory viruses, the government can intervene in a more targeted way to prevent rapid spread in public indoor spaces. The new legal framework focuses on the following sectors: hospitality, sports and cultural venues and the events sector.

What is new is the possibility of using air purification systems in addition to ventilation rates, now explicitly included. In addition, there will be introduced a certification and labelling system for public buildings. This is planned to be introduced from the beginning of 2025. A consultation platform will be launched to bring knowledge together from government, scientific community, manufacturers and installers of ventilation and air purification equipment and air quality meters.

What does this mean for Volution?

Also within the non-residential segment, Volution Group has solutions available for both decentralized and centralized ventilation, with or without heat recovery. Possibly and subject to development of a support base for air purification, there will be an opportunity for air purification units with an air volume > 500m³/h and subject to appropriate certification.

Australia

In Australia, building regulations are defined through the National Construction Code, currently in the 2019 edition. The Code has 10 Building Classes with Classes 1-4 covering residential and Classes 5-10 covering non-residential.

NCC 2019 saw the introduction of specific minimum exhaust flow rates as part of the new Condensation Management section which was implemented to reduce incidence of moisture damage occurring in buildings. The National Construction Code (NCC) 2022 introduced new provisions to help further minimise condensation within houses and apartments (although adoption dates have stretched out to 2024 and beyond for some states). Exhausting air directly into a ceiling space was the traditional approach but is now no longer permissible and an exhaust from a kitchen, kitchen range hood, bathroom, powder room or laundry must now discharge via a shaft or duct to outdoor air. Whilst the duration of these exhaust rate are not explicitly stated in the NCC, in practice they are typically applied for a short period (i.e. intermittent ventilation).

Over the last 10 years Australia has seen a slow but steady increase in the number of residential buildings with continuous ventilation systems (predominantly in the form of heat recovery ventilation systems). For Class 1 buildings and many Class 2 buildings, continuous ventilation systems no longer have a "Deemed to Satisfy" compliance pathway. Instead, you have to rely on a Performance Solution for each individual project which creates a compliance burden for adopters of these systems. Currently neither NCC 2022 nor AS1668.2 make provision for lower continuous extract rates in residential buildings. This is in contrast to the UK (ADF), German DIN 18017-3, and many other European countries that all provide for lower continuous exhaust flow rates.

For NCC 2025, it is now being proposed that exhaust systems installed in a bathroom or sanitary compartment must have a continuous minimum flow rate of 10 l/s when operated continuously, or 12 l/s when installed in a kitchen or laundry.

To meet any future carbon reduction goals, heat recovery would naturally be the next step for any legislative changes once continuous extract ventilation flow rates have been allowed for in the standards.

What does this mean for Volution?

New Zealand and Australia have historically provided the lowest regulatory tailwinds for Volution. However, this is changing and continues to advance. The move towards non-discretionary applications of our products means more and more of our sales in Australasia will be driven by legislation and also towards the higher end solutions within key categories.



Australia has historically had the least progressive ventilation Regulations out of all of our markets. However, its unique Geography does reward ceiling fans within the NatHERS (Nationwide House Energy Rating Scheme). They offer an energy efficient alternative for comfort cooling than full air conditioning within certain temperature parameters and are widely adopted. We have been very successful in moving from historically low efficiency AC motors to energy efficient EC so reducing the emissions in use.

59.5%
of Ventair sales are low carbon

Legislation updates continued



Opportunity for growth continued

New Zealand

New Build

In New Zealand the current minimum building code for Ventilation (G4) only requires openable windows for fresh air, and intermittent extract in wet rooms and kitchens. However, significant work from the construction sector is driving a shift in thinking. G4 is up for review in 2025 as part of a rolling update across all standards. The energy efficiency standard (H1) was reviewed and launched in late 2021 with a staged implementation running through to November 2023.

While H1 does not address ventilation specifically, there are strong advocates from multiple avenues of the industry that have highlighted the effect H1 will have on airtightness. Primarily that the higher thermal resistance ratings required to comply with code mean that insulation and window standards have increased, and greater attention is now being paid to construction junctions and their airtightness because of this. Thankfully, under the commercial section of H1 energy efficiency standards for ventilation have been introduced, albeit only if one is being used. Commercially H1/VM3 outlines that should a heat recovery system be used, the core must have a minimum efficiency of 60%.

The New Zealand Government has committed on their own properties both residentially and commercially to sustainable building standards. Commercially this is through NABERS as an efficiency assessment standard for existing government tenancies and Green Star ratings for new builds, using the NZ Green Building Council (NZGBC) rating system. Residentially since 2019, through the social housing arm Kainga Ora, the government has committed to Homestar (also an NZGBC rating standard) and is in the process of updating with the latest version. While the minimum requirement for the latest Homestar standard is Continuous Extract ventilation (MEV), providing 0.35ACH, the current indication from Kainga Ora is that MVHR with summer bypass is the preferred solution. But an indication is not enough, and the expectation is they will simply implement the Homestar MEV minimum requirements.

While increased sales in Heat Recovery across the industry and the increase in brands represented in the country show an appetite for higher efficiency solutions, weaker economic conditions in 2023 have slowed the potential growth as builders retreat to their “minimum standard” budgets. A large portion of New Zealand homes, including social housing, are still built to only the relevant minimum standard. A review to G4 is slated for 2025 and current assumption is that changes then will only reach as far as dropping natural ventilation (windows) as a compliant solution and introducing MEV as a mandatory minimum. Similar to the discussions currently being had in Australia and expected in their legislation from 2025, specifically in the anticipated revision to AS1668 a standard NZ’s G4 also subscribes to.

What does it mean for Volution?

In a relatively short period of time, mechanical ventilation solutions in New Build have developed significantly. Volution has launched both central and decentralised continuously running solutions and will be focused on the roll out of the new Econiq range of MVHR units in FY24.

Refurbishment

While the above is primarily focused on new builds the NZ Government has taken action to begin retrofitting existing housing stock. In 2018 the Government established a retrofit grant called “Warmer Kiwi Homes” run by EECA (the Energy Efficiency and Conservation Authority). Available to homeowners on community services cards and in low-socioeconomic areas it covered a percentage of the cost of insulating and heating their homes. To this day, ventilation has been excluded from this standard and remains an opportunity in need of exploration. The following year under the Government Tenancy Services arm the Healthy Homes Standards came into law, addressing housing standards in rental properties. While Healthy Homes also covered insulation and heating the standard did address ventilation, but only in so far as necessary to bring existing homes up to current G4 building standards; 5% openable area for fresh air

and intermittent extract in kitchens and bathrooms. With the siloed approach most of these standards take it is not surprising that the correlation of energy efficiency and ventilation has been missed.

NZ’s climate change intentions have been published and can be found in the Building for Climate Change programme and NZ’s emissions reductions target. The Building for Climate Change programme includes under HBP1 (Homes, Buildings and Places) the commitment to improve homes and buildings so they can withstand the expected range of temperatures because of climate change as well as improve energy efficiency. Coupling those commitments with NZ’s emissions reduction target of Net Zero by 2050 and a reduction of net Greenhouse Gas Emissions to 50% of 2005 gross levels by 2030 it should be possible to show the relevance and influence of ventilation in these spaces. Relating the climate change intentions to ventilation is an immediate priority in order to guide the legislation changes to G4 in 2025 and encourage the inclusion of MVHR as not just a desirable solution but a necessary one.

Ministry for Business Innovation and Employment (MBIE) have already started work in this direction with their Operational Efficiency Assessment methodology. This new proposal released in July 2023 relies heavily on ventilation for delivering Indoor Environment Quality (IEQ). It proposes the setting of airtightness or permeability limits (called infiltration limits) which directly affects the requirement for ventilation. It also sets ventilation as the proxy for controlling relative humidity and CO₂ levels, with the ventilation rates to be set by EN16798-1:2019 – Energy Performance of Buildings. This Assessment methodology if implemented will effectively result in energy efficiency ratings for homes which in turn will influence the selection of ventilation to more energy efficient solutions such as MVHR.

What does it mean for Volution?

NZGBC, BRANZ, Passive House NZ and others are continuously lobbying government to improve the NZ minimum building standards including at times working with MBIE who oversee the standards. The latest focus has been on reviewing the progress and success of deep retrofit housing programmes in Europe with an eye to their relevance and applicability in NZ. With an election this year NZGBC launched an industry alliance called The Homes We Deserve which aims to influence every political party to include a “pollution-busting” home renovation programme to improve the health and carbon emissions of New Zealanders. Through Simx and DVS, Volution are in a great position to capitalise on the opportunities that continue to develop.

Other Codes

Temperatures in New Zealand homes are also not adequately addressed in NZ building code. G5 states that rooms shall have provision for maintaining internal temperatures no less than 16°C while the space is adequately ventilated, however this only applies to old people’s homes and early childhood centres. E3 is similar with a limited reference to temperature only going as far as to provide a temperature difference of 5-7°C indoors above the exterior in childcare and retirement facilities. Healthy Homes, through its heating calculation tool, targets 18°C and Homestar uses 20°C. Overheating has only just started being considered and yet over a third of NZ’s population live in a sub-tropical climate.

NZ code and local council guidelines are also having an increasing influence on ventilation through their response to noise. With the very slowly increasing density of New Zealand towns and cities, homes are being built on what can be considered marginal land, near busy roads, railway lines and flight paths is affected by code G5 Airborne and Impact Sound. While the standard is often not covered inside a building consent submission, the subdivisions and construction are being held up by local council rules on performance in these homes. These standards typically require high volumes (sometimes in excess of 6ACH) of mechanical ventilation to replace the potential ventilation available on a windy day with the windows open. Whilst poorly implemented currently, this is another angle available to influence ventilation change.



Although New Zealand Building Regulations have historically been behind those in Europe, the adoption of ventilation in private refurbishment has always been high as homes have historically not been fully heated leading to condensation issues. In the last 5 years however, regulations have been significantly improved. G4 and the Healthy Homes Act have both mandated ventilation in all new Builds and rental properties from 2021. In addition, their net zero 2050 commitment has meant their energy efficiency regulations are also starting to influence building design and we see the growing focus on Homestar and other rating systems. This is influencing the adoption of continuous ventilation systems and we have launched a range of group products to add to the portfolio.

52.8%
of Simx sales are low carbon

Our Growth Opportunity



Value-adding acquisitions

Strengthening our presence through acquisition



Our M&A criteria

We seek to acquire complementary businesses in current or close adjacent market niches, with the following key attributes:



Strong brand
with equity in its markets



Access to market
from which growth can be accelerated



Good teams
which we back and support



Opportunities
to enhance growth and returns



Aligned purpose
of delivering “Healthy Air Sustainably”



2013



2014



2022



2023

Our acquisitions over the years

c£250m
investment in acquisitions since FY11

25
Transactions

267%
Revenue growth since FY11

Acquisitions

I-Vent – Specialising in decentralised heat recovery sales



Acquisition of strong local brands with attractive market positions is a key tenet of Volution's growth strategy, and we are delighted to announce these two exciting transactions.

Ronnie George
Chief Executive Officer

I-Vent, Slovenia and Croatia

Acquired by Volution in June 2023.

Founded in 2010, I-Vent is a market leading ventilation supplier based in Slovenia. It produces a range of smart, wireless energy-efficient decentralised ventilation systems with heat recovery that can be installed in both new and existing buildings and sold under the I-Vent brand.

I-Vent have a direct-to-consumer model where they advise individuals on the best ventilation solutions for their home and provide a fully installed solution.

This model means that I-Vent have an unparalleled sales and installer network in Slovenia and have also recently expanded into neighbouring Croatia with promising results.

The wide group product range offers I-Vent additional products to their proposition as well as procurement scale to ensure that they can maximise their reach within the market.

Their product range will also complement the group decentralised heat recovery range providing an alternative solution helping widen sales channels across our sales network.

VMI – Providing access to distribution in France



VMI, France

Acquired by Volution in April 2023.

As the French leader on the positive input ventilation market, VMI has been designing and developing Positive Input Ventilation or Ventilation Mécanique par Insufflation® (VMI®) system since 1986. This technology is designed to improve the quality of indoor air. They have designed “plug and play” solutions allowing to couple ventilation with heat pump, solar panels and earth to air heat exchangers.

After having sold tens of thousands of systems, they are recognised as the specialist PIV supplier and undisputed front-runner of the technology in France leading the fight against humidity and pollutants in indoor and outdoor air. The company is extensively involved in the public debate on air quality and in research on innovative energy solutions.

Selling through distributors, VMI provide an excellent channel for other complementary group products such as MVHR into the French market. Additionally, VMI provide a strong network within the trade associations to ensure that we continue to have insight into the legislative framework as it develops.

Sustainability

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

Highlights

- The energy saving potential of our products – **Pages 60 to 63**
- TCFD Compliance statement – **Page 66**
- Full carbon emissions inventory, metrics and targets – **Pages 74 to 79**
- Board oversight of sustainability and climate change – **Pages 54 and 68**
- SASB disclosures and SFDR principal adverse indicators – **Pages 80 and 81**
- Biodiversity and water stewardship – **Pages 82 and 83**
- Diversity, equity and inclusion (DEI) – **Pages 86 to 88**



Product

» See more on Page 56

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

» See more on Page 64

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.



People

» See more on Page 84

Our ambition

To continue to develop an engaging 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.

“

Good progress was achieved with our sustainability initiatives, with the team developing innovative strategies to increase the utilisation and availability of recycled plastic, and revenue from our low-carbon products increased organically and through acquisitions. These are great examples of cross functional effort and initiative. Our carbon intensity has fallen again, and whilst we fell short of the stretching absolute emissions target for the year, our colleagues across the world are engaged in energy efficiency initiatives.

Ronnie George
Chief Executive Officer

70.1%
Revenue from
low-carbon products

2,183,455
Avoided emissions (tCO₂e)

33.8%
Revenue from heat
recovery products
(EU taxonomy aligned)

76.2%
Recycled plastic processed
in our own factories

11.1
Scope 1 and 2
location-based intensity
(tCO₂e per £m revenue)

3.9%
Scope 1 and 2 absolute
location-based emissions
reduction (tCO₂e)

0.30
reportable accident rate
per 100,000 hours worked

391
Safety walks in
our operations

17,781
hours of formal training

Sustainability continued

Our approach to sustainability

Healthy air, sustainably

We aspire to be leaders in the effort to provide healthy indoor air while driving a low-carbon future. Our approach encompasses more than just our key sustainability KPI's, and includes maintaining high standards in corporate governance and making a positive impact in our communities. This year, we expanded our sustainability efforts across multiple fronts and embraced an array of positive change opportunities. Our commitment to achieving net-zero emissions remains unchanged, and in addition to updating our core sustainability initiatives, we now provide a more comprehensive understanding of our emissions profile including all material Scope 3 emissions. Our focus is on strategically targeting emissions reduction opportunities and developing comprehensive action plans to meet the net zero challenge.

Our ambition

Product

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.

» **Product**
See more on pages 56 to 63

Planet

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.

» **Planet**
on pages 64 to 83

People

To continue to develop an engaging 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.

» **People**
on pages 84 to 92

Sustainability Governance

Sustainability is fully integrated into the Governance structure of the Group. 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 (Page 106) and in the TCFD section (Page 66).

The role of the Board and its Committees



Materiality assessment alignment with SDGs

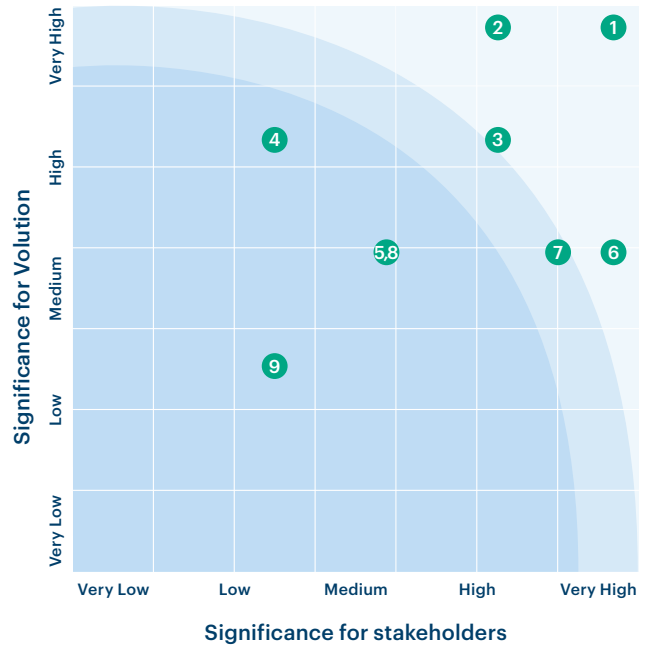
Materiality matrix

In 2021 we reviewed the material issues that impact our sustainability and prioritised them around the Group and our stakeholders needs. We sought feedback from stakeholders and created a materiality matrix. We then coalesced the material issues into our three focus areas of Product, Planet and People.

This year, we have revisited the materiality matrix as a pulse check to assess our priorities and concluded that the same issues remain material to us and our stakeholders. We have also reconsidered the United Nations Sustainability goals which are most aligned to our priorities and we re-assert our commitment to them – as the blueprint to achieve a better and more sustainable future for all.

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. Lastly, an efficient and effective supply chain, supplying sustainable materials and minimising waste will drive sustainable but also efficient production.

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



How we align to the UN Sustainable Development Goals

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.

3 GOOD HEALTH AND WELL-BEING **SDG3**
 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 **SDG7**
 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, Volution sells product solutions targeted at reducing carbon emissions of buildings by making them more energy efficient to run.

8 DECENT WORK AND ECONOMIC GROWTH **SDG8**
 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 – Volution’s ambition is to ensure a diverse and inclusive workplace for everyone.

11 SUSTAINABLE CITIES AND COMMUNITIES **SDG11**
 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 **SDG12**
 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 – Volution continues to focus on the adoption of recycled material, with 76.2% of the plastic used within our own facilities from recycled sources in FY23.

13 CLIMATE ACTION **SDG13**
 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 has set our ambition to become net zero by 2040 and has been carbon neutral since FY21 for scope 1 and 2 emissions. In addition, we are signatories to the CEO Water Mandate and the UN Global Compact.

Sustainability continued



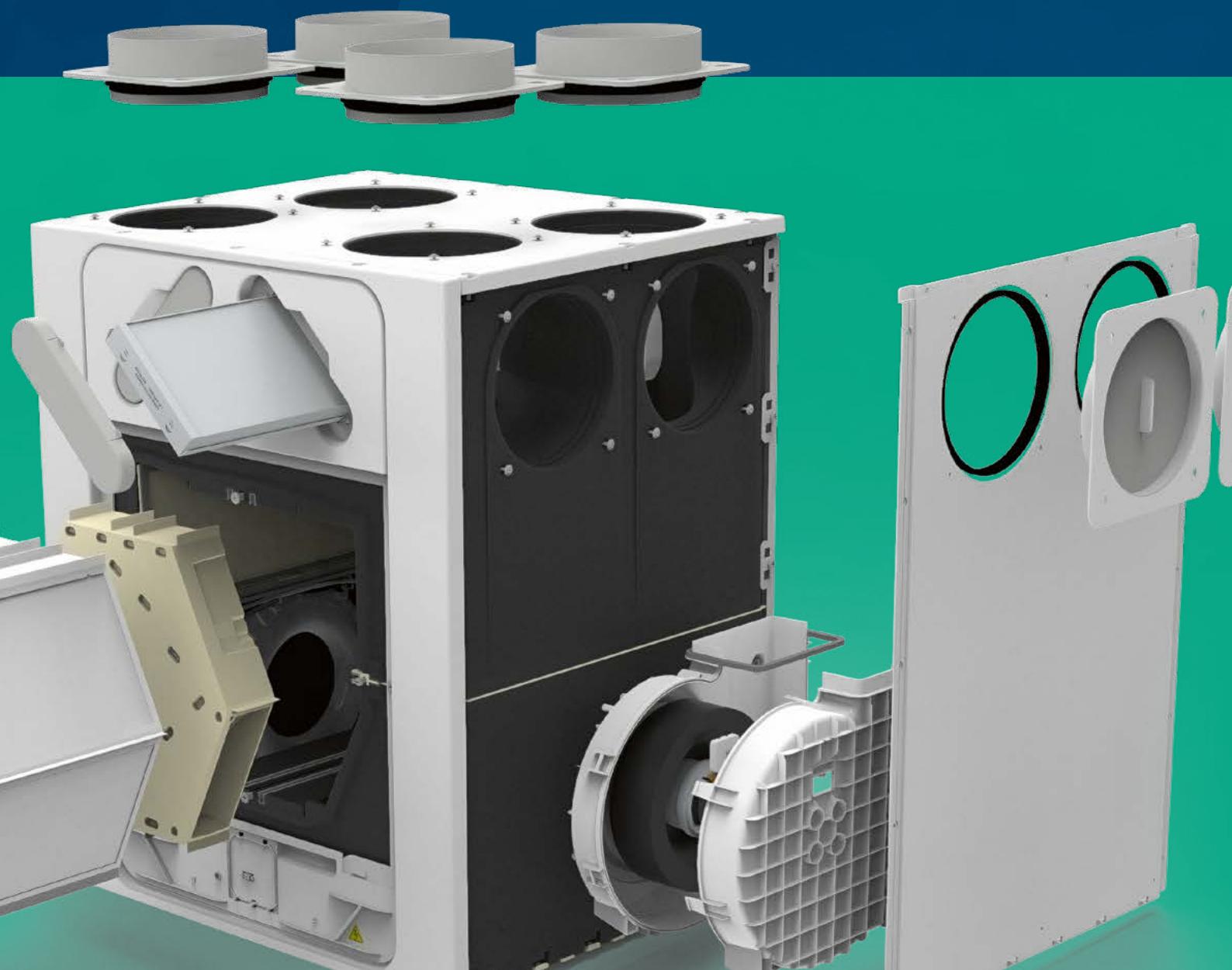
Product

Intrinsically designed to improve air quality and reduce emissions over traditional methods

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.





Highlights

Category	Performance	Status	Comments	Read more
Low Carbon Sales	70.1% low carbon products		Ahead of target and already exceeding our 2025 goal.	» See more on page 62
Avoided emissions	2,183,455 Avoided emissions (tCO ₂ e)		Avoided emissions resulting from the use of our heat recovery products sold in FY23 over their life time.	» See more on page 60
Heat recovery products	33.8% Revenue from heat recovery products		Sales of our energy saving heat recovery products continue to increase.	» See more on page 63

Key

- On track or ahead
- Slightly off track – carefully monitor
- Not on track

Sustainability continued

Product continued

Introduction to energy recovery technology

A key approach to decarbonisation of buildings, is preventing energy loss in heated or cooled air as it is exhausted from the building for ventilation. To prevent the energy loss, heat recovery cells can be used in the airstream to ensure the energy is recovered.

Key stats

93%

Up to 93% efficiency in plate heat exchangers

85%

Up to 85% efficiency from rotary heat exchangers

Energy recovery technology types

There are four commonly applied types of energy recovery cells:

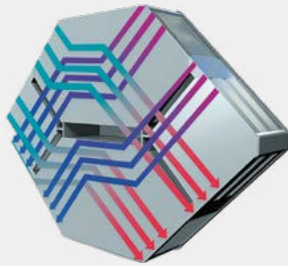
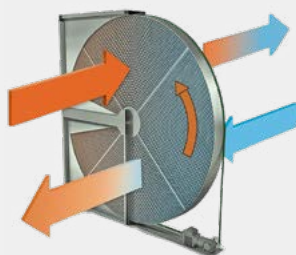


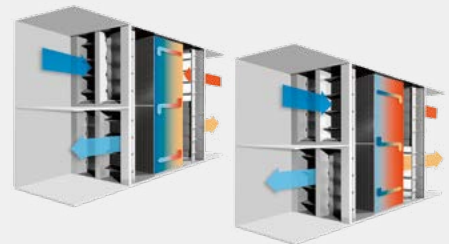
Plate heat exchangers

Plate heat exchangers consist of a series of plates stacked together which form a large internal surface area. Air is then exhausted from inside the building and passed over one side of the plates and at the same time fresh air is introduced into the building on the opposite side of the plates. The large surface area allows heat to be transferred from one side to the other in colder climates, the process recovers energy by passing energy from heated air leaving the building into the incoming air. By contrast in warmer climates with air-conditioned buildings, the process passes heat into the outgoing air. The exchangers can be up to 93% efficient.



Rotary heat exchangers

Rotary heat exchangers are a regenerative type of air-to-air heat exchanger with a rotating wheel. During the heating season, air is exhausted from the building, warming the rotating disc. Air from outside is introduced across the opposite side of the disc recovering the heat, but also capturing the humidity released from the disk so enriching the air to prevent it drying out. This process provides heat exchangers with up to 85% efficiency.



Accuair

In colder, dry climates, plate heat exchangers offer very high efficiency but can remove too much moisture from the air as it condenses on the colder sections of the plates. This can cause excessive drying out of the air. Accuair has been designed as an enthalpy system to also recovery up to 70% of the moisture. It does this whilst retaining an efficiency of up to 90% and prevents the air becoming too dry.



Regenerative Heat Cells

Regenerative heat cells work by acting as heat storage devices. Exhaust air passes through and warms the cell (ceramic) which store the heat. The ventilation system is then reversed, bringing air back through the heat exchanger and introducing the heat back into the incoming air. In this way heat can be recovered in a small, compact device which can be wall mounted for ease of application.

New low carbon products this year

Volusion continues to invest in new product development, and this year we launched two new platforms for residential and commercial heat recovery.



Vent-Axia Econiq – The new group platform for residential

We launched a next generation heat recovery platform across our European sales channels. The range consists of three sizes, with airflows up to 600m³/h, enough for even the largest homes. The platform provides industry leading efficiency and low energy consumption, and also improves connectivity and control. With a suite of external and internal sensors, the range provides a new level of automation. Using smartphone-compatible controls, the homeowner is in full control of ventilation all year round, with the flexibility to increase flow rate during hot periods or reduce speeds to minimise running costs while away.



Sentinel Apex – Commercial heat recovery, simplified.

Our Sentinel Apex range of commercial heat recovery units, with up to 93% heat recovery efficiency and low sound levels, provides high levels of performance efficiently. A new advanced control system provides on board, in room, and App based control, full functionality commissioning and monitoring. Coupled with Vent-Axia's new range of wired and wireless sensors close control and monitoring of indoor air quality is enabled. Sensors include CO₂, humidity and temperature and provide both proportional and switch control.

Sustainability continued

Product continued

Avoided emissions – an estimate of the energy saving potential of our innovative products

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 to alternative, base-line ventilation.

Building on the model that we designed last year in collaboration with Arup and updating for conversion factors, this year, we have calculated the avoided emissions from our heat recovery products sold in FY23, over the life-time 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 life time emissions of heat recovery products sold in FY23.

The one year avoided emissions for FY23 have increased to 272,073tCO₂e. from 223,065tCO₂e in FY22, primarily a result of increased sales of larger commercial heat recovery products from our Heat recovery cell business ERI.

“As ERI products trend towards larger commercial and industrial projects the total volume of air they handle increases. As a business this creates an opportunity to provide much larger energy savings globally compared to our smaller commercial and domestic products.”

Michael Parker
Managing Director, ERI

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.

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 FY2023 should not be considered to be at the same level of accuracy as our Group emissions reported within the TCFD section (page 76). 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%.

Avoided emissions: Results



580,000

Homes carbon dioxide emissions for 1 year¹

OR



975,000

Cars off road for 1 year²

1. Calculated by taking the Volution reported avoided emissions of 2,183,455 t/CO₂ and dividing by the average emissions for an existing UK dwelling for one year (Office of National statistics, 2021).

2. Calculated by taking the Volution reported avoided emissions of 2,183,455 t/CO₂ and dividing by the overall average emissions per mile for UK automobiles, assuming 10,000 miles driven per annum per vehicle (Department of Transport, 2020).

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 ONS and DFT and used for the calculations (noted above).

Sustainability continued

Product continued

FTSE Russell Green Economy mark and EU Taxonomy

Green Economy mark

We are proud to be in the FTSE Russell Green Mark 2023 cohort, our third 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. In FY2023, We derived 70.1% of Group revenue from 'green' products and services as defined by FTSE Russell's Green Revenues Classification System – significantly above the 50% threshold required to be awarded the recognition mark.

In the UK, low carbon products are aligned with the Standard Assessment Procedure (SAP), and are also listed on the Product Characteristics Database (PCDB). For commercial buildings, our products align with the Simplified Building Energy Model (SBEM).

In Germany our products meet carbon reduction standards through calculations combined from DIN V 4701-10:2003-08 with DIN V 4108-6:2004-03 or DIN V 18599-6:2018-09.

Globally, we also have products listed through schemes such as the Energy Technology List (ETL). In Australia, our products are designed to enhance the star rating of a home under the Nationwide House Energy Rating Scheme (NatHERS). Furthermore, our automation products and DC/EC motorised extract fans exemplify energy-saving alternatives to traditional methods.



EU Taxonomy

EU Taxonomy is a classification system designed to facilitate the identification of economically sustainable activities. It aims to direct and facilitate investments in environmentally sustainable projects by establishing criteria for what constitutes a genuinely green product or industry.

Similarly to our Green Economy mark categorisation, 70.1% 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. This includes each business in the Group, not just those within the EU. However, whilst all our low carbon sales are EU taxonomy eligible, we do not believe they are all currently EU taxonomy aligned.



ERI Team, Heat Recovery Developments, Macedonia

Fulfilment of screening criteria

The primary method of measuring the energy efficiency of Buildings is through the Energy Performance of Building Directive (EPBD). In March 2023, the European parliament approved its stance on a recast of the EPBD and it will cover both new and existing buildings. This has introduced Minimum Energy Performance standards which would mean the worst performing buildings would need renovating. However, even though the EPBD has entered the final phase of the process, there are still more negotiations to go.

The EPBD is implemented locally within each country with national calculation methods used to define the energy efficiency of buildings. We define our low carbon sales as products which use less energy than the products they replace, or as products that are used within the local calculation methods to reduce emissions from buildings. The key qualifying technology that specifically helps avoid carbon emissions are our heat recovery products.

In addition, there are many other products with our low carbon definition which reduce carbon of buildings within the markets that we operate. For example, MEV and PIV systems are applied in the national calculation models within different countries to provide a route to avoid carbon emissions.

On that basis, there is extremely tight correlation between our low carbon sales to the objectives set out within the EU Taxonomy.

Compatibility with Other Environmental Goals (Do No Significant Harm – DNSH)

EU Taxonomy requires us to evaluate and ensure that our operations do not cause ‘significant harm’ to the range of objectives set out in the taxonomy. We have considered each objective as described below.

Climate Change Adaptation: Our TCFD reporting and statement describes the process through which we assess the climate risks on our business and steps we are taking to reduce our impact and align to the goals of the Paris agreement and net zero.

Water and Marine Resources: Our manufacturing processes use small amounts of water and our stewardship ensures negligible impact on water courses through contamination. Nonetheless, we remain committed to continuous improvement and have initiated efforts to monitor and record our water usage and are signatories to the CEO Water Mandate.

Circular Economy: We have prioritised the use of recycled materials in our manufacturing processes for several years. We have published a goal of achieving 90% use of recycled plastic in our manufacturing process by 2025.

Pollution: We adhere to all local regulations regarding waste. We do not produce and material amount of hazardous waste from our production processes.

Biodiversity and Ecosystems: We do not believe our operations have a material impact on biodiversity, and we do not face any material nature related risks. However, we are conscious of the need to help prevent biodiversity decline and have initiated location specific plans to enhance local biodiversity.

Minimum Safeguards

The “Minimum Safeguards” under the EU Taxonomy ensure that sustainable activities are not aligned unless minimum governance standards are met, and the operations do not violate social norms including bribery or employment rights. The Group has a comprehensive range of ethical, good conduct, anti corruption, anti modern slavery and other policies. We also proactively engage with our suppliers to ensure adherence to our code of conduct.

Low carbon revenue



Key:
● Low carbon 70.1%
● Other 29.9%

Sustainability continued



Planet




Volusion 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.



Highlights

Category	Performance	Status	Comments	Read more
Recycled plastic	76.2% Recycled plastic processed in our own factories		We have increased the use of recycled plastics from 67.2% in FY22 to 76.2% this year, just short of the 76.8% target.	» See more on page 79
Carbon intensity location based	11.1 Scope 1 and 2 location-based intensity (tCO ₂ e per £m revenue)		We're pleased to report a reduction in our carbon intensity from 12.3 to 11.1 tCO ₂ e per £m of revenue year on year.	» See more on page 67
Carbon emissions reduction	3.9% Scope 1 and 2 location-based absolute emissions (tCO ₂ e)		While we have made progress since last year in reducing our absolute scope 1 and scope 2 location based emissions, further actions are required to hit future targets.	» See more on page 67

Key

-  On track or ahead
  Slightly off track – carefully monitor
  Not on track

Sustainability continued

Task Force on Climate-related Financial Disclosures

Our approach to the climate change challenge

Preventing the worst impacts of unchecked Climate change is one of the greatest challenges of our time. The IPCC has made it clear that the window of opportunity to ensure the increase in global temperature does not rise above 1.5°C is closing.

The potential physical and other risks of climate change are a concern for everyone, and we as a business have embedded climate change into our risk management and governance frameworks.

However, as a business we must also act to ensure we are contributing to the transition to a zero-carbon economy. This is a challenge, but it is also an investment opportunity – Net zero, concluded a recent UK Government commissioned independent review, ‘is the economic opportunity of the 21st century.’¹ The majority of the world’s nations have now defined a path to net zero: more than 90% of global GDP is now covered by a net zero target. According to FTSE Russell, the green economy recorded a compound annual growth rate of approximately 14% over the last 12 years. The pace of this growth is accelerating thanks to strong political and regulatory tailwinds.

We believe that we are well placed to continue to drive sustainable growth as a response to the Climate Change challenge.

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 FCA’s Listing Rule 9.8.6R(8) and within this Annual Report make disclosures in accordance 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.

Improvements next year, and not fully disclosed in this report, will include a fuller description of how the Board considers climate-related issues when reviewing and guiding strategy, business plans capital expenditures, and acquisitions.

We have progressed our TCFD reporting since we began our initial disclosures in FY 2021. Last year, we reported against all the recommendations of TCFD and set detailed targets for the first time for the short, medium and long term. This year, we have made further improvements to our disclosures as follows:

- Including all material categories of scope 3 emissions – including the emissions from the use of all our sold products (Page 76).

- Including our annual scope 1,2 and 3 targets, and reporting against those targets for the first time.
- Integration of Climate related risks and opportunities with the principal risks.
- A clearer presentation of our TCFD disclosures utilising the 11 subheadings of the 4 pillars of the recommendations.

All through these important disclosures, we have kept in mind the principals of effective disclosure.

- Focusing on information that is material and relevant.
- Disclosures that are specific and complete and contain both historical actuals and future targets.
- Disclosures that are clear and balanced, including both the risks to our business but also the opportunities it represents.

We remain committed to a net zero carbon future and aim to become a net zero carbon business by 2040.



Impact on financial statements

When preparing the Consolidated Financial statement on pages 167 to 222, 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 emission 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 is no impact on the useful lives of our material physical assets.

Our carbon reduction targets and commitment made to achieve net zero by 2040 have been carefully considered and we have concluded that the actions that we will take do not have a material adverse impact to future cashflows. Our short terms 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 is demonstrated again this year with a reduction in both our absolute and intensity measures of scope 1 and 2 emissions (page 76). Actions taken during FY23 include those described in page 78.

Carbon emissions – Highlights

**Scope 1 and 2
(Location based)
tCO₂e**

3,628

(3.9% lower than FY22)
1.9% short of FY23 target

**Scope 1 and 2 emissions
(market based)
tCO₂e**

2,385

(15.6% lower than FY22)
11.4 ahead of FY23 target

**Scope 1 and 2
Intensity measure
tCO₂e/£million Revenue**

11.1

(9.8% lower than FY22)
4.4% ahead of FY23 target

Whilst our absolute location based scope 1 and 2 emissions reduced slightly, we did not achieve our stretching 5.8% absolute year-on-year reduction target, due primarily to the growth in our business this year. The successful control of our emissions as we grow is shown in our chosen measure of carbon intensity – reducing by 9.8% compared with FY22 and overachieving our intensity target. Our absolute market based reduction was driven by our accelerated move to Green energy tariffs, now covering 86% of our business (FY23: 74%).

**Scope 3 emissions
(only those categories
reported in FY22
for consistency)**

48,330

(6.8% lower than FY22)
3.0% short of FY23 target

We saw a significant like-for-like absolute emissions decline compared to last year, but we were short of our target primarily as our target assumed a greater reduction in emissions from air freight year-on-year (12%) than the 6% that we delivered.

Calculations methodologies, assumptions and uncertainties are shown in the emissions tables on page 77.



Solar cells on ClimaRad facility, Netherlands

Sustainability continued

Task Force on Climate-related Financial Disclosures continued

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 54 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 page 96 to 105. The Board considered whether Climate change should be disclosed as an individual stand-alone 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 96 to 104 for description of the Groups Risk management process).

The Board received updates each month on key sustainability KPIs, and during the year (twice in FY 2023) received a more detailed review of performance against the sustainability targets and the Groups 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 (page 140).

The Board and certain individual Board members kept up to date on Climate related issues through attending external seminars and discussing with Group advisors. Board Members' relevant experience is described on page 110.

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 FY2023. 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 long term incentive plans of the Executives include 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. These ESG measures are aligned in part to mitigating the risks of climate change and optimising the opportunities that climate change presents. The measures have a 20% weighting in the LTIP with a maximum pay out that is aligned to the 2025 targets shown on pages 160 and 161.

TCFD pillar – Strategy

Our strategy sets out our response to the transition to a net zero economy and limiting the effects of climate change (see page 26).

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 96 to 104) 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. 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.

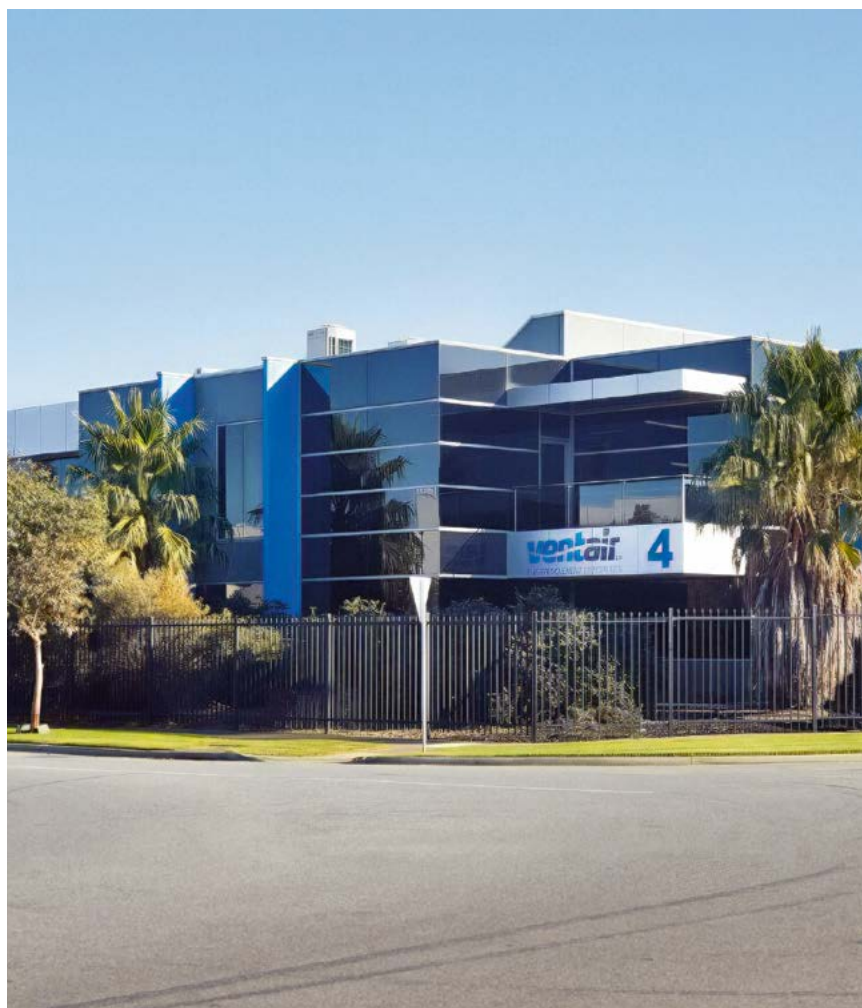
The timeframes used when identifying the principal risks for Volution are over a relatively short term due to their material impact on strategy and financial performance targets. Climate change impacts are likely to appear over a much longer timeframe, which we have aligned to the NGFS scenarios.

These are short term (less than 5 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 three 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.



Ventair facility, Melbourne, Australia

Sustainability continued

Task Force on Climate-related Financial Disclosures continued

TCFD pillar – Strategy and Risk

Transition opportunities

Volution products support legislative transition as we decarbonise

Buildings are responsible for around 36% of total CO₂ 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 38 to 47. 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 is conservatively built into going concern and impairment reviews.

Metrics and targets

Low Carbon Sales

70.1%
low carbon products

Avoided emissions

2,183,455
Avoided emissions (tCO₂e)

Heat recovery products

33.8%
Revenue from Heat recovery products



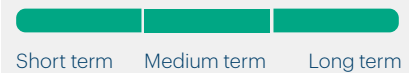
Reading facility, UK

Physical risk – acute and chronic

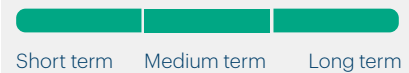
Changing weather patterns, linked to climate change, may directly damage our production facilities or disrupt our supply chain.

Scenario 1.5

Likelihood

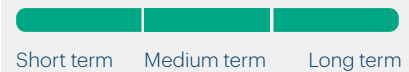


Potential impact

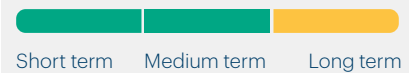


Scenario 4

Likelihood



Potential impact



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.

Potential financial impact

Low
Minimal financial impact to the Group

Medium
Some financial impact to the Group but not material (<5% of Operating Profit)

High
Material financial impact to the Group (>5% of Operating Profit)

Principal risk key

- 1 Economic risk
- 2 Acquisitions
- 3 Supply chain and raw materials
- 4 Regulation
- 5 IT systems including cyber breach
- 6 People
- 7 Innovation
- 8 Customers
- 9 Foreign exchange risk

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

Likelihood

Short term Medium term Long term

Potential impact

Short term Medium term Long term

Scenario 4

Likelihood

Short term Medium term Long term

Potential impact

Short term Medium 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

Likelihood

Short term Medium term Long term

Potential impact

Short term Medium term Long term

Scenario 4

Likelihood

Short term Medium term Long term

Potential impact

Short term Medium 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

Likelihood

Short term Medium term Long term

Potential impact

Short term Medium term Long term

Scenario 4

Likelihood

Short term Medium term Long term

Potential impact

Short term Medium 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

Number of new products developed, spend on and size of development team.

Sustainability continued

Task Force on Climate-related Financial Disclosures continued

TCFD pillar – Strategy continued

b. The impact of climate-related risks and opportunities on the organisation's business, strategy and financial planning

As described on page 70, 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 page 38). 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 page 58). Our growth from acquisition targets successful businesses that specialise in low carbon and heat recovery products, evidenced by the two acquisitions during the financial year (see page 50).

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 annual targets that we intend to meet (detailed targets currently set including FY23 Scope 3 categories only). 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
2022 – transition of UK procured electricity to 100% renewable sources.	Multi year agreements in place for UK for whole of FY2023 with no significant increase in cost.
2025 – 70% of our sales are low-carbon products.	2025 target already achieved in FY2023.
2025 – 90% of the plastic processed in our factories are from recycled sources.	We are on track and successful procurement of reliable and affordable recycled sources ensures no risk to costs.
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.
We will work with our supply chain and industry to increase the use of new and sustainable products and inputs.	No 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 continue to incentivise our management and use an internal carbon charge to make our business units pay to offset their residual emissions.	No incremental cost to the Group, but incentivising our local businesses to reduce emissions.
We will close the loop on the circular economy, recovering our end-of-life products, recycling and reusing.	We will role out an end-of-life recovery program when an economically efficient process is confirmed.
We will continue to offset Scope 1 and 2 (and increasingly Scope 3) carbon emissions through the purchase of carbon credits.	Our current commitment to carbon offsetting has a non-material annual cost of below £50,000.
We will reduce air freight by 75% by 2030.	Freight will be transitioned to sea freight wherever possible. Sea freight is significantly cheaper than air freight.

Definitions

Carbon neutral – To offset carbon emissions, we purchase credits for carbon removal or avoidance projects (see page 83). Our 2023 carbon neutral status boundary includes all scope 1 and 2 emissions, colleague commuting and waste.

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.

Science Based Initiatives – The Science Based Targets initiative (SBTi) is a global body enabling businesses to set ambitious emissions reductions targets in line with the latest climate science. It is focused on accelerating

companies and financial institutions across the world to halve emissions before 2030 and achieve net zero emissions before 2050. Our letter of commitment confirms that we will set a long term science-based target to reach net zero value chain GHGs emissions by no later than 2050 in line with the SBTi Net-Zero Standard, submit it for SBTi validation and publish it, within the next 12 months.

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 2 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 there 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.

Risk score by location 4°C global warming scenario at 2050

Facility name	Country	Drought	Fire	Heat stress	Precipitation	River flood (defended)	Sea level rise	Tropical cyclone	Extratropical cyclone
Brisbane	AU	High	High	High	Very high	High	No data/ no risk	Low	Very low
Greve	DK	Very low	Low	Very low	Low	Very high	No data/ no risk	No data/ no risk	High
Bitola	MK	Very high	High	High	Low	Very high	No data/ no risk	No data/ no risk	Low
Christchurch	NZ	High	Low	Low	Low	Very high	No data/ no risk	No data/ no risk	High
Burrowbridge	UK	Low	Low	Low	Low	Very high	No data/ no risk	No data/ no risk	High
Auckland	NZ	High	Low	Low	High	Very low	No data/ no risk	Low	High
Nylanda	SE	Very low	Low	Very low	Low	High	High	No data/ no risk	High
Surrey	UK	High	Low	Low	Low	High	No data/ no risk	No data/ no risk	High
Perth	AU	Very high	High	High	Low	Very low	No data/ no risk	Very low	Low
Sarajevo	BA	High	Low	Low	High	High	No data/ no risk	No data/ no risk	Low
Melbourne	AU	High	High	High	Low	Very low	No data/ no risk	No data/ no risk	High
Odder	DK	Low	Low	Very low	Low	Very low	No data/ no risk	No data/ no risk	High
Harlev	DK	Very low	Very low	Very low	Low	Very low	No data/ no risk	No data/ no risk	High
Cambridge	UK	High	Low	Low	Low	Very low	No data/ no risk	No data/ no risk	High
Reading	UK	High	Low	Low	Low	Very low	No data/ no risk	No data/ no risk	High
Greenbridge	UK	High	Low	Low	Low	Very low	No data/ no risk	No data/ no risk	High
Westmead	UK	High	Low	Low	Low	Very low	No data/ no risk	No data/ no risk	High
Crawley	UK	High	Low	Low	Low	Very low	No data/ no risk	No data/ no risk	High
Eersel	NL	Low	Low	High	Low	Very low	No data/ no risk	No data/ no risk	High
Oldenzaal	NL	Low	Low	Low	Low	Very low	No data/ no risk	No data/ no risk	High
Löberschütz	DE	Low	Low	Low	Low	Very low	No data/ no risk	No data/ no risk	High
Kuurne	BE	Low	Low	Low	Low	Very low	No data/ no risk	No data/ no risk	High
Hollola	FI	Very low	Low	Very low	Low	Very low	No data/ no risk	No data/ no risk	High
Hallefornas	SE	Very low	Low	Very low	Low	Very low	No data/ no risk	No data/ no risk	High

Key

No data/ no risk
 Very low
 Low
 Moderate
 High
 Very high

Sustainability continued

Task Force on Climate-related Financial Disclosures continued

TCFD pillar – Metrics and Targets

a. The metrics used by the organisation to assess climate related risks and opportunities

We disclose all material scope 1, 2 & 3 carbon emissions, in total and by business. We have set detailed annual targets for scope 1,2 and a proportion of scope 3 emissions and have distributed these targets to each of our local businesses, and we report against these targets.

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. For the first time in FY23 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 73, 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

This year we have disclosed all material scope 1, 2 and 3 emissions, including for the first time the emissions from the use of our products. Full details of our emissions are shown on page 76 to 77.

Our Scope 1 and 2 emissions are not material to our total emissions, representing just 6% of operation emissions (excluding emissions from use of products).

Scope 1 and 2 emission sources 2023 are Electricity (51%), Gas (15%), Vehicle fuel (25%), and other (9%).

The largest portion of our location-based scope 1 and 2 emissions is from the electricity we use in our facilities.

Scope 3 emission sources 2023 are from the use of products (91%), Distribution (4%), Purchased Products (4%) & other 2%.

The largest portion of our scope 3 emissions is from the use of our products, over their useful life

The methodology we have used to calculate our emissions varies by type of emission and is detailed on page 77. We have increased the accuracy of our emissions data gathering and have adjusted the FY22 base year figures where appropriate if more reliable data is now available. For example, where reliable country level carbon conversion rates

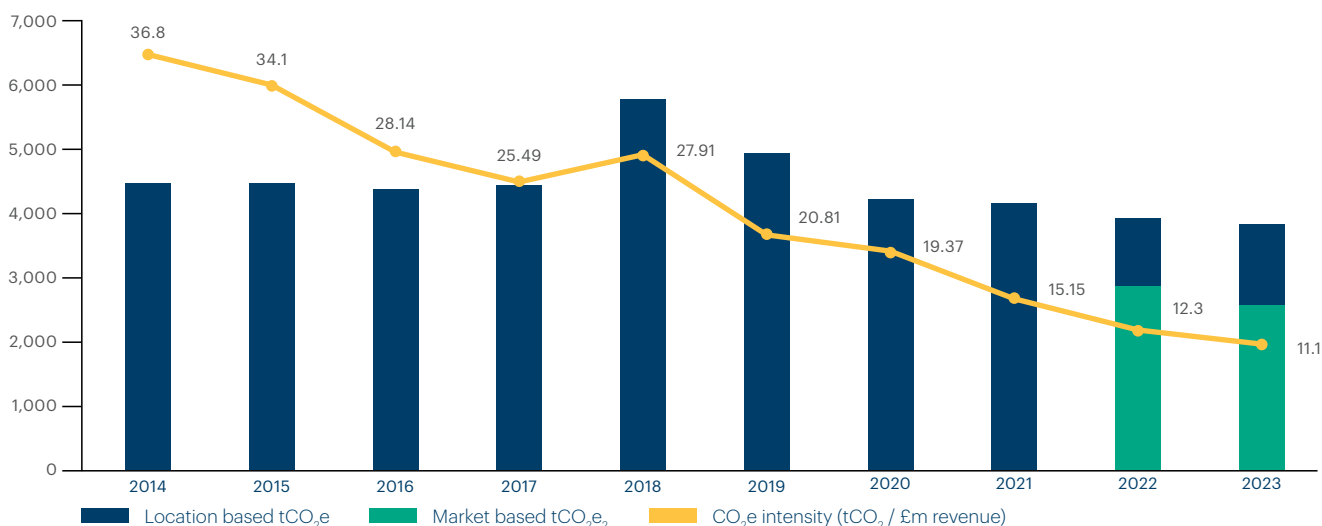
have now become available, we have adjusted the prior year reported emissions to ensure a like-for-like comparison year-on-year. Where there is uncertainty and assumptions are used, we have detailed the assumptions and disclosed sensitivities to the assumptions.

Our perimeter includes all companies and subsidiaries in the Group. Our base year for target setting aligned with SBTi is 2022 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

In FY2022 we set new targets for carbon reduction over the short, medium and long term which will enable us to achieve our commitment to a net zero carbon future. This year we have disclosed the disaggregated annual targets and report the performance against those targets for the year FY23 in the tables on page 76. The targets were set in line with the principles of Science Based Initiatives, and we will continue to refine our targets before being approved by Science Based Initiatives later in the year.

Scope 1 and 2 Performance – Carbon intensity (tCO₂e/£m of revenue) and absolute emissions 2014 to 2023

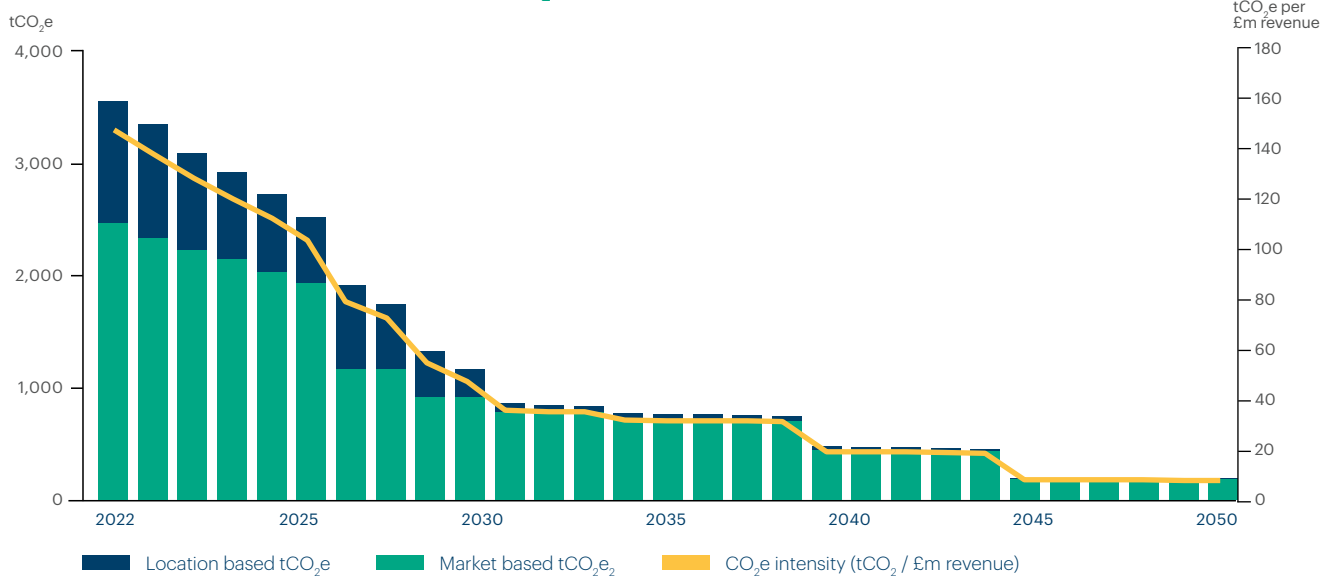


We have continued to deliver a year-on-year reduction in our chosen measure of carbon intensity, reducing by 9.8% since last year, cumulatively 69.8% lower than nine years ago when we first started reporting this measure (see graph page 74).

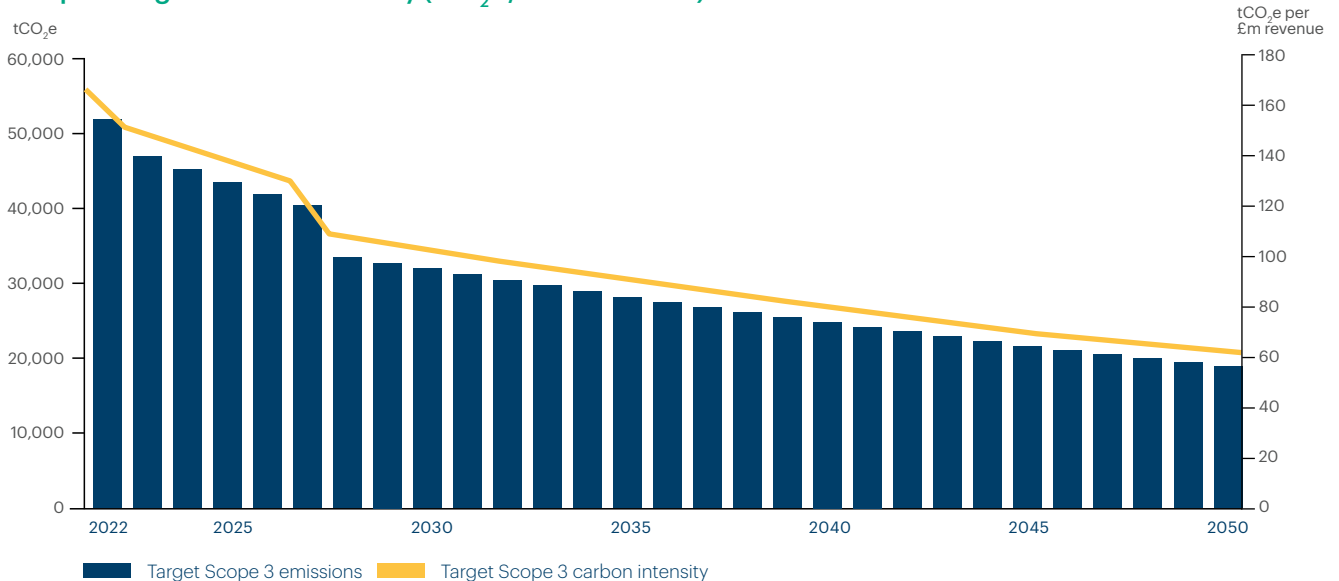
We have also delivered a year-on-year reduction in absolute scope 1 and scope 2 emissions despite the growth of the business both organically and through acquisition. Some of the actions taken by our colleagues to deliver this are shown on page 78.

The annual targets include assumptions on (i) Passive reductions – those that will happen without any action from Volution such as decarbonisation of the electricity grid, (ii) Market-based reductions – those achieved by selecting “green” energy tariffs, (iii) Active reductions – those achieved by the deliberate actions of Volution making technological, behavioural and operational changes within the business, and (iv) carbon offsetting. For further details on the target setting please refer to the FY22 Annual Report.

Scope 1 and 2 Target – Carbon intensity (tCO₂e/£m of revenue) and absolute emissions 2022 to 2050



Scope 3 Target – Carbon intensity (tCO₂e / £m of revenue) and absolute emissions 2022 to 2050



This year, we have expanded the perimeter of our Scope 3 reporting to include all material categories. However, we have not yet included all of these additional categories in our Scope 3 target, so in order to maintain consistency this year, we will continue to report against the Scope 3 targets established last year, which took into account only the Scope 3 categories reported last year.

Sustainability continued

Task Force on Climate-related Financial Disclosures continued

TCFD pillar – Metrics and Targets continued

Emissions and Targets – Scope 1,2

Carbon footprint – Scope 1 and 2 ¹	Performance				Targets ²			
	2022		2023		2023	2025	2030	2050
	tCO ₂ e	KwH	tCO ₂ e	KwH				
Scope 1								
Gas	798	4,327,215	544	2,990,442				
Other fuel	257	1,284,734	306	1,617,800				
Vehicle fuels	858 ⁶	3,558,032	912	3,907,673				
Refrigerants	7 ³							
Total scope 1	1,920	9,169	1,762	8,515,915	1,902	1,886	1,017	205
Scope 2								
Scope 2 (location based)	1,855 ⁴	9,578,815	1,866	9,259,540				
Scope 1 and 2 total (location based)	3,775 ⁵	18,748,796	3,628	17,775,455	3,559	3,151	1,422	215
Scope 2 (market based)	904		623					
Total Scope 1 and 2 (market based)	2,824		2,385		2,691	2,449	1,017	205
Carbon intensity								
Carbon intensity per £m of revenue, location based	12.3 ⁵		11.1		11.6	10.2	4.7	0.7
Carbon intensity per £m of revenue, market based	9.2		7.3		8.8	8.0	3.3	0.7
Energy intensity per £m of revenue, market based		60,932		54,193				

Emissions and Targets – Scope 3

Carbon footprint – Scope 3 (tCO ₂ e)	Performance		Targets ⁷			
	2022	2023	2023	2025	2030	2050
Upstream scope 3						
Category 1 – Purchased goods and services ⁸	27,363	25,615				
Category 2 – Capital goods	–	787				
Category 3 – Energy-related activities ⁹	–	65				
Category 4 – Upstream transportation and distribution	14,489 ¹⁰	13,768				
Category 5 – Waste generated in operations ¹¹	–	547				
Category 6 – Business travel ¹²	–	263				
Category 7 – Employee commuting	536	548				
Category 8 – Upstream leased assets	–	–				
Downstream scope 3						
Category 9 – Downstream transportation and distribution	9,444 ¹⁰	8,399				
Category 10 – Processing of sold products ¹⁴	–	–				
Category 11 – Use of sold products ¹⁵	–	531,334				
Category 12 – End-of-life treatment of sold products ¹⁶	–	192				
Category 13 – Downstream leased assets ¹⁷	–	–				
Category 14 – Franchises ¹⁷	–	–				
Category 15 – Investments ¹⁷	–	–				
YoY Comparison¹⁸	51,832	48,330	46,943	43,425	31,921	18,942
Total scope 3 emissions	–	581,517				

1. Scope 1 and 2 have been verified by Carbon Footprint.
2. Our Scope 1 and 2 forecast and the detailed targets within it have been set aligned to the SBTi principles.
3. To increase accuracy, the emissions from refrigerant use are updated and calculated based on top-up value as opposed to system capacity.
4. Reviewed and updated electricity conversion factors for sites in Bosnia and North Macedonia for FY22 to improve accuracy.
5. Reviewed and updated to improve accuracy – see footnotes 3 and 4.
6. Reviewed and updated vehicle fuel related emissions included all company owned vehicles and long term car leasing.
7. For consistency, our reduction targets for Scope 3 emissions are set for the scope categories reported for the base year FY22 only. Our forecast for scope 3 emissions shows that our current active reduction plans, along with passive reductions, will deliver a significant reduction in our scope 3 emissions. The forecast shows a reduction in scope 3 emissions of around 40% by 2030 and over 60% by 2050. We recognise that these forecast reductions are not yet aligned with our net zero ambitions and will work on further plans and targets to bridge the remaining gap.
8. Hybrid method of calculation; supplier-specific plastic type data (where available) and secondary expenditure data for metal, paper, and other manufactured products. This method was chosen to improve the calculation accuracy for plastics, the most material of our production inputs.
9. This category consists of Transport and Distribution losses not included in Scope 2.
10. Comparable to our 2023 method, we have modified our 2022 upstream and downstream transportation and distribution emissions to be spend based for consistency.
11. The total mass of packaging and waste from our manufacturing locations was determined and converted.
12. Business travel takes into account only air travel.
13. Comparable to our 2023 method, we have modified our 2022 downstream emissions to be spend based for consistency.
14. Not material to group operations.
15. Limited assurance provided by Carbon Footprint. This category was calculated using activity-based data. Quantities of products sold, energy consumption by product type, and estimations of the product's useful life. 7 product profile were used as the basis for estimating our Scope 3 category 11 emissions. (a) Residential Ventilation Application Intermittent Fans: These are typically used in residential settings and are expected to operate for 45 minutes in the morning and another 45 minutes in the evening, equating to 1.5 hours of daily operation. (b) Residential Continuous Fan: This fan is assumed to run continuously for 24 hours, but at differing capacities. For 23 hours, it operates on a 'trickle' setting, consuming only 30% of its maximum power. For the remaining 1 hour, it's on 'boost', utilising its full power. (c) Commercial Intermittent: Used in commercial environments, this category of fans runs for an average of 1.5 hours each day. (d) Commercial Air Handling: Pertains to larger-scale air handling units in commercial spaces. The assumption is they operate during business hours, running for 10 hours each day while the building is occupied. (e) Residential Electrical Space Heater: Specifically for residential settings in temperate climates, where the heater is required only for a portion of the day, estimated to be around 5 hours daily. (f) Residential Towel Rail: Typically used to warm or dry towels in bathrooms, the operational assumption is 1.5 hours daily. (g) Hand Dryer: This type of dryer is triggered per use. With each use taking roughly 10 seconds, and assuming it's employed 200 times each day (mostly in commercial or public settings), it operates for a cumulative total of approximately 33.3 minutes daily. Moreover, the utilisation is assumed to be more frequent on weekdays, hence it's factored for 5 days a week. These profiles are essential to estimate the carbon footprint of each product over its usage phase, factoring in both the frequency and duration of use, to provide a more accurate representation of real-world conditions.
16. Limited assurance provided by Carbon Footprint. The total Weight of Sold products and packaging from our manufacturing locations was determined using weight data of products or estimates based on sales data. Data gaps were completed with estimations of weight based on the average per £m revenue of sales obtained by the existing data.
17. Not relevant to group operations.
18. Includes only the Scope 3 categories that have been recorded in 2022 so that a comparison with 2023 can be made.



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 FY2022 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 FY2023. Our policy on recalculations and restatements of emissions data is that we review our GHG inventory on an annual basis and will restate our data and/or recalculate our science-based 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 in our annual reporting. During FY2023 we have recalculated FY2022 emissions for our business locations in North Macedonia to use a published local carbon emissions conversion factor for electricity use which was not available last year. This has increased the base year FY2022 emissions. We have also recalculated FY2022 emissions for refrigerants so that it relates only to refrigerants used during the year. This has decreased the base year FY2022 emissions. Within the Scope 3 categories we recalculated Air freight emissions for FY2022 to use a consistent method. As a result of these changes to FY2022, we have adjusted our targets to ensure they appropriately reflect the base year of FY2022. We have increased the perimeter of our Scope 3 reporting this year to include all material categories. However, we have not yet included all of these additional categories in our Scope 3 target, and so to ensure consistency this year, we continue to report against the Scope 3 targets set last year which considered only those Scope 3 categories reported last year.

Review of our Energy use and emissions data

It is currently not mandatory for energy use and emissions data to be assured, but we have chosen to engage with Carbon Footprint to voluntarily assess and verify elements of our reported data. We have not obtained assurance through the (ISAE (UK)) 3000 Assurance Engagements Other Than Audits standard, rather the assessment has been carried out aligned to to ISO14064-1, Greenhouse Gas (GHG) Protocol, and follows UK Government Guidelines for reporting GHG emissions. The assessment of Scope 1 and 2 emissions included the assessors reviewing actual energy invoices and metre readings. The assessment of Scope 3 emissions included the review of the calculations and carbon emission conversion factors for those scope 3 categories calculated internally. We intend to move towards assurance of elements of our reported emissions in the coming year.

Sustainability continued

Task Force on Climate-related Financial Disclosures continued

TCFD pillar – Metrics and Targets continued

Delivering against our Scope 1, 2 and 3 emission reduction targets

Our colleagues are engaged and empowered to deliver against the carbon reduction targets we have set ourselves. Each action taken on its own may have a small impact, but when taken together we are delivering meaningful reductions in emissions.



United Kingdom

Initiatives delivered

- New injection Moulding Machine – 30% more energy efficient than previous generation
- New Energy efficient Compressors at Reading, Crawley and Swindon
- New Energy efficient electric forklifts replacing gas
- EV chargers installed at West Molesey, Swindon & Dudley
- New direct shipment workbench reducing trucks movements between factories

Upcoming actions

- In-house warehousing to yield cost savings and reduce inefficient logistics
- Investment in tooling and value engineering to reduce material usage
- Continued roll out of low carbon company cars
- All UK sites will be “Zero-Landfill” by Dec-23



Continental Europe

Initiatives delivered

- Electric heatpumps installed at ClimaRad, which in combination with the already installed solar panels has enabled disconnection from the gas grid, savings costs and emissions
- A new in-house Sheetmetal production facility in Bosnia removing truck movements from suppliers
- Waste plastics miller enabling recycling and re-use of waste plastic
- Inverter removed unnecessary foil wrapper from spare filters replaced with cardboard

- ERI new IT logistics software developed internally to enable full truck delivery
- Ventlair 20% employees commuting by bike vs 10% target

Upcoming actions

- Solar panels in Bosnia facility
- Conversion from oil heating in three Nordic factories to wood pellets/heat pump
- Larger Grinder for re-use of scrap metal and other materials



Australasia

Initiatives delivered

- Re-useable and recyclable pallet boxes with re-useable and recyclable Velcro pallet wrap replacing shrink wrap and single use pallet boxes. For internal use, the Initial investment will pay back over time and save waste
- Improved Deliver in Full on Time (DIFOT) reducing additional multiple and unnecessary shipments
- Twilight switches and LED high bay lighting installed in Australia
- EVs acquired, on site charging point installed

- Plastic packaging removal: Simx polystyrene 78% complete, Ventair ceiling fans 100% complete

Upcoming actions

- Remaining Twilight switches and LED high bay lighting to be installed in NZ
- More EVs ordered
- Continued development of product portfolio to transition to EC fans (Smart vent complete by 2024) and ceiling fans to DC (up to 50% in past 12 months)

Carbon emissions by country

Carbon emissions per country				
Country	Scope 1 Emissions (tCO ₂ e)	Total Scope 1 and Scope 2 Location Based (tCO ₂ e)	Total Scope 1 and Scope 2 Market Based (tCO ₂ e)	Total Scope 3 Emissions (tCO ₂ e)
United Kingdom	802	2,074	802	329,466
Sweden	322	330	323	9,212
Norway	6	6	14	20
Finland	48	67	193	269
Denmark	30	39	65	132
Germany	113	182	258	3,386
Netherlands	109	124	110	2,709
Belgium	85	97	101	1,626
Bosnia and Herzegovina	50	162	162	1,707
North Macedonia	10	286	126	80,080
Continental Europe	773	1,293	1,352	99,141
New Zealand	100	130	100	33,906
Australia	87	131	131	119,004
Australasia	187	261	231	152,910
TOTAL	1,762	3,628	2,385	581,517

Performance against carbon reduction initiatives

When setting our carbon reduction targets in FY23 we disclosed a selection of active reduction initiatives that would be a major driver of reductions in the short term. Performance against those initiatives is shown below.

Carbon reduction metrics	FY22	FY23	Performance	
Carbon emissions from plastic raw materials and the purchase of plastic products (included within Scope 3 category 1)	12,087	10,363	✓	Virgin plastic has a higher carbon footprint than recycled plastic, the disparity varying by type of plastic. The reduction in emissions from purchased raw materials and products is in part driven by supplier-specific emissions data, where available, improving the accuracy of our data.
Air freight (included within Scope 3 category 4 and 9)	10,923	10,179	✓	Volusion uses air freight from time to time to move high value or time critical components and products around the Group to ensure good levels of customer service. We recognise this is not a sustainable option. The reduction in reported Air freight emissions represents a deliberate reduction in air-freighting, expecting to accelerate in the coming year.
Renewable energy market based emissions from electricity used at our facilities (included within Scope 1&2 market based)	904	623	✓	We aim to move any remaining electricity purchased from national grids to contracted renewable tariffs in the next year, where available, as well as continue to invest in owned renewable energy such as solar panels. This year, our UK Torin business is included within a 100% renewable energy tariff.
Natural gas emissions from gas used at our facilities (included within Scope 1&2)	798	544	✓	Our aim to reduce natural gas use in UK by switching facilities to electricity is a longer term metric, and the reduction in use since FY23 is a natural variability due to a warmer winter.
Owned vehicles and fuel use	858	912	⬆	Higher emissions largely driven by post-covid increase in travel. Transition to hybrid/electric fleet continues as vehicles need replacing

Sustainability continued

Task Force on Climate-related Financial Disclosures continued

Recommendations of the TCFD

Recommended disclosures	Reference
Governance <ul style="list-style-type: none"> Board oversight (page 68) Management's role (page 68) 	<ul style="list-style-type: none"> 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 <ul style="list-style-type: none"> Climate-related risks and opportunities (pages 69-71) Impact on strategy (page 72) Resilience (page 73) 	<ul style="list-style-type: none"> Our purpose is to provide healthy indoor air, sustainably and this commitment to sustainability is integral to everything we do. It shapes our values, steers our strategy and informs our capital allocation. 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 for physical risk using independent, science based analytics, 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 <ul style="list-style-type: none"> Metrics (pages 74-77) Scope 1 and 2 and 3 emissions (page 76) Targets (pages 76-77) 	<ul style="list-style-type: none"> We developed two key sustainability metrics in 2020 to measure our progress against our net zero ambitions: the % of revenue derived from low-carbon products, and the % of recycled plastic used in our manufactured products. In 2021 we set out our ambition to be a carbon net zero business by 2040. We have set detailed forecasts and targets for the short, medium and long term which are aligned to our net zero ambitions for scope 1 and 2, and make good progress against our net-zero ambitions for scope 3. We have provided details of our scope 1, 2 and 3 emissions on both a location and market basis, and have progressed the quality of the scope 3 data by using detailed activity based methodologies and include all material categories.
Risk <ul style="list-style-type: none"> Risk processes (pages 70-71) Integration into overall risk management (pages 70-71) 	<ul style="list-style-type: none"> We have continued to embed climate risk into our broader risk management framework and have integrated climate change into our principal risks. In 2021 we introduced a climate related risk review, which this year we have improved to consider the risks and opportunities under the short, medium and long term, as well as over our chosen climate scenarios.

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: 1,762 tCO ₂ , Scope 2: 1,866 tCO ₂ , Scope 3: 581,517 tCO ₂ (page 76)
2	Carbon footprint	Total emissions: 585,517 tCO ₂ (page 76)
3	Carbon intensity	Scope 1 & 2 intensity 11.1 tCO ₂ /£1m revenue (page 76)
4	Exposure to companies in the fossil fuel sector	Volution does not operate in fossil fuel sector
5	Share of non renewable energy consumption	86.5% of energy used was from renewable sources or tariffs, 13.5% non-renewable (page 81)
6	Energy consumption in GWh per €1 revenue	Scope 1 & 2 energy consumption: 17.775 Gwh = 0.047 Gwh / €1m Revenue (page 76)
Biodiversity		
7	Activities negatively affecting biodiversity	Our operations do not have a significant impact on biodiversity (page 82)
8	Emissions to water	We do not discharge solid, liquid or contaminants into bodies of water (page 83)
9	Hazardous waste	We use a non-material amount of hazardous waste, which is properly recycled or disposed. 1,405 kgs (page 81)
Social and employee matters		
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 2023 42.8% of the Board was female (pages 58 to 89)
14	Exposure to controversial weapons	Volution is not involved in the manufacture or sales of weapons

The Sustainability Accounting Standards Board (SASB)

The SASB Foundation was founded in 2011 as a not-for-profit, independent standards-setting organisation. Volusion 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)	Our total energy consumption across the Group during the year was 17,775,455kWh, representing all electricity across all of our facilities. A small but increasing proportion is "off grid", exemplified by the solar array on the Reading facility. The percentage of electricity used that was from renewable sources including renewable tariffs was 86.5%.
Percentage of grid electricity (RT-EE-130a.1)	
Percentage renewable (RT-EE-130a.1)	
Hazardous waste management	
Amount of hazardous waste generated, percentage recycled (RT-EE-150a.1)	1,405kg of hazardous waste generated during the manufacturing, distribution or other processes, collected by an external comparator and recycled where possible.
Number and aggregate quantity of reportable spills and quantity recovered (RT-EE-150a.2)	Zero reportable spills and therefore no recovered quantity to report.
Product safety	
Number of product recalls issued, total units recalled (RT-EE-250a.1)	Zero product recalls related to product safety issued during the year and therefore zero units recalled.
Total amount of monetary losses as a result of 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, by revenue, that meet Energy Star criteria (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 70.1% (2022: 66.1%) of total revenue (see page 62).
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 certain procedures to limit exposure to rising prices, including hedging of foreign currencies with which a proportion is purchased.
Business ethics	
Description of policies and practices for prevention of bribery, corruption and anti-competitive behaviour (RT-EE-510a.1)	Volusion is committed to complying with all applicable laws and regulations in the countries in which we operate. Our policies are available on our website.
Total amount of monetary losses as a result of legal proceedings associated with bribery or corruption (RT-EE-510a.2)	No legal proceedings and no monetary losses.
Total amount of monetary losses as a result of 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 186.
Number of employees (RT-EE-000.B)	Workforce statistics are shown on page 25. The average number of employees in the year was 1,871 (2022: 1,898).
Reportable accident frequency rate	Reportable accident frequency rates are shown on page 92. 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 2023 was 0.30 (2022: 0.25).
Fatalities	Zero fatalities occurred during the year.
Minor accident frequency rate	Minor accident frequency rates are shown on page 92. 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. Minor accidents per 100,000 hours worked in 2023 was 0.50 (2022: 0.43).

Sustainability continued
SASB continued

Helping reduce Biodiversity decline

Although we do not consider that our operations have a significant impact on biodiversity, and that there are no material nature related risks to our operations, we are conscious of helping to reduce biodiversity decline. On that basis this year we have started to review our locations and define action plans locally where we can make a positive impact.

The first of our sites to start to implement these local plans was Crawley, which is the location of both the Volution Plc and Vent-Axia brand head offices.

Our facility in Crawley sits within the Manor Royal Business District which in the past few years has been working hard to create green spaces and enhance the green corridors across the estate.

In collaboration with the Manor Royal BID and Sussex Wildlife Trust, the UK team has worked to ensure that we play an active role in improving our facility which is located on one of the green corridors. By planting wildflower seeds and introducing bug hotels we aim to provide a sanctuary to wildlife. In conjunction with reducing mowing of the grass areas during the period that the plants flower, we can provide an important stop off area for insects.

“Living within our means and doing all we can to behave more sustainably and create more biodiverse places is a priority for the Manor Royal BID. The Volution Group have shown great leadership and vision by looking at how relatively small interventions can collectively add up to make a big difference to the environment. We were delighted to support them in the creation of a new wildflower habitat area at their property in Fleming Way. Our Maintenance Team, with partners from the Sussex Wildlife Trust, worked with the Volution team and their staff volunteers in what was a thoroughly rewarding exercise. Great for team building and the area. We hope other companies will be inspired to take similar steps so that we can collectively benefit from a cleaner, greener and more sustainable Manor Royal.

Steve Sawyer
 Executive Director, Manor Royal BID

It was also a great opportunity to get our team together to participate in the process of planting the seeds and put up the bug hotels.

“Being involved in this project has been a great pleasure. Helping protect biodiversity as well as maintain and enhance our environment is an important part of our responsibility to the local community. I am looking forward to seeing the results of the team’s hard work in the coming few years.

Natalie Humphrey
 Product Marketing Executive,
 Volution Ventilation UK



Our Commitment to the CEO Water Mandate

In line with our sustainability ambition, we have chosen to endorse the UN Global Compact CEO Water Mandate.

As an endorser of the Mandate, we have committed to take action over time across six key water-related areas, and to report annually on progress.

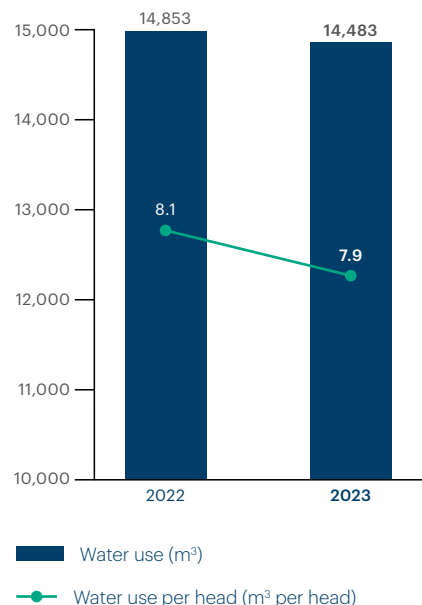
These areas include our direct operations, our supply chain & watershed management, collective action, public policy, community engagement and transparency.

We began to measure and understand our water use more fully in 2022. Whilst our direct water use for operations is not significant, and we do not believe there is any significant water related risk to our business, we have committed to work to improve our stewardship and have reduced both absolute and relative water use this year.

Our target is to continue to reduce our water use over time, and this year we will investigate investments and efficiency measures to achieve this goal.

We have raised awareness of water sustainability through our Group management sustainability committee, and we have included water stewardship in our supply chain policies.

Water use¹



1. The figures presented for 2022 have been adjusted to reflect locations consistent with 2023. Except for small offices, this includes all locations and represents more than 90% of the Group's workforce. Where there were data gaps in 2022, estimates were used.

Carbon offsets – Healthy indoor air

We have continued with our commitment to carbon neutrality for Scope 1 and 2 emissions, and have increased the perimeter further to include more categories of Scope 3 each year since we first made the commitment in FY21. This year, our net-zero perimeter includes all scope 1 and 2 market based emissions, emissions from colleague commuting, business travel, waste generated in operations, and the purchase of capital goods.

This year we are again primarily supporting a carbon avoidance scheme that is aligned with our purpose of Health air, sustainably. We are supporting a project which will improve indoor air quality in China through the replacement of traditional coal fuelled cookers with solar powered cookers. The project aligns to the UN SDGs that we support, including 3 – Good Health and Wellbeing, 7 – Affordable and Clean Energy, and 13 – Climate Action. The project improves indoor air quality and reduces fire risk and fuel expenses.

We understand that whilst the use of carbon offsetting is only a stage on the way to our net zero future, we are confident the emissions reductions we are supporting are real, measurable and verifiable.

As a Group we continue to invest in initiatives to reduce our own absolute emissions, including those described in page 78, and have made the decision that in FY24 the resources we have previously allocated to purchasing carbon credits can instead be used to invest more quickly in internal initiatives to reduce our own emissions. We will report in next years annual report the initiatives and impact of this investment.



EARTHLY

Sustainability continued



People

Developing a working environment that is engaging, inclusive and safe

Our ambition

- To continue to develop an engaging 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.





Gillion Bulos, Auckland, New Zealand

Highlights

Actions	Performance	Status	Comments	Read more
Accident rate	0.30 Reportable incidents		Unfortunately, we had 12 reportable incidents in 2023. This equates to 0.30 per 100,000 hours worked.	» See more on page 92
Safety walks	391		We have conducted 391 safety walks across our operations, surpassing this year's goal of 250.	» See more on page 92
Training hours	17,781		Colleagues have spent 17,781 hours in formal training, surpassing this year's goal of 12,500.	» See more on page 86

Key

- On track or ahead
- Slightly off track – carefully monitor
- Not on track

Sustainability continued

People continued

Our values

Our values define who we are and how we interact, with each other, our customers, our suppliers and our communities. Our values guide our everyday actions, the decisions we make, and shape our culture, enabling us to fulfil our unique purpose to provide Healthy air, sustainably.



Living our values



Innovate

» See more on page 88



Integrity

» See more on page 90



Grow

» See more on page 89



Commitment

» See more on page 91

“

Despite a challenging economic environment, our teams have continued to deliver strong performance. It is their resilience, creativity and drive for results that enables us to stay focused on our purpose and to deliver on our commitments.

Michelle Dettman
Group Head of HR

Diversity, equity and inclusion (DEI)

Our employees represent different nationalities, cultures, sexual orientations and social backgrounds. We recognise that fostering a culture that is inclusive and equitable is essential to fully leveraging the power of this diversity. Our strength lies in the diverse perspectives, life experiences and skills that our workforce possesses and this has proven to be a catalyst for innovation and growth.

In 2023, we launched our DEI steering group, with representation from all operating regions and CEO sponsorship, to assist in shaping our DEI framework. The steering group’s role is to drive accountability across the business, championing DEI activities at the local level and reporting progress to the sustainability committee.

We recognise the critical role that leadership will play in cultivating an inclusive culture and launched ‘unconscious bias’ training to our senior leadership team as a first step. The training is aimed at raising awareness of our unconscious biases and to provide tools to ensure that all voices are heard and valued. This training will be subsequently rolled out to all people managers and the wider workforce.

We operate in an industry that traditionally attracts a higher-than-average proportion of male employees but we are committed to increasing the share of women in leadership positions. In FY’23, women represented 43% of our Board membership and 24% of senior management. Our upcoming group wide management development program that is aimed at growing our leadership pipeline comprises more than 35% female participation, which is a significant increase from previous years and signals our intent to provide equitable development opportunities.

Through a series of local events across the Volution sites, we’ve fostered an environment that goes beyond mere tolerance; we actively celebrate our differences. Our employees have had opportunities to interact, share their individual experiences, and learn from one another.



What started as a Diwali celebration almost 19 years ago has since changed to an annual ‘Diversity Lunch’, to celebrate the rich and diverse cultures of our colleagues at Simx, New Zealand. It’s not always easy to get every cuisine represented on the menu and often have colleagues bring tasty dishes from their own kitchen. This is a great opportunity for colleagues to come together and learn about each other’s cultural backgrounds, practices and celebrations.

Sustainability continued

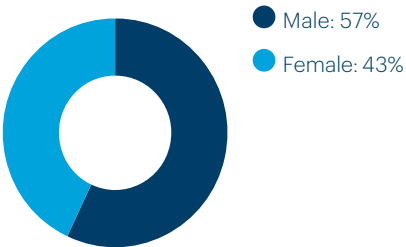
People continued

Diversity, equity and inclusion (DEI) continued

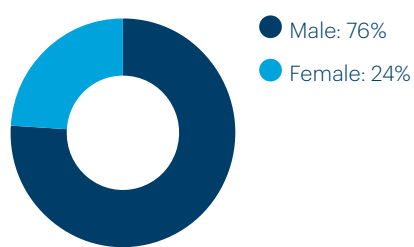


The team at ERI, Macedonia participated in the first women's night race 'Bidi Svoja 2023'. The team competed with other companies and secured 5th place.

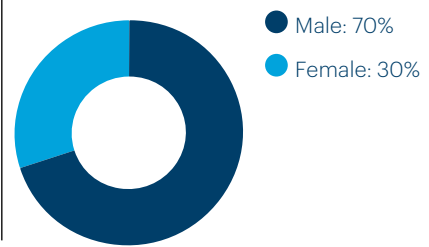
Board



Senior managers¹ and direct reports



All employees



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.



Find out more about our approach to DEI
www.volutiongroupplc.com/application/files/9516/7949/7556/Volution_Group_-_Responsible_Operations.pdf

2 Living our values Innovate

We were very proud to be awarded, in collaboration with AO Recycling and Ultra Polymers Group, the prestigious 'Excellence in Recycling Award', in the category of 'Recycled Product of the Year'! To be part of this effective collaboration, transforming the recycling landscape, has been a fantastic experience for us all, and together, we have demonstrated the power of innovation, and sustainability, by creating innovative products made

from recycled plastics. This recognition celebrates our collective commitment to reducing the environmental impact, and finding innovative solutions to global challenges. By giving recycled goods a second life, we are contributing to a more sustainable future. The success of this project is testament to the transformative potential of recycling.

Fabian Gillgower, UK Head of Procurement

Employee wellbeing

Supporting employee wellbeing is critical to strengthening workplace resilience. The COVID pandemic has left a significant impact on physical and especially mental health, likely to be felt for many years to come. This has been exacerbated by the current challenging economic environment.

In the UK, the wellbeing campaign 'Taking care of mental health is a team effort, let's support each other at work' was launched earlier in the year. Communication around the Employee Assistance Program was reinforced to break the stigma around mental health and to encourage employees to actively seek assistance. Employees across all sites actively participated in the 'Wear it Green' day to raise awareness of mental health. The first group of mental health first aiders were trained and certified by Mental Health First Aid England with an aim to provide early on-site support.

In Belgium, colleagues regularly join a lunch-time workout session encouraging each other to reach their fitness goals whilst colleagues in the Nordics combine exercise and friendly competition in the Padel-Tennis tournament.

"Mental health is vitally important for both society and our business. Being able to break the stigma, to encourage understanding and acceptance of these issues puts individuals in a better position to gain help and be more likely to flourish in their personal and professional lives. The training equipped me with fundamental skills on how to respond in an empathetic, compassionate, and informed way. This training has had a significant impact on me."

Caine Amayo
UK Finance Controller



Mental Health First Aiders training



Wear it Green Day celebrated across all sites in the UK

6

Living our values Grow

I am delighted that the company continues to make significant investment to grow our operations. The most recent investment in four automatic presses will not just increase our production capacity of counterflow heat exchangers but will also improve our production efficiency and quality

Mitko Kokinoski, Chief Operating Officer, ERI Macedonia



ERI team won 7th place in the "Trcaj Be 2022" race

Sustainability continued

People continued

Employee engagement

Employee engagement is critical to our success and we believe that when our employees are engaged, they are more creative and more productive. We are committed to creating a workplace where employees feel valued and empowered to achieve their best.

Our global employee engagement forum is hosted twice a year and is attended by representatives from all group companies as well as Non-Executive Board member, Claire Tiney. This is a great opportunity for the group management team to share strategic updates with participants and to actively listen to what's working well and what can be further improved at the local level. On the request of participants, the most recent forum was focused on new product development and the feedback was extremely positive.

As part of our continued efforts to strengthen employee engagement, we are launching our first ever global employee engagement survey – Volution Voices. This survey will give us valuable insights into how our employees are feeling about their work, organisation culture and the company as a whole. We will use the results of the survey to inform our engagement agenda and to make further improvements to our workplace.

Below: Teams from ClimaRad Bosnia and the Netherlands jointly celebrate the company's 10th anniversary



“I was very happy to be invited to participate in the employee engagement forum, especially shortly after the acquisition of VMI by Volution. I experienced it as a great opportunity to meet other employees from different companies and to start the integration process into Volution. Learning about the company's strategy and financial results was reassuring but what was particularly interesting for me, as the R&D Head of VMI, was to learn about the Group's approach to new product development and current projects across the group.”

Louis Stephan
R&D Head, VMI France



Above: Annual 'VMI team day' with a good mix of work and play

“The outlook on the technical roadmap assures me that we are very well positioned for the future with a broad portfolio of ventilation solutions. The engagement forum gave me the opportunity to look beyond my own area and to understand where are there similar areas of application, similar target groups, to what extent can we support each other and which marketing measures can we adapt. Having insight into the technical roadmap of the organisation allows marketing teams to be more strategic, adaptable, and innovative in their approach, leading to more effective marketing campaigns.”

Margit Thomas, Marketing Manager
inVENTer Germany

3 Living our values Integrity

A sustainability mindset is key to fulfilling our purpose and we cultivate this by actively engaging our employees to submit proposals that will support the business to achieve its carbon reduction targets. Nisha Desai from the warehouse team in Auckland was the winner of the 'Sustainability Ideas' competition.

Ian Borley, Managing Director
Australasia

Our communities

Our colleagues continue to inspire us with their passion and generosity to support local communities and charities of choice. From bake sales to marathons, from car washes to growing moustaches, our teams came together to cheer each other, have fun along the way and to raise money for worthy causes.



The team at inVENTer Germany participated in the company run at Jena in support of their local charity.

Below: The UK team, through a variety of activities, raised £8,000 for their chosen charity Young Lives vs Cancer.



The team in Sweden participated in 'Mustaschkampen', an annual campaign run by the Swedish Prostate Cancer Federation. SEK 50,000 was donated to invest in further research and raise awareness around prostate cancer.

4

Living our values

Commitment

At the age of 65, I was determined to run the London marathon to prove that no matter your age, you can achieve what you set your mind to by putting in the appropriate training. I also wanted to raise money for Young Lives v/s Cancer as this charity has played a significant supporting role in the lives of two of my colleagues.

Alan Parkinson
Operations Director National Ventilation

Sustainability continued

People continued

Health and Safety

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

Unfortunately we had more reportable accidents in FY23 compared to last year – 12 incidents or a frequency rate of 0.30 per 100,000 hours worked (FY22:10 incidents, 0.25 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.

Whilst we are in no way complacent, we were relieved that none of the incidents during the year resulted in serious or life changing injuries. We also note that a large proportion of the accidents were at one of our manufacturing sites with the most manual processes, which, as we invest in automation at that location over the coming years should reduce the opportunity for incidents.

In the UK, where the largest part of our manufacturing is located, our UK operations leadership has re-invigorated our safety culture.

Health and Safety KPIs have been included in senior management incentive schemes for relevant individuals for the first time this year, and we expect to see a significant reduction in our reported frequency rates in FY24.

During FY23, our senior managers conducted 391 safety walks surpassing the previous year’s total of 167 and this year’s target of 250. We value these proactive inspections and encourage the culture of vigilance and transparency they develop.

We have invested in enhancing our safety education and training, recording 1,597 hours health and safety training and exercises during the year. This equips our employees with the knowledge and skills necessary to operate safely, identify potential hazards, and respond effectively in an emergency.

Last year, our ventilation operations in the UK successfully implemented and achieved ISO 45001 certification. These systems have been further improved during FY23 demonstrating our commitment to robust health and safety management systems. We expect to achieve ISO 45001 certification at our Swindon (UK) operations by the end of FY24.



Andreas Boeber, UK Operations Director on a safety walk at Reading

Our business thrives when our people do, and we recognise that this is only possible in an environment that is engaging, inclusive, and safe.

Accident frequency rate

Reportable incidents

0.30
(FY22: 0.25)

Minor incidents

0.50
(FY22: 0.43)
(per 100,000 hours worked)

Sustainable procurement

Responsible procurement is a responsibility we take seriously and we recognise that the decisions we make when selecting suppliers can have consequences on the environment and communities.

Our responsible procurement processes also aim to manage and mitigate supply chain risks.

Over the past two years, we have made progress ensuring that our suppliers comply with our code of conduct, policies on the prevention of bribery and corruption and modern slavery.

We have carried out more desktop assessments and on-site audits for those suppliers deemed to be higher risk.

Since the return to business travel this year, our Group procurement director has visited our Chinese suppliers, further

enhancing the relationships we have developed through our China-Britain Business Council sourcing office in Hangzho.

The Board is regularly updated on material supplier matters, and 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.

Suppliers with spend over £100k

197

Supplier audits carried out in FY23

50

Stakeholders

Engaging with our stakeholders



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 attended for workforce engagement.
- 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.
- 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.
- Update on customer feedback and themes provided as part of Employee Forum presentations.

Stakeholders continued



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.



Shareholders

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.

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.

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.



Communities and the environment

Why engagement matters

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 commitments. 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.

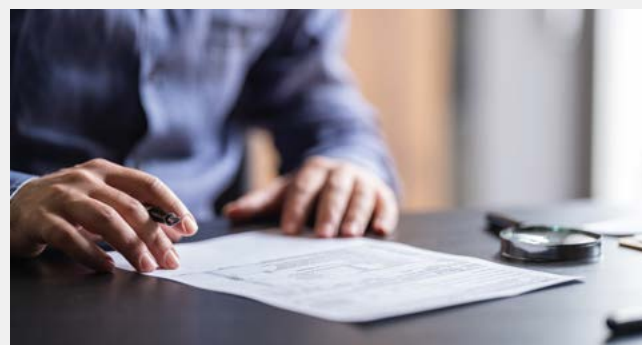
Volusion has a sustainability strategy and has been awarded the Green Economy Mark by the London Stock Exchange. In addition we have a Sustainability Linked Revolving Credit Facility.

How does Volusion engage?

- 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.

Board engagement

- 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.



Government/industry bodies

Why engagement matters

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 Volusion engage?

- 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

- The Board provides direction in support of the UN Global Compact's principles, and policies relating to modern slavery and anti-bribery.

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 European Union (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 100 to 104.



Our approach

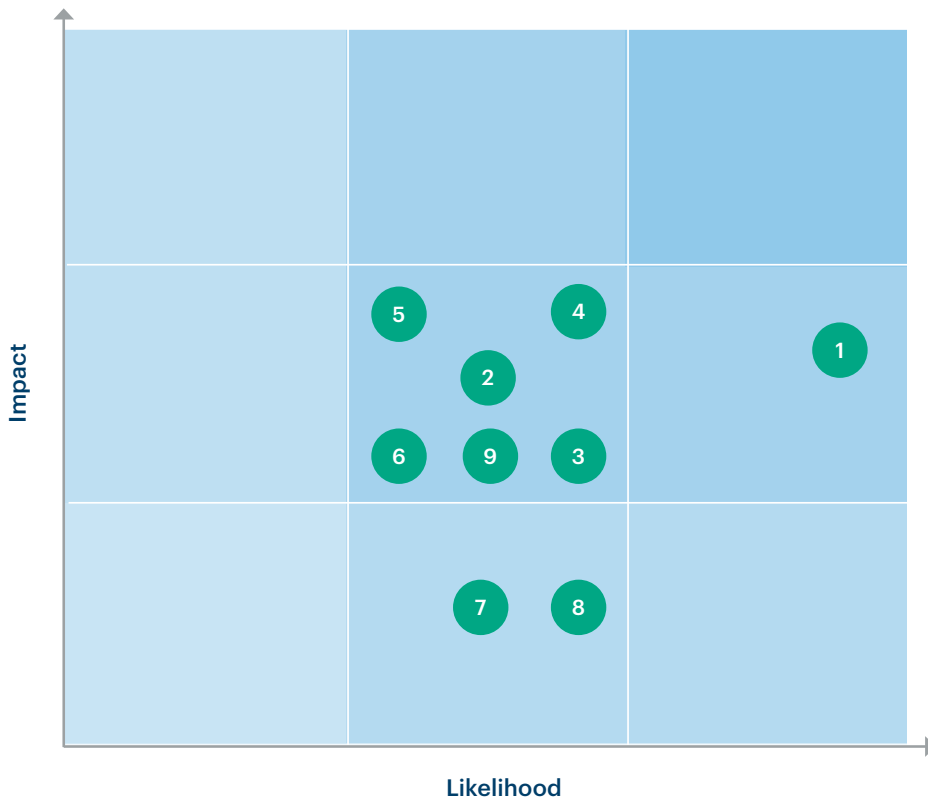
Risk management and maintenance of appropriate systems of control to manage risk are the responsibilities of the Board and are integral to the ability of the Group to deliver on its strategic priorities. The Board has developed a framework of risk management which is used to establish the culture of 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.

BDO LLP (BDO) continued to act in the capacity of internal auditor and provide independent assurance that the Group's risk management, governance and internal control processes are operating effectively. BDO continued to act in this capacity throughout the financial year ended 31 July 2023.

Risk heatmap

- 1 Economic risk
- 2 Acquisitions
- 3 Supply chain and raw materials
- 4 Regulation
- 5 IT systems including cyber breach
- 6 People
- 7 Innovation
- 8 Customers
- 9 Foreign exchange risk



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 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 principal 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 29 of the 2018 Code, the Directors confirm that they have carried out a robust assessment of the principal 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.

Having completed a thorough review of climate change risks and opportunities (pages 70 and 71), we have concluded that these risks are most appropriately managed by including their potential impact within existing principal risks where relevant, rather than defining a separate principal 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 2026, 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 typically the period over which we review our external banking facilities and 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 key principle 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. On 2 December 2020, the Group refinanced its bank debt and has in place a £150 million multicurrency "Sustainability Linked Revolving Credit Facility", together with an accordion of up to £30 million. An option was taken to extend the maturity to December 2025 during the year. There are no further opportunities to extend the current facility beyond December 2025, and as such we envisage undertaking a re-financing during calendar year 2024, with the intention of having a new facility in place at least 12 months ahead of the expiry of the current facility. Relationships with the lenders is considered to be strong, and we envisage good appetite from both current and potentially new lenders to participate.

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 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 100 to 104. 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.

A general economic slowdown representing the impact of macro-economic uncertainty including the actions of central banks in raising interest rates to curb inflation and the impact that this may have housing and construction (principal risk 1) combined with supply chain difficulties and availability issues (principal risk 3 and 4) has been modelled, combined with a significant acquisition increasing debt but with no positive cash flow contribution (principal risk 2). Combined, this severe but plausible downside assumed a reduction in revenue of 20% and a reduction in gross margin of 10%.

The sensitivities modelled used the same assumptions as for the going concern statement, as set out opposite, for the years ending 31 July 2024 and 31 July 2025 with further assumptions applied for the year ending 31 July 2026.

The geographic and sector diversification of the Group's operations, further demonstrated by the acquisitions made during the FY23 financial year, 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, political uncertainty in the UK and general inflation impacting all input costs were able to be mitigated where possible and recovered through early and decisive pricing action.

The Board have 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 (page 66).

We carried out a full analysis of the physical risks of climate change under our chosen scenarios last year, and have updated that review, considering our new acquisitions. 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 time period, 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 estimate made in preparation of the Groups financial statements.

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 that there is no reason to believe the Group will not be viable over the period assessed.

Going concern

The financial position of the Group, its cash flows and liquidity position are set out in the financial statements. Furthermore, note 28 on page 214 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 100 to 104. 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 committed facilities totalling £150 million, and an accordion of a further £30 million, maturing in December 2025.

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

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 20% compared to plan.
- supply chain difficulties or input price increases reducing gross profit margin by 10%; and
- a significant acquisition increasing debt but with no positive cash flow contribution.

A reverse stress test scenario has also been modelled which shows a revenue contraction of c37% 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.

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 acquisition
-  Operational excellence

Likelihood key



Potential impact key



1 Economic risk

Likelihood



Potential impact



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 FY23.

As a result of the high inflation environment, the UK and most of our geographies have continued to experience a “cost of living crisis”.

Governments and central banks have taken strong actions to reduce inflation, primarily by raising key interest rates. This has had some success, with inflation now falling in most of our geographies. The primary source of global inflation – the invasion of Ukraine and the global price of energy and agricultural products – continues to be a risk, although wholesale prices have fallen for both.

There remains considerable uncertainty on the direction of inflation in the short and medium term, and hence the extent to which interest rates may rise further or stay higher for longer than expected. The impact on the housing and construction industry in uncertain.

As such, it is appropriate that “economic risk” remains our primary principal risk.

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 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).

Strategic consequence



Organic growth



Value-adding acquisition



Operational excellence

Likelihood key



Potential impact key



2 Acquisitions

Likelihood



Potential impact



Risk change

No change

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.

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 timing and opportunity landscape for acquisitions will vary from time to time, we are positive about the potential range of opportunities in the coming years as exemplified by the two transactions completed during the year ended 31 July 2023 and an additional acquisition in August 2023 (see pages 50 and 51).

Risk mitigation

The ventilation industry in Europe 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



Potential impact



Risk change

Reducing

Risk appetite

Open

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 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 Policy and technology.

Risk Management and Principal Risks continued

Strategic consequence

-  Organic growth
-  Value-adding acquisition
-  Operational excellence

Likelihood key



Potential impact key



4 Regulation

Likelihood



Potential impact



Risk change

No change

Risk appetite

Cautious

Strategy link



Risk and impact

Laws or regulation relating to the carbon efficiency of buildings, the efficiency of electrical products and compliance may change.

The shift towards higher value-added and more energy efficient products may not develop as anticipated resulting in lower sales and profit growth.

If our products are not compliant and we fail to develop new products in a timely manner, we may lose revenue and market share to our competitors.

Our organic growth ambitions may be adversely affected.

We may need to review our acquisition criteria to reflect the dynamics of a new regulatory environment.

We may have to redirect our new product development activity.

Change during the year

We believe that the already supportive regulatory drivers around energy efficiency and improving indoor air quality will continue to be enhanced over time.

There is a risk that the current economic uncertainty could, in the extreme, lead Governments to lessen or pause green deal commitments and regulations to support energy efficient solutions, in the short term, but we deem this risk to be low and only in the short term.

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.

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 1 – Products and Markets).

5 IT systems including cyber breach

Likelihood



Potential impact



Risk change

Increasing

Risk appetite

Cautious

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 increase for all businesses. During the year, a failed ransomware attack in one of our businesses, was dealt with efficiently and effectively, and demonstrated our ability to deal with such attacks.

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.

Link to climate change risks

N/a

Strategic consequence

-  Organic growth
-  Value-adding acquisition
-  Operational excellence

Likelihood key



Potential impact key



6 People

Likelihood



Potential impact



Risk change

No change

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

The direct risk of Covid-19 causing widespread colleague sickness has largely ended, although we remain mindful of the potential risk of resurgence and continue to ensure the utmost priority is given to the health and wellbeing of our employees.

A high inflation environment and “cost of living crisis” may impact our ability to retain talent.

Our continuing growth has increased the size and complexity of our business.

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

7 Innovation

Likelihood



Potential impact



Risk change

No change

Risk appetite

Cautious

Strategy link



Risk and impact

We may fail to innovate commercially or technically viable products to maintain and develop our product leadership position. Scarce development resource may be misdirected and costs incurred unnecessarily.

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. Operational excellence may be adversely affected.

Change during the year

The focus of our capital expenditure investment this year was in new product development which, when taken together with the product portfolios and R&D capability of our two new business acquisitions, demonstrates our continued focus on product innovation.

Risk mitigation

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

N/a

Risk Management and Principal Risks continued

Strategic consequence

-  Organic growth
-  Value-adding acquisition
-  Operational excellence

Likelihood key



Potential impact key



8 Customers

Likelihood



Potential impact



Risk change

No change

Risk appetite

Open

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 yet 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 1 – Products and Markets).

9 Foreign exchange risk

Likelihood



Potential impact



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 current macroeconomic uncertainty has led to large movements in exchange rates and continued volatility is likely.

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 Information Statement and is produced to comply with Sections 414CA and 414CB of the Companies Act 2006.

Reporting requirements	Relevant policy/code	Section within Annual Report
Environmental matters	<ul style="list-style-type: none"> Sustainability Policy 	<ul style="list-style-type: none"> Sustainability (pages 52 to 92)
Employees	<ul style="list-style-type: none"> Code of Conduct Health and Safety Policy Anti-Bribery and Corruption Policy Whistleblowing Policy Modern Slavery Policy Data Protection Policy 	<ul style="list-style-type: none"> People Reporting Framework (pages 84 to 92) Board diversity (page 112) Gender diversity (page 112) Stakeholder engagement (pages 93 to 95) Principal risks (pages 96 to 104)
Human rights	<ul style="list-style-type: none"> Code of Conduct Modern Slavery Policy Stakeholder Engagement 	<ul style="list-style-type: none"> People Reporting Framework (pages 84 to 92) Stakeholder engagement (pages 93 to 95)
Social matters	<ul style="list-style-type: none"> Code of Conduct Stakeholder Engagement 	<ul style="list-style-type: none"> People Reporting Framework (pages 84 to 92) Governance (pages 106 to 166) Stakeholder engagement (pages 93 to 95)
Anti-bribery and anti-corruption	<ul style="list-style-type: none"> Anti-Bribery and Corruption Policy Whistleblowing Policy 	<ul style="list-style-type: none"> People Reporting Framework (pages 84 to 92) Governance (pages 106 to 166)
Principal risks		<ul style="list-style-type: none"> Risk management (pages 96 to 104) Principal risks and uncertainties (pages 96 to 104)
Business model		<ul style="list-style-type: none"> Business model (pages 22 and 23)
Non-financial key performance indicators		<ul style="list-style-type: none"> Key performance indicators (pages 34 to 37)

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 2023.

The Strategic Report was approved by the Board and signed on its behalf by Ronnie George, Chief Executive Officer, on 4 October 2023.



Ronnie George
Chief Executive Officer

Governance Report

Governance Report

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Chair's Introduction

Maintaining our high standards in corporate governance



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The role of the Board is to guide the global business in the pursuit of its strategic goals, whilst maintaining high standards of Corporate Governance and ensuring robust decision-making processes.

Dear shareholder,

On behalf of the Board, I am pleased to present the Governance Report for the year ended 31 July 2023. This review and the reports of the Nomination, Audit and Remuneration Committees that follow, summarise the Board's activities during the year. The Board is committed to high standards of corporate governance, and decisions are made based on what the Board believes is likely to be for the benefit of all stakeholders by promoting and maintaining the long-term success of the Company.

Compliance with the 2018 UK Corporate Governance Code

Our approach to governance is based on the concept that good corporate governance enhances longer-term shareholder value and sets the culture, ethics and values for the Group. Consistent with our belief in the importance of corporate governance, 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.gov.uk

The Board believes that good corporate governance enhances longer-term shareholder value and sets the culture, ethics and values for the Group, and is committed to open and transparent reporting.

As we look to the future, the Group welcomes enhancements in corporate governance regulation. The Board has spent time during the year considering the potential revisions to the Code in light of the recent FRC consultation.

Strategy and sustainability

The Board's agenda this year covered a number of strategic matters, from discussions on future plans for growth, to innovation and new product development, ESG, and regulatory issues.

The work of the Management Sustainability Committee, overseen by our Senior Independent Director, Amanda Mellor, also provides important information to the Board, including on the progress being made by the global business in respect of its decarbonisation roadmap.

In addition, during the year the Board received a detailed presentation from PwC on upcoming ESG reporting requirements, to ensure a solid understanding of the changing expectations in this area.

In line with our strategic goals, the Board also devoted substantial time to considering the acquisitions of VMI, I-Vent and a third acquisition, DVS, which completed after the year-end.

Chair's Introduction continued

Strategy and sustainability continued

We also carried out post-investment reviews in relation to acquisitions completed in the prior year, to continue our oversight of the return on investment and capital allocation plans in the context of newly acquired businesses.

Board composition and succession planning

The Nomination Committee had a busy year, particularly in the area of succession planning, with a number of changes to the composition of the Board and its Committees taking place, including my own appointment to the role of Chair, following the planned retirement of Paul Hollingworth on 23 June 2023.

As part of these changes, we welcomed Jonathan Davis to the Board, as a new independent Non-Executive Director and Audit Committee Chair. Both succession processes were led by our Senior Independent Director, Amanda Mellor.

New External Auditors

The Audit Committee conducted a competitive audit tender process in the year, which resulted in the appointment of PwC as the Group's External Auditor for the 2024 financial period, subject to shareholder approval at the AGM in December 2023.

I would like to thank our outgoing Auditors, EY, for their contribution during their tenure.

A key priority for the Board and the Audit Committee in 2024 will be to oversee the smooth transition to PwC, and ensure an orderly handover of this critical role.

Remuneration Policy & Shareholder Consultation

Volution's Remuneration Policy was last approved at the 2020 Annual General Meeting and was designed to operate for three years. Consequently, a new Policy will be put to shareholders at this year's Annual General Meeting. The Remuneration Committee has conducted a thorough review of the Policy in preparation for its renewal, and an extensive consultation with shareholders has taken place. Further details on the decisions of the Remuneration Committee and the Policy are provided in the Directors' Remuneration Report on pages 140 to 161.

Evaluating the Board's effectiveness

Each year, the Board undertakes a formal evaluation of its effectiveness. This year we carried out an internally facilitated evaluation to assist in the development of the Board.

The results of the Board evaluation confirmed that the Board continues to function effectively 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.

People and culture

The ongoing successful performance of the business is only possible due to the commitment, abilities and drive of our People. Our Group Head of HR continues to drive our employee engagement programme, build on our learning and development offering, and further embed an inclusive and safe work culture.

Our Designated Non-Executive Director for Workforce Engagement, Claire Tiney, has also continued her programme of engagement during the year.

A global employee engagement survey is planned for October 2023, which will further increase the depth of information the Board receives on the views of employees.

The Board's role in monitoring the Company's culture and ensuring that it is appropriately aligned throughout the Group is very important. In order for the Board to effectively monitor culture, we need to consider and understand the insights from, and the concerns of, all our stakeholders.

Site visits enable a deepened understanding of workforce information that the Board receives on a regular basis, and provide the opportunity for open and informal dialogue with employees on their day-to-day activities, priorities and challenges.

As a Board we were pleased to be able to travel to our Volution site in Sweden this year, to meet the local Management team and to see the operations first-hand. A number of other senior managers joined us, and it was an insightful, valuable and enjoyable event.

Additionally, 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.

Engagement events such as this are critical to providing the Board with direct insights into the culture of the Group, and we plan to continue with our site visit programme in 2024.

Diversity

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. One Board member was of a minority ethnic background.

I am therefore pleased to say that the Company meets the new targets for diversity in the Listing Rules.

The Board and the Nomination Committee remain focused on this area when considering Board 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. To support the ambition of the Group, a fourth Group-wide Management Development Programme will be launched in October 2023, and this will consist of nearly 40% female nominations, signalling the commitment of the Group to ensuring diversity in the pipeline of talent, and accelerating change.

“

As a Board we were pleased to be able to travel to our Volution site in Sweden this year, to meet the local Management team and to see the operations first hand. A number of other Senior Managers joined us, and it was an insightful, valuable and enjoyable event.

Election and re-election of Directors

In accordance with the 2018 Code provisions and following a performance evaluation of those Directors standing for election or re-election at the 2023 Annual General Meeting, I can confirm that they all continue to be effective and committed to their roles and have sufficient time available to perform their duties. Accordingly, as recommended by the Nomination Committee, all Directors will be offering themselves for election or re-election at the Company's Annual General Meeting to be held on 13 December 2023.

Annual General Meeting

The Annual General Meeting of the Company will take place at 12.00 noon on Wednesday 13 December 2023 at the offices of Norton Rose Fulbright LLP, 3 More London Riverside, London SE1 2AQ, United Kingdom. All Directors will attend this year's Annual General Meeting 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 at our Annual General Meeting and extend my thanks to you all for your continued support as we look forward to the year ahead.



Nigel Lingwood
Chair

4 October 2023

Board of Directors

Strong leadership

All Directors listed below were Directors throughout the financial period ended on 31 July 2023 with the exception of Paul Hollingworth, who stepped down from the Board on 23 June 2023, and Jonathan Davis, who was appointed as an independent Non-Executive Director with effect from 23 June 2023.



Nigel Lingwood

Non-Executive Chair

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 circa £60 million to circa £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 merger and acquisition experience, both in the UK and internationally.

External appointments: Nigel is currently 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 Main Market of 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 25 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. In 2015 he was nominated as a finalist for EY Entrepreneur of the Year in London and the South East.

Skills and attributes which support strategy and long-term success: Significant strategic and operational expertise together with extensive merger and acquisition 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 merger and acquisition experience, strong track record of building, developing and leading multi-location teams.

External appointments: None.

Paul Hollingworth retired from the Board as Non-Executive Chair on 23 June 2023. Paul had served on the Board as an independent Non-Executive Director since June 2014 and had been Chair of the Board since 1 February 2020.

External appointments

The Board considered and approved the additional external commitments taken on by Nigel Lingwood and Margaret Amos during the financial period. In each case, it was agreed that there would be no impact on the time commitment, nor on the independence and objectivity, required to discharge the agreed responsibilities of each role.

Committee membership

A Audit Committee

N Nomination Committee

R Remuneration Committee

Chair of Committee



Amanda Mellor

Senior Independent
Non-Executive Director

Appointed: 19 March 2018

Career and experience: Amanda joined the Board in March 2018 as an independent Non-Executive Director and brings experience in international business, shareholder relations, strategy and governance.

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.

A N R

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.

Skills and attributes which support strategy and long-term success: Experience in international business, consumer and retail, sustainability and ESG, shareholder relations, strategy and governance.

External appointments: Amanda is currently group secretary of Haleon plc.



Claire Tiney

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

Appointed: 3 August 2016

Career and experience: 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

A N R

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.

Skills and attributes which support strategy and long-term success: Extensive board-level experience with key strengths in business strategy and turnaround, strategic development and change management.

External appointments: None



Margaret Amos

Independent Non-Executive Director

Appointed: 10 March 2022

Career and experience: 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,

A N R

Margaret founded and managed an aerospace consultancy business from 2018 to 2020.

Skills and attributes which support strategy and long-term success: Extensive board-level experience with expertise in a wide range of fields including finance, business strategy, international M&A, and sustainability.

External appointments: 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), Tyman plc (where she is also chair of the audit committee), Ombudsman Service (where she is also chair of the audit committee) and HMG Department for Transport, Trinity House (where she is also chair of the audit committee).



Jonathan Davis

Independent Non-Executive Director

Appointed: 23 June 2023

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

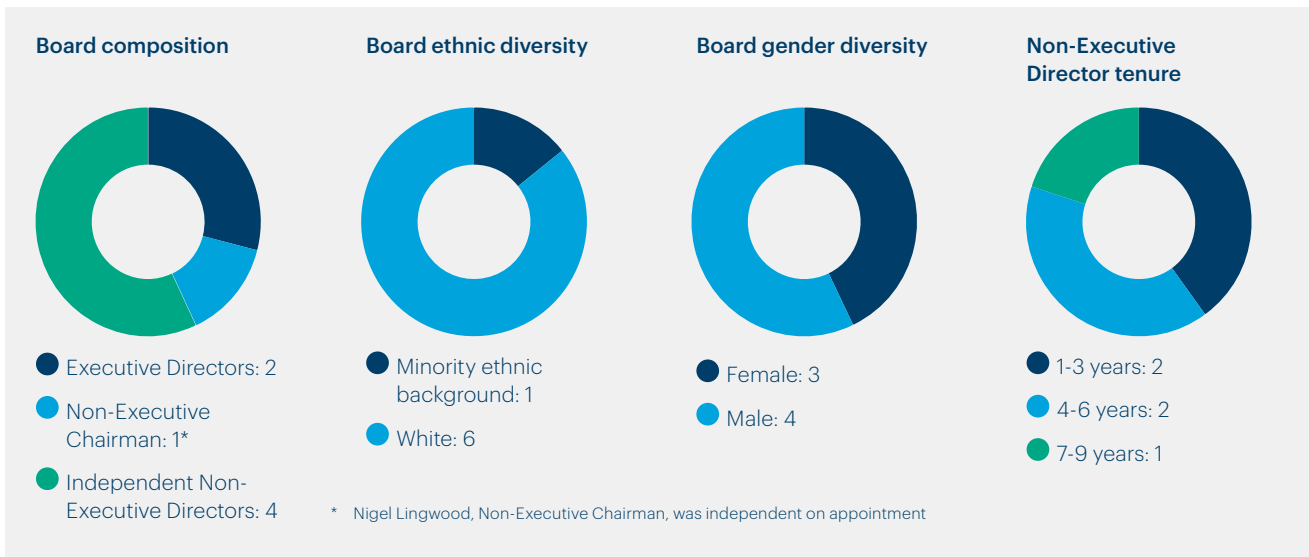
A N R

He is currently 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.

Skills and attributes which support strategy and long-term success: Recent and relevant financial and accounting expertise, public company and international experience.

External appointments: Jonathan is currently Finance Director at Rotork plc.

Board of Directors continued



Board meetings and attendance

The table below 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 2023, there were seven scheduled Board meetings.

Director	Attendance at Meetings
Chairman	
Paul Hollingworth (to 23 June 2023)	6/6 ²
Nigel Lingwood (from 23 June 2023)	7/7
Executive Directors	
Ronnie George	7/7
Andy O'Brien	7/7
Non-Executive Directors	
Margaret Amos	7/7
Jonathan Davis	1/1 ¹
Amanda Mellor	7/7
Claire Tiney	7/7

- Jonathan Davis joined the Board on 23 June 2023. There was only one Board meeting between that date and the year end, so Jonathan attended the maximum number of meetings possible.
- Paul Hollingworth stepped down from the Board on 23 June 2023. There were six Board meetings from the start of the financial year until that date, so Paul attended the maximum number of meetings possible.

Governance Framework

Promoting long-term sustainable success

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 2023 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 which applies to the Company for its financial year ended 31 July 2023.

How we comply with the UK Corporate Governance Code 2018

Board Leadership & Company Purpose

- Section 172 statement – **page 122**
- Board of Directors – **pages 110 and 11**
- Purpose, values and culture – **page 1**
- Board activities – **page 117**

Composition, Succession and Evaluation

- Leadership and experience – **page 112**
- Performance evaluation – **page 119**
- Nomination Committee report – **pages 127 to 130**

Division of Responsibilities

- Corporate governance structure and division of responsibilities – **pages 114 to 116**
- Board and committee attendance – **pages 112, 127, 131 and 140**
- Director independence – **page 119**

Audit, Risk and Internal Controls

- Audit Committee report – **pages 131 to 139**

Remuneration

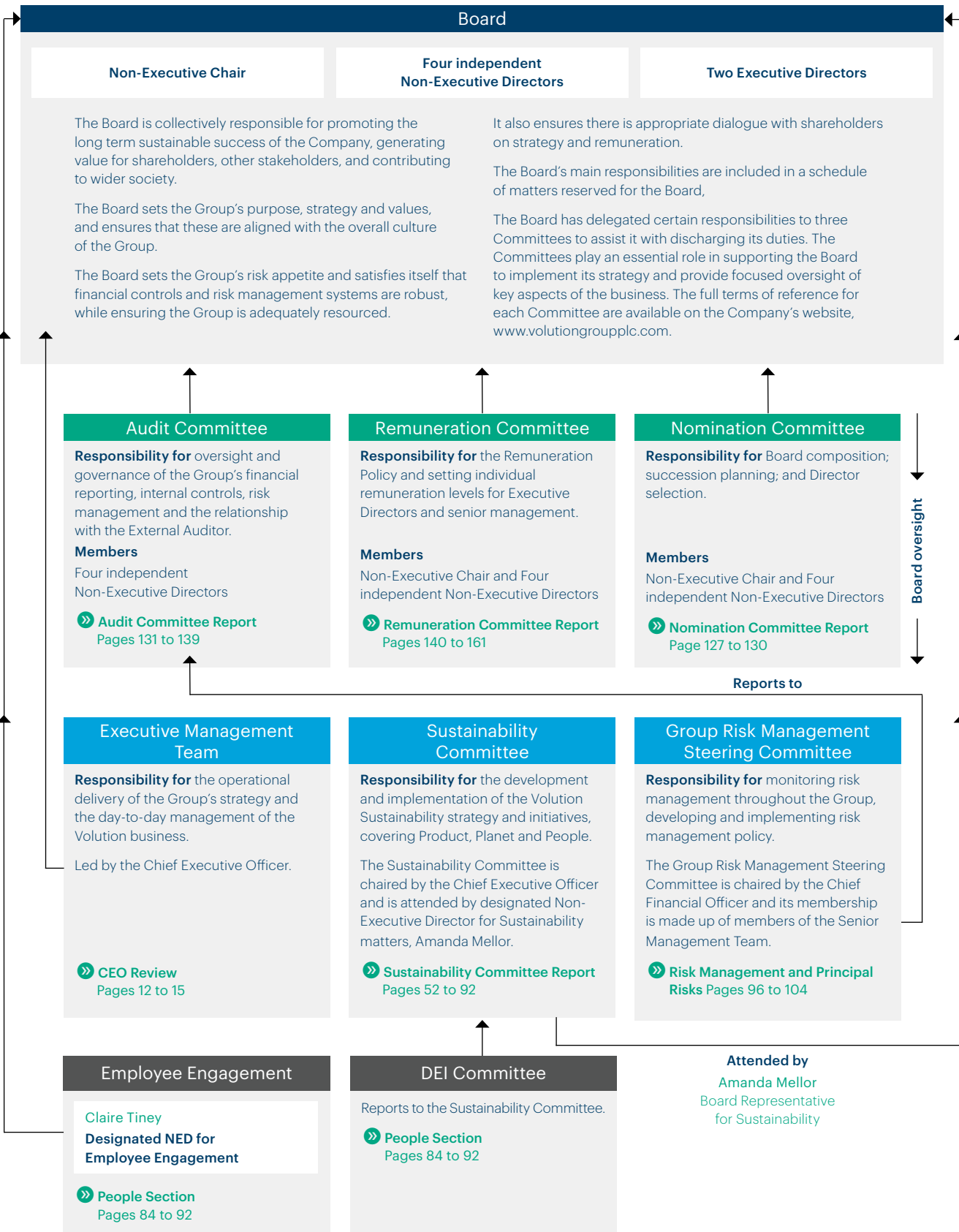
- Remuneration Committee report – **pages 140 to 161**



Management Presentation to the Board, Växjö, Sweden, May 2023

Governance Framework continued

The role of the Board and its Committees



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.

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.

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.

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, ensure appropriate succession plans are in place.

Governance Framework continued

Division of responsibilities continued

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 a premium Main Market 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.



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 two Group-wide Employee Forum events each year, 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.

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.

2023 Board Activities















Board activities and priorities during the year ended 31 July 2023

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	<ul style="list-style-type: none"> • Review and discussion of Group strategy • Approval of the acquisitions of VMI (France), i-Vent (Slovenia) and, after the year-end, DVS (New Zealand) • Post-Investment review of ERI Corporation (North Macedonia) • Reviewed the Group's tax policy 	  	<ul style="list-style-type: none"> • Shareholders • Employees • Customers • Suppliers
Financial	<ul style="list-style-type: none"> • Review and approval of Annual Report and Accounts, AGM Notice and associated documentation for the year ended 31 July 2022 • Review and approval of trading updates in December 2022 and July 2023 • Review and approval of interim financial statements for the six months ended 31 January 2023 • Review and declaration of interim dividend paid in May 2023 and, after year end, recommendation of final dividend to be paid in December 2023 	  	<ul style="list-style-type: none"> • Shareholders • Employees • Customers • Suppliers
Budget	<ul style="list-style-type: none"> • Review and approval of budget for the year ending 31 July 2023 	  	<ul style="list-style-type: none"> • Shareholders • Employees • Customers • Suppliers
Risk Management	<ul style="list-style-type: none"> • Consideration of risk framework, significant risks and risk appetite (in conjunction with the Audit Committee) 	 	<ul style="list-style-type: none"> • Shareholders • Employees • Customers • Suppliers
Shareholder Engagement	<ul style="list-style-type: none"> • Presentations on the Company's shareholder profile and market perception • Independent feedback from corporate brokers following full and half-year investor roadshows • AGM 2022 proxy results and review of shareholder voting • Remuneration consultation feedback 	  	<ul style="list-style-type: none"> • Shareholders

2023 Board Activities continued

Board activities and priorities during the year ended 31 July 2023 continued

Governance Report		Link to Strategy	Stakeholders
Sustainability	• Management presentation on ESG and climate-related reporting requirements		• Environment
	• Amanda Mellor’s reports to the Board following her attendance at Management Sustainability meetings, held twice a year		• Communities
	• Review of climate risks and opportunities and performance against Group ESG targets		• Shareholders
	• Review of the work undertaken to estimate Group Scope 3 emissions		• Employees
Governance	• Executive Director succession planning		• Customers
	• Board composition and the appointment of Nigel Lingwood as Chair of the Board and Jonathan Davis as a Non-Executive Director and Chair of the Audit Committee		• Employees
	• Audit Tender		• Suppliers
	• 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		
Workforce and Culture	• Claire Tiney’s reports to the Board following her attendance at the Volusion Employee Forum, held twice a year		• Employees
	• 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 plans for 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		

Strategy key

-  Organic growth
-  Value-adding acquisitions
-  Operational excellence

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 Annual General Meeting in December 2022, other than Jonathan Davis, who joined the Board after the date of the meeting.



Amanda Mellor – Board Representative for Sustainability

Amanda brings extensive experience in climate and sustainability matters to the Board, and attends Volusion’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 and advisers 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 2023. A list of the Directors is provided on pages 110 and 111.

Appointment and tenure

The appointment dates of Directors are shown in their biographies on pages 110 and 111. The Board believes that all Directors are effective and committed to their roles and have sufficient time available to perform their duties. Accordingly, all members of the Board will be offering themselves for election or re-election at the Company's AGM to be held on 13 December 2023.

All of the Directors have service agreements or letters of appointment, and the details of their terms are set out in the Directors' Remuneration Report on page 140 to 161. 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 a meeting with the Non-Executive Directors without the Executive Directors being present.

Board performance evaluations and effectiveness

In the Annual Report 2022 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 opposite the recommendations.

Board performance evaluation 2022 – recommendations	Progress against the recommendations
To increase the Board's oversight of company culture and people development	<p>The Board spent time in the year interacting with members of the senior management team and employees across the Group-wide business in Board meetings, at informal gatherings and presentations, and on visits to production sites (both as a full Board and on visits arranged for individual Board members).</p> <p>Insights through Board agenda items and supporting papers covering indicators of culture were also enhanced, including in-depth presentations on customer services feedback and health and safety in the UK.</p> <p>Information on people development initiatives were shared by the Group Head of HR, and insights will be further enhanced by feedback from the Group's fourth Management Development Programme which is scheduled for October 2023.</p>
To obtain greater insights into the views of the wider workforce through enhanced employee engagement mechanisms supported by the new Group Head of HR	<p>Additional information in relation to the wider workforce has been shared by the Group Head of HR, appointed in March 2022, who attends Remuneration Committee meetings.</p> <p>Where the pipeline of talent in the organisation and succession plans for senior management is being discussed, the Group Head of HR also joins Nomination Committee meetings to provide additional data and insights.</p> <p>A global employee engagement survey is planned for launch in October 2023 which will significantly increase the quality and depth Board updates in this area.</p>

Governance Report continued

Process for the 2023 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 2023. 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.



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: 2023 recommendations

- continued focus on interaction with wider senior management team;
- further discussion and updates on climate-related matters and TCFD reporting;
- increased time to be spent on discussion on product strategy and development plans; and
- focus on the pipeline of talent across the business to be further increased.

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.

On appointment, an induction programme was arranged for Jonathan Davis, who joined the Board on 23 June 2023.

Induction of Jonathan Davis



Jonathan Davis, Non-Executive Director and Audit Committee Chair, Site Tour, Reading, UK

Jonathan Davis

The induction programme for Jonathan Davis included the following elements:

- one-to-one meetings with both Executive Directors and the Chair;
- briefing from the Chief Executive on the Group's strategy and operational matters;
- briefing from the Group Chief Financial Officer on financial matters;
- briefings from the Company Secretary on legal and governance matters;
- briefings from senior executives and managers across key business areas including operations, HR, sustainability, marketing and sales;
- meeting with the External Auditor;
- meeting with the Head of Internal Audit;
- site visits and tours; and
- access to a library of reference materials, including key information on the governance framework, recent financial data and the policies supporting Volution business practices, including the share dealing policies and codes of conduct.

Governance Report continued

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 2023.

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 93 to 95 how Volution and the Board have engaged with key stakeholders. Our business model on pages 22 to 23 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 26 to 27.

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 page 1 and our sustainability strategy is set out in the Sustainability Report on pages 42 to 92.

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 environmental, social and governance 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.

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
Acquisitions	<p>In line with Volution's long-term strategy for growth and purpose, the Board completed two acquisitions in the year: VMI, based in France and I-Vent, based in Slovenia and Croatia. After the year-end, a third business, DVS, was acquired in New Zealand.</p> <p>As part of the decision-making process the long-term consequences of these acquisitions on all stakeholders were considered. The Board also considered the potential synergies and financial benefits of the acquisitions, as well as the environmental aspects of the businesses.</p> <p>The benefit of the acquisitions 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 these acquisitions may be found in the CEO's Review on pages 12 to 15.</p>
Further development of the Sustainability strategy	<p>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.</p> <p>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 42 to 92.</p>

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 110 and 111.

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.

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 96 to 104, 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 138.

The Audit Committee Report on pages 131 to 139 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.

Governance Report continued

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 2023 as follows:

August 2022	<ul style="list-style-type: none"> • Consultation on remuneration with major shareholders
October 2022	<ul style="list-style-type: none"> • 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 2022	<ul style="list-style-type: none"> • Trading update • Annual General Meeting
March 2023	<ul style="list-style-type: none"> • Half-year results announcement and analyst presentation • Institutional broker sales desk briefings • Shareholder roadshows
July 2023	<ul style="list-style-type: none"> • 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.

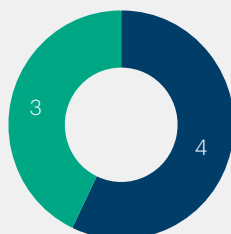
Key topics that arise in investor meetings include the following:

- 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.

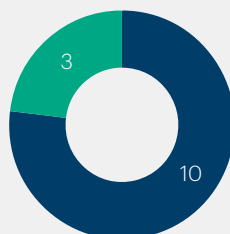
In addition, the Chair meets with investors on a regular basis during the year, and the Senior Independent Director is available to meet shareholders if they wish to raise issues separately from the arrangements as described above.

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.

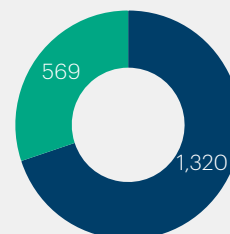
Board Directors



Senior Managers¹



All other employees



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.

● Female
● Male

Listing Rule 9.8.6(9)

As at the Company's chosen reference date, 31 July 2023, and in line with FCA Listing Rule 9.8.6(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 LR 9.8.6(10)

In line with LR 9.8.6(10), as at the reference date of 31 July 2023, 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	58%	3	10	77%
Woman	3	42%	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	85
Mixed/Multiple Ethnic Groups	—	—	—	—	—
Asian/Asian British	—	—	—	1	7.5%
Black/African/Caribbean/Black British	1	14%	1	1	7.5%
Other ethnic group, including Arab	—	—	—	—	—
Not specified/prefer not to say	—	—	—	—	—

1. Per the definition within the 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.

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 Annual General Meeting (AGM) of the Company will take place at 12.00 noon on Wednesday 13 December 2023 at the offices of Norton Rose Fulbright LLP, 3 More London Riverside, London SE1 2AQ, United Kingdom.

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

Continued focus on Board composition, succession and development



“

It has been a busy year for the Committee, overseeing the Chair succession process and the appointment of Jonathan Davis as Independent Non-Executive Director and Audit Committee Chair.

Highlights of 2023

- Appointment of Nigel Lingwood as Non-Executive Chair in June 2023.
- Reviewed the succession plan and identified future needs, both for Board and senior management positions.
- Commenced a search for a new Non-Executive Director and Chair of the Audit Committee, resulting in the appointment of Jonathan Davis on 23 June 2023.

Priorities for 2024

- Continue to manage Board and senior management succession plans.
- Ongoing evaluation of the size and composition of the Board including the balance of skills, knowledge, independence, experience and gender and ethnic diversity.
- Review the talent pipeline below Board level.

Membership and attendance

The Committee met for four scheduled meetings during the year with attendance disclosed below. Additional meetings were held to deal specifically with the Chair succession process and the appointment process for Jonathan Davis.

Committee members	Member since	Attendance ³
Nigel Lingwood (Chair)	30 April 2023 (Chair from 23 June 2023)	4/4
Margaret Amos	10 March 2022	4/4
Jonathan Davis ¹	23 June 2023	n/a
Paul Hollingworth ²	23 June 2014	4/4
Amanda Mellor	19 March 2018	4/4
Claire Tiney	3 August 2016	4/4

1. Jonathan Davis joined the Board on 23 June 2023. There were no scheduled Nomination Committee meetings between that date and the year end.
2. As part of the succession planning process, Paul Hollingworth retired as Chair of the Nomination Committee, and as a Committee member, on 7 March 2023. Amanda Mellor, Senior Independent Director, took over as the Chair of the Nomination Committee until the date of Nigel Lingwood's appointment as Chair of the Board on 23 June 2023, at which point Nigel Lingwood also became Chair of the Nomination Committee. There were no scheduled Nomination Committee meetings between 23 June 2023 and the year end.
3. Neither Paul Hollingworth or Nigel Lingwood attended Committee sessions dealing with the Chair succession process.

Nomination Committee Report continued

Dear shareholder,

I am pleased to present the Committee's report detailing its role and responsibilities and its activities during the year, as Chair of the Committee, following Paul Hollingworth's retirement from the Board on 23 June 2023.

It has been a busy year for the Committee, overseeing the Chair succession process and subsequently the appointment of Jonathan Davis as Independent Non-Executive Director and Audit Committee Chair. In addition to these key tasks, the Committee has continued its work in the area of the oversight of the development of the talent pipeline, and further review of succession plans for both the Executive team and the Non-Executive Directors.

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.

The full terms of reference of the Committee are available on the Company's website at www.volutiongroupplc.com.

Membership and attendance

The majority of the members of the Nomination Committee are independent non-executive directors as required by the Code. Following Paul Hollingworth's retirement, I was appointed Committee Chair on 23 June 2023, and all other members are independent Non-Executive Directors. Biographies of all Committee members can be found on pages 110 to 111.

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.

Board composition and succession planning

During the year the Committee discussed succession planning for Executive and Non-Executive Directors and the progressive refreshing of the Board.

The search process for a successor to Paul Hollingworth resulted in my appointment as Chair Designate, which was announced on 15 March 2023. I was delighted to become Chair of the Board on 23 June 2023.

The appointment of Jonathan Davis as a Non-Executive Director and Audit Committee Chair was announced on 19 June 2023 and his appointment became effective on 23 June 2023.

Further details on these appointment processes may be found on pages 129 to 130.

Other activities during the year

In addition to the succession planning processes described above, the following 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 succession planning and talent development for the Senior Management Team;
- reviewed and approved the recommendations to be made to shareholders for the re-election of Directors at the Annual General Meeting; and
- reviewed the results of the Committee performance evaluation.

After the year end at the October 2023 meeting, the Committee considered the outcome of the performance evaluations when discussing the effectiveness of the Non-Executive Directors seeking re-election at the Annual General Meeting 2023.

Appointment of Nigel Lingwood as Chair of the Board

This search process was led by Senior Independent Director, Amanda Mellor, supported by external search firm Warren Partners Ltd.

The process involved discussions by the Nomination Committee of the key attributes required for the role, and the subsequent development of a detailed role specification. Following the distribution of the role specification to potential applicants, an initial long-list of candidates was prepared for the Committee and then discussed in detail. A small number of candidates were short-listed and interviews were scheduled with the Senior Independent Director, the other independent Directors, and the Chief Executive Director. Following a detailed discussion by the Committee, it was recommended that Nigel Lingwood, the then current Audit Committee Chair, be appointed as Chair Designate, with a planned appointment date to coincide with Paul Hollingworth's retirement. The announcement regarding Nigel's appointment as Chair Designate was made to the London Stock Exchange on 15 March 2023 and he became Chair on 23 June 2023. Warren Partners Ltd had no connection to Volution or its Directors, other than that it assisted with the search process for Margaret Amos and other executive roles in 2022 and 2023. Paul Hollingworth and Nigel Lingwood did not take part in the discussions regarding Chair succession.



Nigel Lingwood
Chair of the Board

“

We are delighted to have appointed Nigel to succeed Paul. We conducted a thorough search for Paul's successor, and we believe that Nigel brings strong understanding of Volution's markets and opportunities as well as the leadership qualities and relevant expertise crucial for this role. He is well placed to lead the Board and support Volution's future ambitions.

Amanda Mellor
Senior Independent Director

Nomination Committee Report continued

Appointment of Jonathan Davis as Audit Committee Chair

This search process was instigated following the appointment of Nigel Lingwood to the role of Chair of the Board, in anticipation of his stepping down from the Audit Chair role.

The process was led by the Nomination Committee, with input from Nigel Lingwood (Chair Designate and Audit Committee Chair at the time), and supported by external search firm Russell Reynolds. The process included the development of a role specification and the review, initially, of a long-list of candidates. A short-list was subsequently prepared and the short-listed candidates were interviewed by Nigel Lingwood and Amanda Mellor.

Final stage candidates were also interviewed by Committee members and the Executive Directors. The process resulted in the recommendation of Jonathan's appointment as an independent Non-Executive Director and Audit Committee Chair, with a planned appointment date of 23 June 2023.

The announcement regarding Jonathan's appointment was made to the London Stock Exchange on 19 June 2023.

Russell Reynolds had no connection to Volution or its Directors.

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. 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 consider 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.

Election and 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 election or re-election at the Annual General Meeting 2023. The biographical details of the

Directors can be found on pages 110 to 111. The Committee considers that the performance of each of the Directors standing for election or re-election at the Annual General Meeting continues to be effective and each demonstrates commitment to their role.

Committee performance evaluation

During the year, the Board conducted an internally facilitated 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 119 and 120. 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.



Nigel Lingwood
Chair of the Nomination Committee
4 October 2023

Audit Committee Report

Keeping pace with business expansion



Membership and attendance

The Committee met for five scheduled meetings during the year with attendance disclosed below. Additional meetings were scheduled for the purposes of working on the audit tender process.

Committee members	Member since	Attendance
Jonathan Davis (Chair) ¹	23 June 2023	1/1
Nigel Lingwood ²	30 April 2020	4/4
Margaret Amos	10 March 2022	5/5
Amanda Mellor	19 March 2018	5/5
Claire Tiney	3 August 2016	5/5

1. Jonathan Davis joined the Board and was appointed as Chair of the Committee on 23 June 2023. There was only one Committee meeting between that date and the year end, and so Jonathan attended the maximum number of meetings possible.

2. Nigel Lingwood stepped down from the Committee on 23 June 2023, having chaired the Committee since his appointment to the Board on 30 April 2020. There were four Committee meetings between 1 August 2022 and that date, and Nigel attended all four meetings.

Highlights of 2023

- Concluded an audit tender process resulting in the appointment of PwC as External Auditor of the Company, subject to shareholder approval, and oversaw adviser transitions to ensure independence requirements have been met.
- Supported the transition to an in-house Internal Audit function.
- Maintained focus on control environment and reporting processes in businesses across the Group, including in particular newly acquired businesses, keeping pace with our expansion.
- Continued to monitor Group risk environment and internal controls with enhanced process to identify, assess and monitor emerging risks in current macroeconomic and political environment.
- In-depth presentation from the UK Finance Director providing key insights into activities, controls, processes and priorities in the UK finance function.

Priorities for 2024

- Oversee and support the External Auditor transition.
- Ensure the successful embedding of the new in-house Internal Audit function.
- Review the accounting for the recently completed acquisitions in France and Slovenia.
- Continue to monitor developments in the regulatory landscape and prepare for implementation of new regulations and standards, including in relation to the implementation of an assurance policy and the assurance requirements in the context of sustainability data.

Audit Committee Report continued

Dear shareholder,

I am pleased to present this report, which is my first as Chair of the Audit Committee (the "Committee"), for the year ended 31 July 2023.

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.

Specific tasks this year have included the undertaking of an external audit tender process, which resulted in the appointment of PricewaterhouseCoopers LLP (PwC"), subject to approval by the shareholders at the 2023 AGM, for the financial year commencing 1 August 2023.

The process was informative and thorough, involving input from a wide range of internal stakeholders, including from the international businesses, and we look forward to focusing on the transition to the new Audit team in the coming year. You can read more about the tender process on page 136.

During this financial year, the Audit Committee also supported the transfer of the Internal Audit function to an in-house role, with the aim of improving the consistency of internal audit reporting and the controls environment, and to assist in the identification and communication of good practice across the Group.

As a result, a new Head of Internal Audit, with extensive international risk management and manufacturing experience, joined the Group in April 2023, to develop and deliver the internal audit programme for the 2024 financial year. As part of a comprehensive induction, the Head of Internal Audit undertook a number of joint reviews with BDO during the 2023 financial year. To support the work of the Head of Internal Audit, BDO will continue as a co-source partner, assisting on specialist or ad-hoc projects across the Group going forward. More details may be found on page 138.

In addition to these specific tasks, the Committee has continued to focus on its fundamental priorities, which include ensuring the quality and effectiveness of the external and internal audit processes and monitoring the management of the principal risks of the business.

I am pleased that the internal audit reports received this year from BDO confirm that the Group's businesses continue to maintain a strong focus on internal controls and compliance with emerging regulatory requirements. The Committee will continue to devote time to the monitoring of controls across the Group; an area of key importance as we continue to grow both in size and complexity.

As part of our regular cycle of work we have again reviewed in depth the company's principal and emerging risks, the approach to risk appetite and the risk management process, led by the Group Risk Management Steering Committee. More information on the Committee's work in these areas may be found on page 138.

In March 2023, the Corporate Reporting Review team, FRC Supervision, corresponded with the Company regarding its review of the Company's Annual Report for the year ended 31 July 2022 and, as part of the review, sought information in respect of some aspects of the Annual Report, and provided a number of observations and potential improvements to existing disclosures. I am pleased to report that all queries were answered satisfactorily, and the feedback of the review team has been incorporated as appropriate into this Annual Report. More details may be found on page 138.

Looking to the year ahead, as a Committee, we will also continue to focus on the potential future regulatory changes and emerging best practice, including in respect of the development of an assurance policy and the increasing focus on assurance around sustainability reporting.

In my short time on the Board and as Chair of the Committee, it has been a pleasure to start to work with my fellow Committee members. I am also grateful to the very dedicated finance teams across the organisation, including within our newly acquired companies, and I look forward to working with them again in 2024 and beyond.

On behalf of the Committee, I would like to thank the lead partner, Jon Killingley, and the team at outgoing External Auditor Ernst & Young LLP ("EY") for the significant contribution during their time as auditor of the Company.

In addition, I would like to thank the Internal Audit team at BDO for their valuable insights over the years, having supported the Company as Internal Auditor since the IPO in 2014.

Lastly, I would like to thank Nigel Lingwood who, prior to his succession into the role of Chair of the Board, chaired the Audit Committee since his appointment in 2020, providing an immensely valuable contribution during this time.

Jonathan Davis
Chair of the Audit Committee
4 October 2023

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. Nigel Lingwood stepped down as Chair and as a member of the Committee on 23 June 2023 on the commencement of his role as Chair of the Board. Jonathan Davis was appointed as a Non-Executive Director and Chair of the Audit Committee on 23 June 2023.

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 110 to 111 for details of 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.



Audit Committee Report continued

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 five scheduled meetings during the year with attendance disclosed on page 131. Additional meetings were scheduled for the purposes of working on the audit tender process.

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.
- 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 reviews, 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.
- Liaised with Corporate Reporting Review team, FRC Supervision, regarding their review of the 2022 Annual Report and Accounts.

Risk management

- Monitored and reviewed the effectiveness of risk management and internal control processes.
- 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 BDO as Group Internal Auditor and reviewed its summary report on internal audits completed in 2022 and its internal audit plan for 2023.
- Maintained oversight of the process to transition to an in-house Internal Audit function, a role that became effective on 1 August 2023.

External Auditor and non-audit work

- Reviewed the relationship with the External Auditor including its independence, objectivity and effectiveness and recommended to the Board its re-appointment at the 2022 Annual General Meeting.
- Conducted a tender process for the role of External Auditor for the year commencing 1 August 2023.
- Reviewed, considered and agreed the scope of the audit work to be undertaken by the External Auditor on this year's Annual Report.
- 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.
- Reviewed and discussed the FRC's July 2023 audit quality inspection report in respect of EY.

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.

Significant accounting matters

The Committee, together with the auditor, identified the matters set out below as being significant in the context of the consolidated financial statements for the year ended 31 July 2023. These were discussed and reviewed with Management and the External Auditor; the Committee challenged judgements and sought clarification 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?
<p>Impairment of goodwill and other intangible assets</p>	<p>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 2023 intangible assets relating to goodwill and other intangible assets amounted to £248.7 million. The acquisitions made during the year added £29.3 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.</p>	<p>The Committee has 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.</p> <p>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.</p> <p>The Committee has also reviewed the additions to goodwill and other intangible assets through the acquisitions of VMI and i-Vent 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.</p> <p>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.</p> <p>However, the Committee did not consider it reasonably possible that changes in the key estimates and assumptions could cause the carrying value of the CGUs to materially exceed their recoverable value. Hence the Group did not consider that this was a major source of estimation uncertainty that could have a significant risk of resulting in a material adjustment to the financial statements, thus is not disclosed as such in note 1 to the accounts, but is included as an additional disclosure.</p>
<p>Revenue recognition – liabilities arising from retrospective volume rebates</p>	<p>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. 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 2023 included within trade and other payables is £9.8 million (2022: £10.3 million).</p>	<p>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.</p> <p>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.</p>

Audit Committee Report continued

Significant accounting matters continued

<p>Accounting for business combinations</p>	<p>There were two business combinations during the year: the acquisitions of VMI and I-Vent. The acquisitions were relatively straight forward and included 100% purchase of shares.</p> <p>Both of these acquisitions include future consideration contingent on the performance of the businesses. The acquisitions of ERI in 2022 and ClimaRad in 2021 also include contingent consideration liabilities at the balance sheet date.</p>	<p>The Committee reviewed the accounting for the acquisitions 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 VMI and I-Vent acquisitions and for the previous acquisitions of ERI and ClimaRad, and agreed the judgements were reasonable.</p> <p>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.</p>
<p>Going concern</p>	<p>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.</p>	<p>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.</p> <p>The Committee has also considered reasonable sensitivities to these estimates including the potential impact from the the principal risks and concluded that these support the preparation of the financial statements on the going concern basis.</p> <p>The Committee considered the impact of climate change (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.</p> <p>Further details of the going concern assessment prepared by the Group is included on page 99.</p>

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.

External audit

EY has acted as External Auditor for the Group since Volution was listed in June 2014. The lead partner for the financial year ended 31 July 2023 and the prior year was Jon Killingley. 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 has this year conducted a tender process for the appointment of the External Auditor for the year ending 31 July 2024.

The tender process was concluded in January 2023, and more details are set out opposite.

Audit tender

The Audit Committee initiated and supervised a competitive tender process for the Group's External Auditor during the financial year. It was concluded in January 2023.

As part of the planning, the Committee agreed a timetable with Management, appointed a Selection Panel, and agreed minimum requirements. A set of selection criteria was then prepared, taking into account FRC guidance and those criteria most relevant to the Group. The Audit Committee defined the primary objective of the tender process as to appoint the audit firm that would provide the highest quality, most effective, and efficient audit of the Group.

During 2022, the Audit Committee Chair, with the advice and support of the CFO, engaged with all the "Big 4" firms, and at least one challenger firm, to understand their appetite to tender. Three firms declined to participate. A formal RFP document was then issued to two firms, which included details of the selection criteria. Two firms completed the full process, including the incumbent auditor.

To ensure a level playing field, comprehensive information was provided in an electronic data room, and each of the participating firms were invited to meetings with the Chair of the Board, the Chair of the Audit Committee, and members of senior management, and also to visit a selection of the Group businesses.

Both firms submitted comprehensive tender documents, including lead partners' and prospective audit teams' CVs, for consideration, and each firm gave a formal in-person presentation to the Audit Committee, where the Committee had the opportunity to ask questions and discuss the tender documentation in detail. These Presentations were also attended by and the Selection Panel, which included the Chair, the Chief Financial Officer, the Company Secretary, and members of the Finance function.

The evaluation process included each member of the Selection Panel scoring against the agreed selection criteria, and was supplemented with a review of FRC audit quality reports for each firm, discussion of the merits of the proposals, and the review of additional feedback from other senior management involved in the tender process. There were no contractual obligations that restricted the Company's choice of external audit firm.

The Audit Committee reviewed a report on the audit tender and selection process and, after due consideration, recommended to the Board that their preferred choice was PwC. As announced on 1 February 2023, the Company intends to appoint PwC as its auditor for the year ending 31 July 2024, subject to shareholder approval at the AGM in December 2023. Since their appointment, work has been completed to ensure PwC are independent, and relevant transitional activities have commenced, ahead of PwC's expected formal appointment at the AGM.

No Committee members have any connection with either EY or PwC.

The Committee has recommended to the Board that a resolution to appoint PwC for the financial year ending 31 July 2024 be proposed to shareholders at the Annual General Meeting in December 2023 and the Board accepted and endorsed this recommendation.

Effectiveness review

During the year, the Committee assessed the effectiveness of EY and the external audit process for the year ended 31 July 2022 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 and EY. There were no substantive matters identified during this assessment and the Committee concluded that the external audit process had been effective.

The Committee has been provided with a copy of the Financial Reporting Council’s July 2023 audit quality inspection report in respect of EY and a copy of EY’s published audit quality and transparency reports for the UK. The Audit Quality Review team of the Financial Reporting Council (‘FRC’) considered certain aspects of EY’s audit of the Company’s 2022 consolidated financial statements. Having received a full copy of the report, the Committee was pleased to note that no key findings arose from the review, with only one area identified for limited improvement. This area has been discussed with EY and the Committee is satisfied that it was addressed appropriately.

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.

Following the Committee’s announcement on 1 February 2023 regarding the intended appointment of PwC as External Auditor, the decision was also taken in line with independence requirements to replace PwC as tax advisor to the Group. Management undertook a process, with oversight of the Committee, which resulted in the appointment of BDO as the Group’s tax advisor with effect from 1 June 2023.

During the year, EY charged the Group £99,000 (2022: £95,000) for non-audit services relating to the half-year review, which represents 11.9% (2022: 12.9%) of the average of the external audit fee over the last three financial years. A breakdown of the fees paid to EY 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.

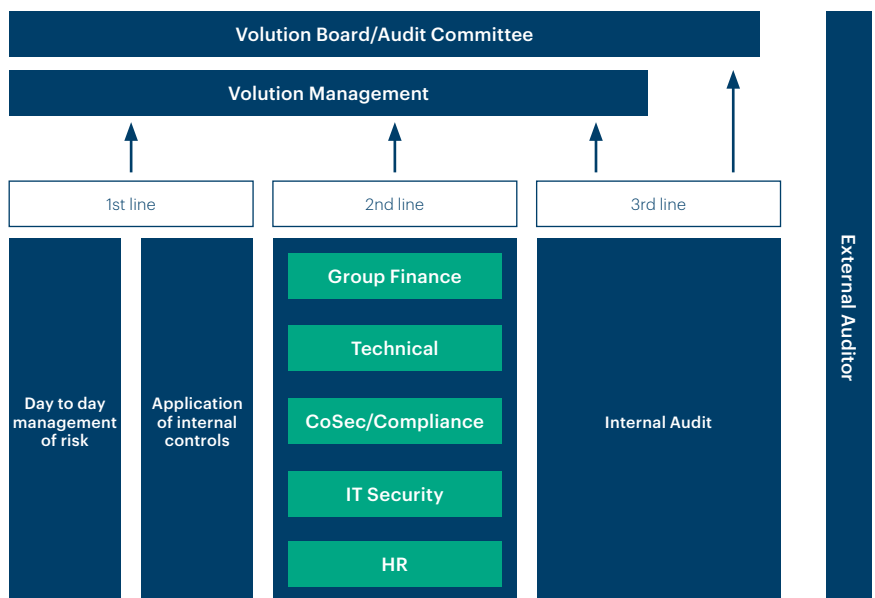
Internal control environment

In seeking to achieve the Group’s business objectives, we face a number of risks, as defined on pages 96 to 104. 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.

Three lines of defence model



Audit Committee Report continued

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 2023, BDO continued to provide the internal audit service. 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.

management and internal control systems for the period from 1 August 2022 to the date of this report. Taking into account the matters set out on pages 96 to 104 relating to principal risks and uncertainties and the internal audit reports from BDO, the Board, with the advice of the Committee, is satisfied that the Group has in place effective risk management and internal control systems.

Corporate Reporting Review, FRC Supervision

Following their review of the Annual Report for the year ended 31 July 2022 in accordance with Part 2 of the FRC Corporate Reporting Review Operating Procedures, the Corporate Reporting Review team, FRC Supervision (CRR), wrote to the Company in March 2023 requesting certain information to understand how relevant reporting requirements had been met in relation to three areas: the acquisitions of ERI (Macedonia) and ClimaRad (Netherlands), disclosures on judgements and estimates, and carbon avoidance reporting. Information was duly provided and accepted as satisfactory by the CRR. Some reporting changes suggested as part of their review have been reflected as appropriate in this Annual Report. The FRC's role is to consider compliance with reporting standards and is not to verify the information provided to them. Therefore, given the scope and inherent limitations of their review, which does not benefit from any detailed knowledge of the Group, it would not be appropriate to infer any assurance from their review that our 2022 Annual Report and Accounts was correct in all material respects.

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

Transition to an in-house Internal Audit function

During this financial year, the Audit Committee supported the transition to an in-house Internal Audit function, effective from the start of the 2024 financial year. This development aims to improve the consistency of reporting between the business units and to help to identify and disseminate good practice across the Group.

A new Head of Internal Audit was appointed to deliver the Internal Audit Programme, with BDO acting as a co-source partner. The Head of Internal Audit reports to the Committee and functionally to the Chief Financial Officer. Priorities for Internal Audit in the new financial year will include continuing to focus on the integration of the three new businesses recently acquired in France, Slovenia and New Zealand and ensuring alignment with Group's expected standards of internal control.

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 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 96 to 104.

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

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.

Committee performance evaluation

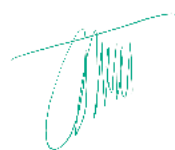
During the year, the Board conducted an internally facilitated evaluation of the performance of the Board, its Committees, the Directors and the Chair. Further details can be found in the Governance Report on page 120. This process concluded that the Committee had fulfilled its role effectively and did 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.

In particular, 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 3 October 2023. The outcome of that review was that the Committee confirmed to the Board that the Annual Report and Accounts 2023 met the requirements of the 2018 Code and the Board's formal statement to that effect is set out on page 166.



Jonathan Davis
Chair of the Audit Committee
4 October 2023

Directors' Remuneration Report

A policy to support Group strategy



Membership and attendance

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

Committee members	Member since	Attendance
Claire Tiney (Chair)	3 August 2016	4/4
Margaret Amos	10 March 2022	4/4
Amanda Mellor	19 March 2018	4/4
Nigel Lingwood	30 April 2020	4/4
Jonathan Davis ¹	23 June 2023	1/1
Paul Hollingworth ²	23 June 2014	3/3

1. Jonathan Davis joined the Board and the Remuneration Committee on 23 June 2023. There was only one Remuneration Committee meeting between that date and the year end, and so Jonathan attended the maximum number of meetings possible.

2. Paul Hollingworth retired from the Board and stepped down from the Committee on 23 June 2023. There were only three Remuneration Committee meetings between the start of the year and that date, and so Paul attended the maximum number of meetings possible.

Dear shareholder,

On behalf of the Remuneration Committee, I am pleased to present the Directors' Remuneration Report for the year ended 31 July 2023.

At the Annual General Meeting in December 2022, the Directors' Remuneration Report resolution received strong support from shareholders, with 98.3% of the votes cast being in favour of the resolution. Our current Remuneration Policy (current Policy) was approved at the 2020 AGM and also received very good support from shareholders, with over 95% of the votes cast being in favour of the resolution. In line with the three year lifecycle of the Policy, a new Policy is being put forward to a shareholder vote at the 2023 AGM, further detail of which is provided in this report. The Committee reviewed the Policy in the context of 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.

Wider workforce considerations

The Committee is aware of the impact of inflation and the cost-of-living crisis 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:

- Salaries have increased at higher levels than in previous years. During the period there was a total base salary increase of c.8% in the UK, with an increase of 6.5% for indirect labour and 9.2% for direct labour. There has also been a significant increase in some functional roles that were benchmarked

against competitors, such as customer service, technical support, marketing and transactional finance, ranging from 10.5%-17.8%. In previous years we have also implemented out-of-cycle salary increases in certain business units, and will continue to do so as appropriate to remain an employer of choice in our markets.

- We operate a 'mind the gap' philosophy for lower paid employees. When the national minimum wage ('NMW') increases, as it did this year by c.10%, junior employees who are paid above the NMW also get an increase so the gap to the NMW stays the same. We also implemented pay increases six months earlier than we were required to do so on the NMW increase for certain business areas in the UK.
- The 'Employee Benefits' platform was enhanced in December 2022 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 benefitted from pay-outs due to Volution's strong performance in recent years and have done so again in respect of 2023. Employees have also been able to share in the success of the share price increase through the all-employee Sharesave scheme.

Review of the Remuneration Policy

In accordance with the Directors' Remuneration Report regulations, Volution is required to submit a revised Directors' Remuneration Policy to shareholders for approval at the December 2023 AGM. In light of this, the Committee has undertaken a robust and comprehensive review of our Remuneration Policy and framework to ensure it remains appropriate and supports the delivery of our strategy, whilst rewarding Management fairly and in line with investor expectations. An extensive shareholder consultation was carried out with the majority of Volution's shareholder register to gather views and feedback, which have been carefully considered in developing and finalising the proposals on the new Policy.

In summary, the Committee is of the view that the current Policy has operated as intended and continues to support the strategic priorities of the business and creation of sustained long-term value for shareholders. Therefore, no major

change to the structure of remuneration is being proposed this time. Two changes are being proposed to align Volution with investor expectations and UK market practice, which the majority of shareholders were supportive of as part of the shareholder consultation exercise:

- **Pension contributions** – as part of the Policy review the Committee has undergone a comprehensive review of the pension arrangements across the Group. Following this review and further discussion, and in recognition of investor expectations and UK market practice on executive director pension levels, the Committee determined that it is appropriate to reduce the CEO pension to 5.5% of salary (from 8.5% of salary) as being more reflective of the pension rates available to the wider UK workforce. This represents a further reduction with the CEO's pension originally being reduced from 15% of salary. The CFO will remain on a pension equivalent to 5.5% of salary.
- **Variable pay cap** – under the current Policy, the annual bonus and LTIP are subject to a combined cap of 275% of salary. The Committee notes that having a combined cap is not common in the UK market and is therefore proposing to remove it in the new Policy to align with market practice. The individual caps on the annual bonus (150% of salary) and the LTIP (175% of salary) will remain unchanged, as will the maximum award opportunities for the period ending 31 July 2024. The Committee commits to consult with shareholders if it increases maximum incentive levels during the life of the Policy.

Implementation in the year ending 31 July 2024 Salary

As part of the Policy review the Committee has reviewed the salary levels for the CEO and CFO to ensure that they remain reflective of their skills and experience, as well as being appropriate in the context of the increased size and complexity of the Group. Since listing in 2014, the Group has more than doubled in market capitalisation and is now an established FTSE 250 company after its promotion from the FTSE SmallCap in 2021. This alongside a consistent increase in dividend per share (from 3.3p in FY15 to 8.0p in FY23, corresponds with total shareholder returns over the period of over 200% versus a FTSE 250 index return of c.50% over the same period. The Group



In line with the three year lifecycle of the Policy, a new Policy is being put forward to a shareholder vote at the 2023 AGM, further detail of which is provided in this report.

has also achieved strong financial performance, including revenue growth of over 39% and adjusted EPS growth of 61.3% since 2019.

Volution substantially increased its international footprint in recent years and is now a more international business than at any point in the Group's history, with 60.4% of revenue coming from non-UK customers in the period. This makes Volution a more international and complex business than those FTSE 250 companies that are predominately UK focused. There have also been a number of acquisitions in recent years including: ERI Corporation, RTek, ClimaRad, Klimatfabriken, and Ventair. There have been two further acquisitions in the financial year ending 31 July 2023, I-Vent in Slovenia and Croatia and VMI in France, further increasing the international footprint and complexity of the Group. The Group has also acquired DVS (Proven Systems Ltd) in New Zealand which completed after the year end.

There has been significant progress made against the "product, planet and people" targets in light of the Group's commitment to sustainability – and Volution received the Green Economy Mark in 2021, being recognised by the London Stock Exchange as contributing to the global green economy. The commitment to sustainability is embedded in all aspects of the business.

Taking into account the above business context and the excellent track record and experience of the CEO (who has been CEO since 2012) and CFO (who joined in 2019), who have both been key drivers to Volution's success, and the increased scope and responsibilities of the roles, the Committee has identified that the salary levels (and total remuneration packages) have not kept pace with the increased size and complexity of the Group and the increased scope and responsibilities of the roles.

Directors' Remuneration Report continued

Implementation in the year ending 31 July 2024 continued

It is therefore proposing to increase the salary for the CEO to £555,000 (c.17.4% increase) and the salary for the CFO to £380,000 (c.15% increase) for the period ending 31 July 2024. The Committee notes that the total remuneration package after these salary increases is around the lower quartile against the FTSE 250.

As part of the shareholder consultation exercise the majority of shareholders who provided feedback recognised that salary levels had not kept pace with the increase in the size and complexity of the Group and were supportive of an adjustment being made. I would like to thank shareholders for their input and feedback on this topic.

It is currently intended that any salary increases next year will be no more than those for the wider workforce.

Pension contributions

As set out earlier in this letter, the CEO's pension has been reduced to 5.5% of salary (from 8.5% of salary last year and an initial starting point of 15% of salary) as being more reflective of the pension rates available to the wider UK workforce. The change to the CEO pension became effective on 1 August 2023. The CFO will remain on a pension equivalent to 5.5% of salary.

Variable remuneration

As set out above, there are no proposed changes to the maximum award opportunities for the period ending 31 July 2024, being 125% of salary for the annual bonus and 150% of salary and 125% of salary for the CEO and CFO respectively for the LTIP. The performance measures applicable to the annual bonus 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 (50%); adjusted operating profit (35%); and working capital management (15%).

During the year, the Committee has also considered the inclusion of a return-based measure in the LTIP. A ROIC number has been calculated and included in the Finance Review on pages 28 to 33 for the first time, and a number of shareholders commented that a return-based measure could be considered for inclusion in the LTIP. Given that this is the first time we as a business have reported on it, the Committee has concluded that the period ending 31 July 2024 would be too soon to include it in the LTIP and set long-term targets. However, the Committee recognises the importance of

such a measure and intends to incorporate it as an LTIP measure for the LTIP awards for the period ending 31 July 2025, further detail of which will be provided in the Directors' Remuneration Report next year. The measures for the 2024 LTIP award will remain unchanged being earnings per share (60%); total shareholder return (20%); and ESG targets (20%). As part of the Policy review, the Committee also reviewed the peer group used to measure comparative total shareholder return and has updated it for 2024 awards onwards. The new peer group has been communicated to shareholders and their feedback has been taken into account to ensure it is more reflective of Volution's business as it is today. Detail on the new group can be found on page 160.

Performance in the year ended 31 July 2023 and remuneration outcomes

During the year ended 31 July 2023 the business performed very well. The strong set of results reflects the resilience of the business through the pandemic and against other macro-economic factors, with the Group's revenue increasing by 6.6% compared to last year to £328.0 million (2022: £307.7 million). Adjusted operating profit was £69.9 million (2022: £64.9 million), representing 21.3% of revenue and a £5.0 million improvement compared to the prior year. Reported profit before tax increased by 3.4% to £48.8 million (2022: £47.2 million). Our adjusted earnings per share was 25.8 pence, representing a 7.5% increase over the adjusted earnings per share for the prior year of 24.0 pence. The compound annual growth rate of adjusted earnings per share since IPO in 2014 was 12.7%.

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 88% of salary to Ronnie George and 88% of salary to Andy O'Brien (70% 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 154. The LTIP awards granted in the 2020/21 financial year (in October 2020) had a performance period ending on 31 July 2023 and are subject to a two-year holding period. Due to strong EPS growth and total

shareholder return performance over the period (with a total shareholder return over the performance period of c.140% being top of the peer group), the October 2020 LTIP awards will vest at 100% of maximum. Further details can be found on page 154.

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.

Shareholder consultation

We are committed to maintaining an open and transparent dialogue with our shareholders on executive pay. As set out earlier in this letter, the Committee has undertaken a substantial shareholder consultation exercise on the proposed new Policy and the remuneration decisions for the financial year ending 31 July 2024. This included two phases of consultation and over 75% of the total shareholder base was consulted with overall. The feedback on the remuneration decisions received from shareholders has been positive and I would like to thank all shareholders who provided feedback on the proposals.

Annual General Meeting 2023

As well as the Annual Report on Remuneration and Remuneration Policy, revised Deferred Share Bonus Plan Rules and LTIP Rules are also being put forward for a shareholder vote. Whilst both plans will reach the end of their ten-year life, they remain broadly fit-for-purpose. As such it is proposed that they are renewed for a further ten years at the 2023 AGM subject to minor changes to ensure continued alignment with Volution's policies and evolving market and best practice. On behalf of the Board I would like to thank shareholders for their continued support and do hope that you will support the resolution requesting approval of the Annual Report on Remuneration and the resolution to approve the new Remuneration Policy at this year's Annual General Meeting on 13 December 2023.



Claire Tiney
Chair of the Remuneration Committee
4 October 2023

At a Glance: Implementation of the new Remuneration Policy for 2024 and key decisions in 2023

The table below summarises how key elements of the Remuneration Policy will be implemented in the period ending 31 July 2024 and key decisions taken by the Committee for the year ended 31 July 2023.

Element	Chief Executive Officer Ronnie George	Group Finance Director Andy O'Brien
Base salary (from 1 August 2023)	£555,000	£380,000
Pension	5.5%	5.5%
Annual bonus opportunity 2024	Maximum: 125%	Maximum: 125%
Annual bonus measures	<ul style="list-style-type: none"> 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 2024, the financial measures include: Adjusted EPS (50%); Adjusted operating profit (35%); and Working capital management (15%). Full disclosure of performance targets will be disclosed retrospectively. 	
Annual bonus deferral	<ul style="list-style-type: none"> One-third of the annual bonus will be deferred into shares for a period of three years. 	
Long term incentive plan (LTIP) opportunity 2024	Maximum: 150%	Maximum: 125%
LTIP measures	<ul style="list-style-type: none"> LTIP awards will be based on the EPS growth (60%); Relative TSR (20%); and ESG (20%). Performance will be measured over a three-year period. Targets are disclosed prospectively later in this report. 	
LTIP holding requirement	<ul style="list-style-type: none"> LTIP awards are subject to a two year holding period. 	
Shareholding guideline	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> 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 are set out in the Remuneration Policy later on in this report. 	
31 July 2023 year-end outcomes:		
Bonus outcome	<ul style="list-style-type: none"> 70% of maximum pay-out. 	
2020-23 LTIP outcome	<ul style="list-style-type: none"> 100% of maximum vesting. 	

Directors' Remuneration Report continued

Directors' Remuneration Policy Report

This section of the Directors' Remuneration Report sets out the Remuneration Policy (the Policy) for Executive and Non-Executive Directors. As required, it complies with Schedule 8 to The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (as amended). It is intended that the Policy will be put before shareholders for approval by way of a binding vote at the Company's AGM in December 2023. If approved by shareholders, the Policy will have effect immediately thereafter. Until such approval, the Company's existing Remuneration Policy will continue to apply. When determining the Policy the following principles were kept in mind:

- clarity – all remuneration aspects are clearly and openly communicated to employees, shareholders and other stakeholders through comprehensive Directors' Remuneration Report disclosures and shareholder consultation materials;
- simplicity – the remuneration package is simple and clear, consisting of three main elements of pay: i) fixed pay (salary, benefits and pension); ii) annual bonus; and iii) LTIP;
- risk – the Committee has discretion to adjust variable pay outcomes away from the formulaic outturn. Malus and clawback provisions are also in place for all variable pay elements;
- predictability – the potential range of payouts is set out in the relevant Remuneration Policy;
- proportionality – there is a clear link between pay for performance and link to business strategy, with stretching targets applied to the annual bonus and LTIP; and
- alignment to culture – the variable incentive schemes, including quantum, time horizons, form of award and performance measures, are all designed with the Company's people, culture, purpose, values and strategy in mind.

Remuneration Policy table

Operation	Maximum opportunity	Performance metrics
Base salary		
Purpose and link to strategy: Core element of remuneration set at a level to attract, retain and reward Executive Directors of the required calibre to successfully deliver Company strategy.		
<p>Normally reviewed annually.</p> <p>In determining base salaries, the Committee considers:</p> <ul style="list-style-type: none"> • Company performance and external market conditions; • pay and conditions elsewhere in the Group; • role, experience and personal performance; and • salary levels at companies of a similar size and complexity. <p>There is no automatic entitlement to an increase each year.</p> <p>An exceptional review may take place to reflect a change in the scale or scope of a Director's role, for example (but not limited to) a major acquisition.</p>	<p>The current salaries for the Executive Directors are set out in the Annual Report on Remuneration.</p> <p>While the Committee does not consider it appropriate to set a maximum salary, annual increases will generally be no more than those of the wider workforce (in percentage of salary terms). Increases beyond those awarded to the wider workforce may be awarded in certain circumstances such as (but not limited to) progression in the role, where there is a change in responsibility or experience, or a significant increase in the scale of the role and/or size, value and/or complexity of the Group.</p>	<p>Company and individual performance are factors considered when reviewing salaries.</p>
Pension		
Purpose and link to strategy: The Company aims to provide an appropriate means of saving for retirement.		
<p>Executive Directors may receive an employer's pension contribution to a personal or Group pension scheme and/or any other arrangement the Committee considers has the same economic benefit (including a cash allowance).</p>	<p>The maximum pension contribution or allowance for Executive Directors will take into account what is available to UK employees or to participants in the pension plan in the relevant country. The Executive Directors pension contribution or allowance is currently 5.5% of salary.</p>	<p>N/A</p>

Operation	Maximum opportunity	Performance metrics
Annual Bonus Plan (ABP)		
Purpose and link to strategy: To incentivise Executive Directors to achieve specific, pre-determined goals. Rewards achievement of objectives linked to the Company's strategy.		
<p>Annual bonus payment is determined by the Committee after the financial year end, based on performance against targets set by the Committee for the year or part of the year.</p> <p>Normally, one-third of any annual bonus payment earned by the Executive Directors will be deferred into awards over the Company's shares under the Company's Deferred Share Bonus Plan (DSBP) which normally vest after three years.</p> <p>Malus and clawback provisions apply, as set out in the notes to this table.</p>	<p>150% of base salary</p> <p>Bonus opportunities in respect of the year under review (and for the following year) are disclosed in the Annual Report on Remuneration.</p>	<p>Performance measures are determined with reference to the Company's key strategic business objectives.</p> <p>No less than 50% of the bonus will be dependent on financial measures and the remainder (if any) will be based on non-financial or individual measures that are aligned to the strategic priorities of the business.</p> <p>At threshold performance up to 25% of the maximum pays out. Below this level of performance, no bonus pays out.</p> <p>On-target bonus is set at 50% of the maximum opportunity.</p> <p>The Committee retains the discretion to vary the level of bonus paid away from the formulaic outcome to reflect overall Company and individual performance and any other circumstances as determined by the Committee.</p>
Long Term Incentive Plan (LTIP)		
Purpose and link to strategy: To incentivise the delivery of key strategic objectives over the longer term and align the interests of Executive Directors with those of our shareholders.		
<p>Vesting of the awards is dependent on the achievement of performance targets set by the Committee, normally measured over a period of at least three years. Shares will then normally be subject to an additional two-year holding period (which can be structured on a gross or net of tax basis). During this holding period, no further performance measures will apply.</p> <p>Malus and clawback provisions apply, as set out in the notes to this table.</p>	<p>175% of base salary</p> <p>The face value of awards in respect of the year under review (and for the following year) are disclosed in the Annual Report on Remuneration.</p>	<p>Awards vest based on challenging financial, non-financial or share price targets.</p> <p>At least 50% will be based on financial and/or share price-based measures.</p> <p>No more than 25% vests at threshold with 100% of awards vesting at maximum performance.</p> <p>The Committee retains the discretion to vary the level of LTIP vesting away from the formulaic outcome to reflect overall Company and individual performance and any other circumstances as determined by the Committee.</p>

Directors' Remuneration Report continued

Directors' Remuneration Policy Report continued

Remuneration Policy table continued

Operation	Maximum opportunity	Performance metrics
Other benefits		

Purpose and link to strategy: To provide a market-competitive package of benefits consistent with the role to attract, retain and reward Executive Directors of the required calibre to successfully deliver Company strategy.

<p>Various cash/non-cash benefits are provided to Executive Directors which may include (but are not limited to) a company car (or cash equivalent), life assurance, expatriate benefits, private medical insurance (for the Executive Director and their immediate family) and relocation benefits and any tax liability that may be due on these benefits.</p>	<p>Although the Committee does not consider it appropriate to set a maximum benefits level, it is set at an appropriate level for the specific nature of the role and the individual's personal circumstances.</p>	<p>N/A</p>
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The Committee may introduce other benefits if it is considered appropriate to do so.

Reimbursement of all costs associated with reasonable expenses incurred for the proper performance of the role including tax thereon where a business expense is deemed taxable by HMRC.

Executive Directors are also eligible to participate in any all-employee share plans (e.g. the Sharesave Scheme) on the same basis as other eligible employees.

Share ownership guidelines

Purpose and link to strategy: To provide close alignment between the longer-term interests of Executive Directors and shareholders.

<p>Executive Directors are expected to achieve and retain a holding of the Company's shares worth 200% of their base salary.</p>	<p>There is no maximum, but minimum levels have been set at 200% of base salary for the current Executive Directors.</p>	<p>N/A</p>
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<p>Executive Directors will normally be expected to remain aligned with the interests of shareholders for an extended period after leaving the Company. Executive Directors will typically be expected to retain a shareholding at the level of the in-employment shareholding guideline for two years (or the actual shareholding on stepping down, if lower), unless the Committee determines otherwise in exceptional circumstances. Further detail is set out in the Annual Report on Remuneration.</p>	<p>It is expected that Executive Directors will normally retain at least 50% of any shares delivered under the DSBP and LTIP, after the deduction of applicable taxes, until the guideline is met.</p>	
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The Committee has discretion to disapply or reduce the share ownership guidelines in extenuating circumstances, for example in compassionate circumstances.

Operation	Maximum opportunity	Performance metrics
Chair and Non-Executive Director fees		
Purpose and link to strategy: To enable the Company to attract and retain Non-Executive Directors of the required calibre by offering market-competitive fees.		
<p>The Chair is paid an all-inclusive fee for all Board responsibilities.</p> <p>Non-Executive Directors receive a basic Board fee.</p> <p>Neither the Chair nor Non-Executive Directors are eligible to participate in any of the Company's incentive arrangements or receive any pension provision.</p> <p>Additional fees may be payable for additional Board responsibilities such as chair of the Board role or membership of a Committee or performing the Senior Independent Director role or for an increased time commitment.</p> <p>The Committee reviews the fees paid to the Chair and the Board reviews the fees paid to the Non-Executive Directors annually, with reference to the time commitment of the role and market levels in companies of comparable size and complexity.</p> <p>Travel expenses, hotel costs and other benefits related to the performance of the role, including any tax due, are also paid where necessary.</p>	<p>Fees are set within the aggregate limits set out in the Company's Articles of Association from time to time.</p> <p>Non-Executive Directors and the Chair may receive fee increases to ensure they continue to appropriately recognise the responsibilities and time commitment of the role and fee levels in companies of a similar size and complexity. Any increase in fees would normally be no more than the wider workforce salary increase (in percentage terms). Increases beyond those awarded to the wider workforce may be awarded, including on an on-going, temporary or ad hoc basis, in certain circumstances such as where there is a significant increase in the time commitment or responsibilities of the role.</p>	N/A

Summary of the decision-making process and changes made to the Policy

In determining the new Remuneration Policy, the Committee followed a robust process which included discussions on the content of the Policy at four Remuneration Committee meetings. The Committee considered input from Management and our independent advisors, ensuring that any conflicts of interest were suitably managed, and sought the views of Volution's major shareholders.

The Committee is of the view that the current remuneration framework has worked as intended, with strong alignment between pay and performance, and remains aligned to Volution's remuneration philosophy and business strategy, as well as best practice. As such, there are no substantive changes to the Policy. The CEO's pension contribution has been reduced, the combined annual bonus and LTIP cap has been removed to align with market practice and other minor changes have been made to the Policy to clarify its intentions.

Choice of performance measures and approach to setting targets

The performance metrics and targets that will be set for the Executive Directors for the ABP and LTIP will be carefully selected to align closely with the Company's strategic plan and key performance indicators.

Awards under the ABP will be determined by reference to financial measures as regards at least 50% of the award, with any balance (if any) responsibilities and based on non-financial measures appropriate to an individual's role.

The long-term performance metrics relating to the LTIP awards will be set at the time of each grant but will normally include at least 50% based on financial and/or share price performance in line with the Company's key strategic objectives.

Challenging targets for both plans will be set each year based on a number of internal and external reference points.

The Committee will review the choice of performance measures and the appropriateness of the performance targets prior to each grant under the LTIP and will normally consult with major shareholders in the event of any significant proposed change.

Directors' Remuneration Report continued

Directors' Remuneration Policy Report continued

Legacy arrangements

The Committee reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the Policy set out above where the terms of the payment were agreed:

- (i) before the Policy set out above came into effect, provided that the terms of the payment were consistent with the shareholder-approved Directors' Remuneration Policy in force at the time they were agreed; or
- (ii) at a time when the relevant individual was not a Director of the Company (or other person to whom the Policy applies) and, in the opinion of the Committee, the payment was not in consideration of the individual becoming a Director of the Company (or other such person).

For these purposes "payments" includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are "agreed" at the time the award is granted.

Common award terms

The Committee will operate the LTIP and DSBP in accordance with the respective rules, the Policy set out above and the Listing Rules where relevant. Awards under the LTIP and DSBP may:

- be granted as conditional share awards or nil-cost options or in such other form that the Committee determines has the same economic effect;
- have any performance conditions applicable to them amended or substituted by the Committee if an event occurs, or other exceptional circumstances arise, which causes the Committee to determine an amended or substituted performance condition would be more appropriate;
- incorporate the right to receive additional shares with a value equal to the value of dividends which would have been paid on the shares under an award that vests up to the time of vesting (or, where the award is subject to a holding period, release) or such later date as the Committee may determine. This amount may be calculated assuming that the dividends have been reinvested in the Company's shares on a cumulative basis;
- be settled in cash at the Committee's discretion in exceptional circumstances; and
- be adjusted in the event of any variation of the Company's share capital or any demerger, delisting, special dividend or other event that may affect the Company's share price.

Performance conditions applying to the annual bonus may be amended in the same way as performance conditions for LTIP awards.

Any use of the above discretions would, where relevant, be explained in the Annual Report on Remuneration and may, as appropriate, be the subject of consultation with the Company's major shareholders.

Malus and clawback

Malus and clawback provisions (as relevant) may be operated at the discretion of the Committee in respect of any awards granted under the ABP, DSBP and LTIP in certain circumstances including, but not limited to, a material misstatement of the Company's financial results, a material failure of risk management by any member of the Group or a relevant business unit, material reputational damage to any member of the Group or relevant business unit, corporate failure, an error in assessing a performance condition applicable to the award or in the information or assumptions on which the award was based, or if the participant is summarily dismissed or in any other circumstances that the Committee considers to be similar in their nature or effect. Clawback may be applied at the discretion of the Committee 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.

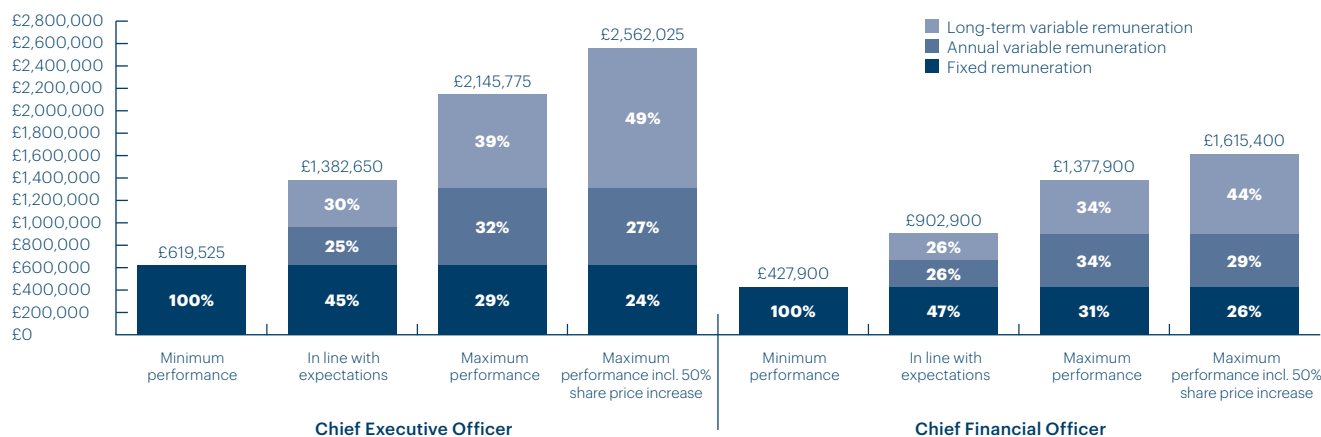
Minor changes

The Committee may make minor amendments to the Policy set out in this report (for regulatory, exchange control, tax or administrative purposes or to take account of a change in legislation) without obtaining shareholder approval for the amendment.

Illustrations of the application of the Remuneration Policy

The Company's remuneration arrangements have been designed to ensure that a significant proportion of pay is dependent on the delivery of stretching short-term and long-term performance targets.

The charts below provide illustrative values of the remuneration package for Executive Directors under four assumed performance scenarios. The charts are for illustrative purposes only and actual outcomes may differ from that shown.



The assumptions used for these charts are as follows:

Levels of performance		Assumptions
Fixed pay	All scenarios	<ul style="list-style-type: none"> Total fixed pay comprises base salary, benefits and pension Base salary – effective as at 1 August 2023 Benefits – as set out in the single figure table for the 2022/23 year 5.5% of base salary pension contributions
Variable pay	Below threshold performance	<ul style="list-style-type: none"> No payout under the ABP No vesting under the LTIP
	In line with expectations	<ul style="list-style-type: none"> 50% of the maximum potential payout under the ABP 50% vesting under the LTIP, assuming awards equivalent to 150% and 125% of base salary are granted to the CEO and the CFO, respectively
	Maximum performance	<ul style="list-style-type: none"> 100% of the maximum potential payout under the ABP (i.e. 125% of base salary) 100% vesting under the LTIP, assuming awards equivalent to 150% and 125% of base salary are granted to the CEO and the CFO, respectively
	Maximum performance – 50% share price growth assumption	<ul style="list-style-type: none"> The same as the maximum performance row above but incorporating a 50% share price growth assumption for the LTIP over the three-year performance period

External appointments of Executive Directors

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.

Directors' Remuneration Report continued

Directors' Remuneration Policy Report continued

Approach to recruitment

The Committee will aim to set a new Executive Directors' remuneration package in line with the Policy approved by shareholders.

In arriving at a total package and in considering value for each element of the package, the Committee will take into account the skills and experience of a candidate and the market rate for a candidate of that experience, as well as the importance of securing the preferred candidate.

The maximum level of variable remuneration (excluding any buy-outs) in respect of an appointment will be in line with the maximum levels as set out in the Policy table. The Committee retains discretion to flex the balance of the annual bonus and LTIP and the measures used to assess performance.

The Committee may make additional cash and/or share-based awards as it deems appropriate and if the circumstances so demand may replace remuneration arrangements forfeited by an Executive Director on leaving a previous employer. This may include the use of the relevant provisions in the Financial Conduct Authority's Listing Rules allowing for exceptional awards to be made without shareholder approval.

Awards to replace forfeited remuneration would, where possible, take into account of the delivery mechanism (cash or shares) of forfeited awards, time horizons, value and whether or not they were subject to performance conditions.

Other payments may be made in relation to relocation expenses, legal fees and other support as appropriate.

In the case of an internal appointment, any element of remuneration in respect of the prior role would be allowed to continue according to its original terms, or adjusted if appropriate to take into account the appointment.

For the appointment of a new Chair or Non-Executive Director, the fee would be set in accordance with the approved Policy. The length of service and notice periods will be set at the discretion of the Committee taking into account market practice, corporate governance considerations and the particular candidate at that time.

The Committee retains discretion to make appropriate remuneration decisions and include other elements to meet the individual circumstances of recruitment when:

- an interim appointment is made to fill an Executive Director role on a short-term basis; and
- exceptional circumstances require that the Chair or a Non-Executive Director takes on an executive function on a short-term basis.

Service agreements and letters of appointment

Each of the Executive Directors' service agreements is for a rolling term and may be terminated by the Company or the Executive Director by giving not less than (in the case of the CEO) twelve months' prior written notice and (in the case of the CFO) nine months' prior written notice.

The Chair and each of the Non-Executive Directors of the Company do not have service contracts. Each of these Directors has a letter of appointment which has a three-year term which is renewable and is terminable by the Company or the individual on one month's written notice.

The terms of the Non-Executive Directors' positions are subject to their election by the Company's shareholders at the 2023 AGM. No contractual payments would become due on termination.

The Executive Directors' service agreements and Non-Executive Directors' letters of appointment are available for inspection at the Company's registered office and will be available at the 2023 AGM.

Policy on Directors leaving the Group

The Committee must satisfy any contractual obligations agreed with the Executive Director. This is dependent on the contractual obligations not being in contradiction with the Policy set out in this report.

If an Executive Director's employment is terminated, in the absence of a breach of service agreement by the Director, the Company may, although it is not obliged to, terminate the Director's employment immediately by payment of an amount equal to base salary and benefits (including pension scheme contribution) in lieu of the whole or the remaining part of the notice period. Payments in lieu of notice will ordinarily be paid in monthly instalments over the length of the notice period. Payments will be subject to mitigation in the event alternative employment is taken up during the notice period.

Discretionary bonus payments will not form part of any payments made in lieu of notice. Annual bonus may be payable for "good leavers" at the Committee's discretion and, unless the Committee determines otherwise, will normally be subject to the original performance conditions, deferral requirements, time pro-rating and paid at the normal payment date.

Any share-based entitlements granted to an Executive Director under the Company's share plans will be determined based on the relevant plan rules.

The default treatment under the LTIP is that any outstanding awards lapse when the individual leaves the Group. However, in certain prescribed circumstances, such as death, ill health, injury or disability, transfer of the employing entity outside of the Group or in other circumstances at the discretion of the Committee (except where the Director is summarily dismissed), "good leaver" status may be applied.

For good leavers, LTIP awards will normally continue until the normal vesting date, or when awards are subject to a holding period, to the end of the holding period, although the Committee may allow awards to vest (and be released from any holding periods) as soon as reasonably practicable after leaving in the case of death or such other circumstances the Committee considers appropriate. Awards will normally be subject to the original performance conditions, time horizons, and will be pro-rated for time, unless the Committee determines otherwise.

If a participant of the DSBP leaves the Group for any reason, the default position under the plan rules is that the award will vest in full on the normal vesting date, unless the Committee determines otherwise.

In the event that a buy-out award is made on recruitment, the leaver provisions would be determined at the time of the award.

The Committee reserves the right to make any other payments in connection with a Director's cessation of office or employment where the payments are made in good faith in discharge of an existing legal obligation (or by way of damages for breach of such an obligation) or by way of settlement of any claim arising in connection with the cessation of a Director's office or employment or for any fees for outplacement assistance and/or the Director's legal and/or professional advice fees in connection with his cessation of office or employment.

Takeover or other corporate event

In the event of a change of control, outstanding DSBP awards will normally vest in full as soon as practicable after the date of the event.

For outstanding LTIP awards, generally the performance period and holding period applicable to them will end on the date of the event. The Committee will determine the level of vesting of unvested awards taking into account the extent to which performance conditions have been achieved at this point. Unless the Committee determines otherwise, unvested awards will generally vest on a time pro-rata basis taking into account the period of time between grant and the relevant event as a proportion of the vesting period.

Alternatively, the Committee may permit a participant to exchange his awards for equivalent awards which relate to shares in a different company. If the change of control is an internal re-organisation of the Group, or if the Committee so decides, participants will be required to exchange their awards (rather than awards vesting).

If other corporate events occur, such as a winding-up of the Company, demerger, delisting, special dividend or other event which, in the opinion of the Committee, may affect the current or future value of the Company's shares, the Committee may determine that awards will vest on the same basis as set out above for a takeover.

Differences in the Policy for Executive Directors compared to other employees

The Committee has regard to pay structures across the wider Group when setting the Policy for Executive Directors. The Committee considers the general basic salary increase for the broader workforce when determining the annual salary review for the Executive Directors.

Overall, the Policy for the Executive Directors is more heavily weighted towards performance-related pay than for other employees. The time horizons of awards for Executive Directors are also longer with the annual bonus deferral and LTIP holding period.

The level of performance-related pay varies within the Group by grade of employee and is calculated by reference to the specific responsibilities of each role as appropriate.

All employees are able to participate in all-employee share plans on the same basis as the Executive Directors.

Statement of consideration of employment conditions elsewhere in the Group

Although pay and employment conditions elsewhere in the Group are taken into account to ensure the relationship between the pay of Executive Directors and employees remains appropriate, the Committee does not consult with employees directly when formulating the Policy. However, the Chair of the Remuneration Committee attends the Volition Employee Forum where employee representatives present views from the employees they are representing and there is the opportunity for interaction. At one of these sessions Claire Tiney provided an update on approach to executive pay and the work of the Remuneration Committee.

Consideration of shareholder views

We take an active interest in shareholder views on our Executive Remuneration Policy. The Committee is also committed to maintaining an ongoing dialogue with major shareholders and shareholder representative bodies whenever material changes are under consideration. In total the Committee Chair consulted with shareholders representing over 75% of the shareholder register and the proxy voting agencies when formulating this Policy. In direct response to the feedback received consideration will be given to incorporating a return-based measure (e.g. ROIC) into incentives in a future year, and the comparator group used for TSR purposes has been amended.

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 2024. 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 2023 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 and make recommendations in respect of 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.

Paul Hollingworth stepped down from the Committee on 23 June 2023 when he retired from the Board. Jonathan Davis joined the Committee on 23 June 2023.

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 four scheduled meetings and for additional meetings as required during the year. It has had two meetings to date in 2023/24. Committee member attendance can be found in the table on page 140.

Committee activity and key decisions during the year ended 31 July 2023

Matters considered and decisions reached by the Committee during the year included:

- implemented the Policy approved by shareholder at the 2020 AGM;
- reviewed the Directors' Remuneration Policy and consulted with shareholders on the proposals;
- fully considered feedback received from shareholders in refining and finalising the proposals, and approved the 2023 Directors' Remuneration Policy to be put forward to shareholders at the 2023 AGM;

- reviewed approach to wider workforce remuneration in the context of continuing cost-of-living crisis;
- considered and approved the Directors' Remuneration Report 2021/22;
- reviewed outcomes for Executive Director and Senior Management Team bonuses for 2021/22;
- reviewed performance measurement outcomes and vesting of LTIP awards granted in October 2019;
- reviewed and approved the parameters of the ABP, including performance measures and targets for 2022/23 for the Executive Directors and Senior Management Team;
- considered and approved the LTIP awards to the Executive Directors and Senior Management Team for 2022/23;
- reviewed market trends and developments in executive remuneration in advance of considering Executive Director and Senior Management Team remuneration proposals for 2023/24;
- reviewed and approved the Executive Director and Senior Management Team salaries for 2023/24; and
- evaluated the performance of the Committee in conjunction with an internal facilitator.

Committee performance evaluation

During the year, the Board conducted an internally facilitated 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 118 and 119. 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. 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 £46,300 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 United Kingdom. The Committee requests Deloitte LLP to attend meetings periodically during the year. The Committee was satisfied that the advice received from Deloitte during the year was objective and independent.

Single total figure of remuneration (audited)

The audited table below sets out the total remuneration for the Directors in the years ended 31 July 2023 and 31 July 2022.

	Salary and fees		Benefits ¹		Pension ²		Annual bonus ³		Long-term incentives ⁴		Total		Total fixed remuneration		Total variable remuneration	
	2023 £000	2022 £000	2023 £000	2022 £000	2023 £000	2022 £000	2023 £000	2022 £000	2023 £000	2022 £000	2023 £000	2022 £000	2023 £000	2022 £000	2023 £000	2022 £000
Chair																
Nigel Lingwood ⁵	73	60	—	—	—	—	—	—	—	—	73	60	73	60	—	—
Paul Hollingworth ⁶	141	150	—	—	—	—	—	—	—	—	141	150	141	150	—	—
Executive Directors																
Ronnie George	474	440	34	24	48	55	416	363	1,374	1,345	2,346	2,227	556	519	1,790	1,708
Andy O'Brien	331	308	27	17	11	17	291	254	801	784	1,461	1,380	369	342	1,092	1,038
Non-Executive Directors																
Margaret Amos	53	20	—	—	—	—	—	—	—	—	53	20	53	20	—	—
Jonathan Davis ⁷	7	—	—	—	—	—	—	—	—	—	7	—	7	—	—	—
Amanda Mellor	63	55	—	—	—	—	—	—	—	—	63	55	63	55	—	—
Claire Tiney	63	60	—	—	—	—	—	—	—	—	63	60	63	60	—	—

Notes

- Benefits: this includes an annual car allowance, life assurance equivalent to four times annual salary and private medical insurance.
- Pension: a cash payment in lieu of employer's pension contribution, equivalent to 8.5% of base salary, was paid to Ronnie George and 5.5% was paid to Andy O'Brien.
- Annual bonus: detail on the 2023 bonus performance targets and actual performance is provided on page 154.
- Long-term incentives: this column relates to the value of long-term awards whose performance period ends in the year under review. The awards granted on 14 October 2020 had a performance period that ended on 31 July 2023, and this has been included in the table above. This award will vest on 14 October 2023 and, therefore, the value included in the table above represents an estimated value using the average share price of £4.03 over the three months to 31 July 2023. The value of the award attributable to share price growth is £2.12 per share. Details of the performance measures and achievement against the targets set can be found on page 154. In line with the remuneration reporting requirements, the awards which vested on 15 October 2022 have been restated to reflect the actual share price (£3.15) on the date of vesting.
- Nigel Lingwood stepped into the role of the Chair of the Board on 23 June 2023.
- Paul Hollingworth retired from the Board on 23 June 2023.
- Jonathan Davis was appointed as a Non-Executive Director on 23 June 2023.

Directors' Remuneration Report continued

Annual Report on Remuneration continued

Annual Bonus Plan (ABP) (audited)

The operation of the ABP during the year ended 31 July 2023 was consistent with the framework set out in the 2020 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 and weightings for the year ended 31 July 2023 were the same as for the year ended 31 July 2022. The targets were set taking into account the business plan, market conditions and analysts' forecasts at the time. As set out in the Policy, 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.

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	Target	Maximum	Actual performance	% of measure achieved	Payment (% of base salary)
Adjusted operating profit ¹	To increase profit	36%	£65.0m	£68.1m	£72.4m	£69.9m	70%	31%
Adjusted EPS ¹	Creation of shareholder value	52%	24.0p	25.2p	26.8p	25.8p	69%	45%
Working capital management ²	Delivering efficiency of working capital and cash generation	12%	18.9%	18.4%	17.9%	18.2%	78%	12%
Total								88%
Total as a % of maximum								70%

Notes

- 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.
- Working capital targets for the average of the five quarters, quarters ending 31 July 2022, 31 October 2022, 31 January 2023, 30 April 2023 and 31 July 2023. 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.

Long Term Incentive Plan vesting – October 2020 awards

The LTIP values included in the single total figure of remuneration table for 2023 relate to the LTIP award granted on 14 October 2020. 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 2023, are due to vest on 14 October 2023. As set out at the time of the award, the Committee approved retaining the percentage growth targets as per prior years, but committed to reviewing the vesting level in the context of wider performance. As set out earlier in this report, given the TSR performance over the performance period of c.140% is top of the peer group and the strong EPS performance over the period, as well as the wider shareholder and stakeholder experience, the Committee is comfortable with 100% vesting. 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 14 October 2025. Performance against the performance targets is set out below:

	Weighting (% of total award)	Below threshold (0% vesting)	Threshold (25% vesting) ¹	Maximum (100% vesting) ¹	Actual performance outcome	Vesting (% of maximum)
EPS growth	75%	Below 6% p.a. (equivalent to 2021/22 EPS of less than 14.4 pence)	6% p.a. (equivalent to 2021/22 EPS of 14.4 pence)	12% p.a. (equivalent to 2021/22 EPS of 17.0 pence)	28.7% p.a. (actual 2022/23 EPS of 25.8 pence)	75%
TSR vs Direct Peer Group Index ²	25%	Below median	Median	Upper quartile	Upper quartile (1st)	25%
Total vesting (% of maximum)						100%

Notes

- Awards vest on a straight line basis between these points.
- Direct Peer Group Index is comprised of 16 companies: Breedon Group, Epwin Group, Eurocell, Forterra, Headlam Group, Ibstock, Luceco, Marshalls, Michelmersh Brick, Norcros, Polypipe (now Genuit Group), Safestyle, SIG, Topps Tiles, Tyman and Watkin Jones.

Share awards granted during the year (audited)

Long Term Incentive Plan (LTIP)

2022/23 awards

On 12 October 2022 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 2025, 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.

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 67.8%	67.8%	70.0%
ESG (% of recycled plastics that are used in our manufactured products)	10%	Below 83.4%	83.4%	90.0%

Notes

- Awards will vest on a straight line basis between these points.
- Direct Peer Group Index is comprised of 16 companies: Breedon Group, Epwin Group, Eurocell, Forterra, Genuit Group, Headlam Group, Ibstock, Luceco, Marshalls, Michelmersh Brick, Norcros, Safestyle, SIG, Topps Tiles, Tyman and Watkin Jones.

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 12 October 2022 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	229,582	£3.0878	£708,903	150%	12 October 2027	13 October 2032
Andy O'Brien	133,881	£3.0878	£413,398	125%	12 October 2027	13 October 2032

Notes

- 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.
- The LTIP awards were granted with a three-year performance period and an additional two-year holding period.

Deferred Share Bonus Plan (DSBP)

2022/23 awards

As set out in the Policy, under which the 2022/23 annual bonus was awarded, one-third of any bonus payment earned by the Executive Directors will be deferred into awards over the Company's shares.

On 12 October 2022, Ronnie George and Andy O'Brien received an award of shares under the Deferred Share Bonus Plan relating to the 2021/22 annual bonus, as follows:

Executive Director	Number of shares	Base price	Face value ¹	Release date
Ronnie George	39,168	£3.0878	£120,943	12 October 2025
Andy O'Brien	27,409	£3.0878	£84,634	12 October 2025

Note

- 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

Annual Report on Remuneration 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 2021	Shares awarded during the year	Shares lapsed during the year	Shares vested during the year	Number of share awards at 31 July 2022	Face value at date of grant £ ¹	Vesting date ²	Expiry date
Ronnie George									
LTIP 2019/20	15/10/2019	356,846	—	—	368,532	—	—	15/10/2022	16/10/2029
LTIP 2020/21	14/10/2020	327,672	—	—	—	327,672	628,050	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
DSBP 2019/20	15/10/2019	43,271	—	—	44,518	—	—	15/10/2022	N/A
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
Andy O'Brien									
LTIP 2019/20	15/10/2019	208,096	—	—	214,910	—	—	15/10/2022	16/10/2029
LTIP 2020/21	14/10/2020	191,083	—	—	—	191,083	366,250	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
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

Notes

- 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 £1.76 for the LTIP 2019/20 and DSBP 2019/20, £1.9167 for the LTIP 2020/21, £4.67 for the LTIP 2021/22 and DSBP 2021/22, and £3.0878 for the LTIP 2022/23 and DSBP 2022/23.
- LTIP awards granted from 2016/17 were granted with a three-year performance period and an additional two-year holding period

Employee Benefit Trust

The Volution Employee Benefit Trust (EBT) currently holds 2,471,100 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 has a shareholding well in excess of 200% of base salary. Andy O'Brien will build up his shareholding over time to reach the required 200% of base salary. Andy O'Brien's current shareholding is significantly higher than 46% of salary when LTIP awards not subject to further performance conditions and DSBP shares are included (on a net of tax basis).

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 2023 (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 2023 and the date of this report.

	Shares held beneficially at 1 August 2022 ¹	Shares held beneficially at 31 July 2023 ¹	Beneficial shareholding at 31 July 2023 (% of salary)	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							
Paul Hollingworth ⁴	52,471	52,471	N/A	N/A	—	—	—
Nigel Lingwood ⁵	5,000	5,000	N/A	N/A	—	—	—
Executive Directors							
Ronnie George	2,647,133	2,670,116	2,263%	Yes	698,564	1,160,849	76,551
Andy O'Brien	37,886	37,886	46%	No	407,369	214,910	53,569
Non-Executive Directors							
Margaret Amos	—	—	N/A	N/A	—	—	—
Jonathan Davis ⁶	—	—	N/A	N/A	—	—	—
Amanda Mellor	—	—	N/A	N/A	—	—	—
Claire Tiney	2,869	2,869	N/A	N/A	—	—	—

Notes

- Includes any shares held by Persons Closely Associated.
- The target shareholding achieved has been calculated based on shares held beneficially as at 31 July 2023 using the share price on that date of £4.016 per share.
- 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.
- Paul Hollingworth retired from the Board on 23 June 2023 and information is accurate as at that date.
- Nigel Lingwood was appointed Chair of the Board on 23 June 2023.
- Jonathan Davis was appointed a Non-Executive Director with effect from 23 June 2023.

Payments to past Directors and payments for loss of office

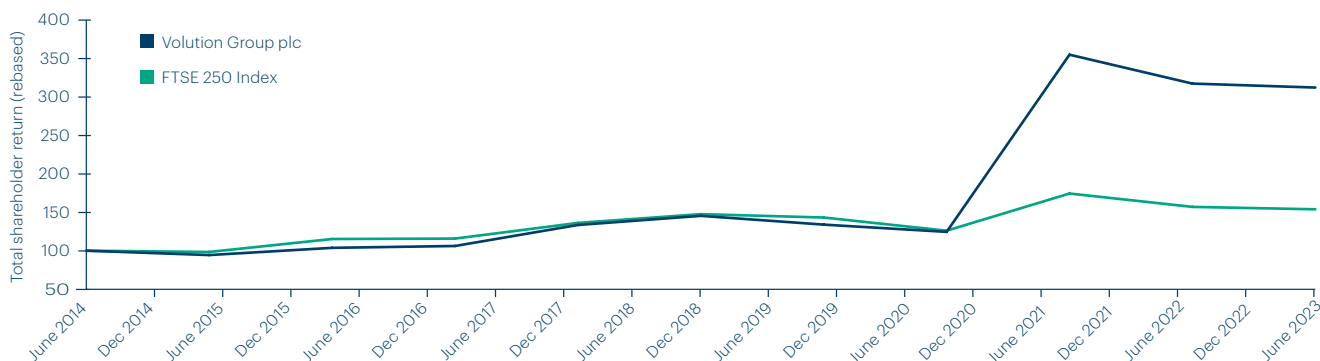
There were no payments to past Directors or payments for loss of office in the year.

Directors' Remuneration Report continued

Annual Report on Remuneration continued

Performance graph and Chief Executive Officer remuneration table (audited)

The chart below compares the total shareholder return performance of the Company against the performance of the FTSE 250, of which Volution has been a constituent since May 2021. The base point in the chart for the Company equates to the listing offer price of 150 pence per share.



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.

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Chief Executive Officer's single total figure of remuneration (£000)	2,346	2,227	2,535	757	910	909	1,191	638	643	1,061
Annual bonus payout (as a % of maximum opportunity)	70%	66%	100%	0% ¹	44.7%	44.3%	87.8%	64%	65%	100%
LTIP vesting (as a % of maximum opportunity)	100%	100%	89%	25%	40.5%	61.7%	72.1%	N/A	N/A	N/A

Note
 1. As noted in the Directors' Remuneration Report 2020, the working capital management target was largely met and resulted in 11% being eligible for payment to each Executive Director. However, given the adverse impact on the business, shareholders and employees from the Covid-19 pandemic during the financial year ended 31 July 2020, the Executive Directors waived the right to receive the 11% bonus entitlement under the ABP.

Percentage change in remuneration of the Board Directors compared to employees (audited)

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 153) paid to each Director in respect of the year ended 31 July 2022 and the year ended 31 July 2023, compared to that of the average change for employees.

Element of pay	Average % change 2022 to 2023			Average % change 2021 to 2022			Average % change 2020 to 2021			Average % change 2019 to 2020		
	Salary/ fees ²	Taxable benefits ³	Annual bonus	Salary/ fees ²	Taxable benefits ³	Annual bonus	Salary/ fees ²	Taxable benefits ³	Annual bonus	Salary/ fees ²	Taxable benefits ³	Annual bonus
Executive Directors												
Ronnie George	7.5%	41.7%	14.6%	5.0%	9.1%	(30.6)%	6.0%	0%	100%	(4.4)%	0%	(100)%
Andy O'Brien	7.5%	58.8%	14.6%	5.0%	13.3%	(30.6)%	3.8%	0%	100%	100%	100%	(100)%
Non-Executive Directors												
Paul Hollingworth	(6.0)%	N/A	N/A	5.0%	N/A	N/A	57.1%	N/A	N/A	56.9%	N/A	N/A
Margaret Amos	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	21.7%	N/A	N/A	3.4%	N/A	N/A	383.3%	N/A	N/A	100%	N/A	N/A
Amanda Mellor	14.5%	N/A	N/A	14.6%	N/A	N/A	9.1%	N/A	N/A	(8.3)%	N/A	N/A
Jonathan Davis	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Claire Tiney	5.0%	N/A	N/A	3.4%	N/A	N/A	26.1%	N/A	N/A	(4.2)%	N/A	N/A
Employee average¹	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. During the financial year ended 31 July 2023:
 • Paul Hollingworth retired from the board on 23 June 2023
 • Nigel Lingwood succeeded Paul Hollingworth as Chair with effect from 23 June 2023
 • Amanda Mellor's fee for the role of Senior Independent Directors increased with effect from 1 August 2022
 • Margaret Amos was appointed a Non-Executive Director with effect from 10 March 2022
 • Jonathan Davis was appointed a Non-Executive Director with effect from 23 June 2023
 3. Benefits include car allowance, health cover and life assurance but exclude employer pension contributions.

Chief Executive Officer pay ratio (audited)

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 153), 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 2023, Volution delivered very 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 2023	31 July 2022	31 July 2021	31 July 2020
Method	Option A	Option A	Option A	Option A
75th percentile pay ratio	46:1	70:1	75:1	18:1
Median pay ratio	86:1	99:1	104:1	27:1
25th percentile pay ratio	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 2023 are set out below:

Employees	25th percentile	Median	75th percentile
Salary	22,311	25,408	32,000
Total pay and benefits	23,870	27,185	50,552

The employees used for the purposes of the table above were identified as based in the UK as at 31 July 2023. 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.

Relative importance of the spend on pay (audited)

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.

	2023 £m	2022 £m	% change
Employee remuneration costs	76.1	70.8	7.4%
Distributions to shareholders	14.8	13.3	11.7%
Adjusted operating profit	69.9	64.9	7.6%

Directors' Remuneration Report continued

Statement of implementation of Remuneration Policy for the financial year ending 31 July 2024

Executive Director base salaries

As set out in the Committee Chair's letter, taking into account the increased size and complexity of the Group, the performance of the Group, and the performance of the Executive Directors, the Committee determined that an increase in base salary of 17.3% and 15% would be awarded to the Chief Executive Officer and the Chief Financial Officer respectively. The increase took effect from 1 August 2023, increasing the base salary of the Chief Executive Officer to £555,000 per annum and the Chief Financial Officer to £380,000 per annum. Further details regarding the Committee discussions may be found in the Committee Chair's letter on pages 140 to 142.

Pension and other benefits

Following the Policy review and further discussions, the Committee determined that it is appropriate to reduce the CEO pension to 5.5% of salary (from 8.5% of salary) as being more reflective of the pension rates available to the wider UK workforce. This has reduced to 5.5% of salary from an initial starting point of 15% of salary. The CFO will remain on a pension equivalent to 5.5% of salary.

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 Chief Executive Officer and Chief Financial Officer will be 125% of salary, unchanged from the level set in 2022/23. 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 target weightings will be: adjusted EPS (50%); adjusted operating profit (35%); and working capital management (15%).

The targets set for the year ending 31 July 2024 will be disclosed in the next Annual Report on Remuneration, unless they remain commercially sensitive.

Long Term Incentive Plan (LTIP)

During 2023/24, the Committee intends to grant LTIP awards with a maximum opportunity of 150% of salary and 125% of salary for the Chief Executive Officer and Chief Financial Officer, respectively. These levels are unchanged from 2022/23.

The Committee will continue its policy of setting stretching LTIP targets which take into account a number of internal and external factors. Volition is committed to its purpose of providing "healthy air, sustainably" and to the importance of environmental, social and governance (ESG) measures in meeting its purpose and ESG measures are once again included. The measures will be: earnings per share (60%); total shareholder return (20%); and ESG targets (20%).

EPS growth per annum of 6% (threshold) will result in 25% vesting and 12% (maximum) will result in 100% vesting. TSR measurement against the Direct Peer Group Index at median (threshold) will result in 25% vesting and at upper quartile will result in 100% vesting. As discussed in the Committee Chair's letter, a review of the comparator group was carried out during the financial year and a refreshed group in recognition of the company's growth in the last few years will be used for the October 2023 LTIP grant, as listed below:

Ariston	Eurocell	Lindab	SIG
Belimo	Forterra	Luceco	SystemAir
Breedon Group	Genuit Group	Marshalls	Tyman
Epwin Group	Ibstock	Norcros	Zehnder

For the ESG measures, low-carbon sales as a % of total revenue will continue to be measured with targets set at stretching levels taking into account of where we are today and our externally communicated ambitions. The Committee has introduced a new measure based on Carbon Intensity to replace % of recycled plastics that are used in our manufactured products. Carbon Intensity is a measure the Board wants management to focus on over the next three-year LTIP cycle and it would have been difficult to continue to set stretching targets under the previous measure due to the progress we have already made to date. These ESG measures will ensure management is incentivised to attain the sustainability targets set out on page 161.

A two-year holding period will apply to the Executive Directors following the end of the three-year vesting period.

Measure	Threshold (25% vesting)	Maximum (100% vesting)
EPS growth (60% weighting)	6% p.a.	12% p.a.
Relative TSR (20% weighting)	Median	Upper quartile
ESG (20% weighting)		
Low-carbon sales as a % of total revenue (10%)	70%	75%
Carbon intensity (10%)	8.9m tonnes of CO ₂ for every £1m of revenue	8.1m tonnes of CO ₂ for every £1m of revenue

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) and the Non-Executive Directors' fees were reviewed during the year and will be increased for the year ending 31 July 2024 in line with the wider workforce in the UK. The Chair's fee remains below the FTSE 250 lower quartile.

The fees with effect from 1 August 2023 are summarised in the table below:

	From 1 August 2023	From 1 August 2022	% change
Chair fee covering all Board duties	£164,216	£157,900	4%
Non-Executive Director basic fee	£54,860	£52,750	4%
Supplementary fees to Non-Executive Directors covering additional Board duties:			0%
– Senior Independent Director	£10,000	£10,000	0%
– Audit Committee chair	£10,000	£10,000	0%
– Remuneration Committee chair	£10,000	£10,000	0%

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 Annual General Meeting in December 2022 in respect of our Annual Report on Remuneration and the Annual General Meeting in December 2020 in respect of the current Remuneration Policy.

Resolution	Votes cast for	% of votes cast	Votes cast against	% of votes cast	Votes withheld
Remuneration Policy (AGM 2020)	153,487,928	95.68%	6,932,898	4.32%	11,914
Remuneration Report (AGM 2022)	168,128,881	98.27%	2,963,830	1.73%	1,217,679

Approval

This Directors' Remuneration Report was approved by the Board of Directors on 4 October 2023 and signed on its behalf by the Chair of the Remuneration Committee.

Claire Tiney
Chair of the Remuneration Committee
4 October 2023

Directors' Report

Introduction

The Directors present their Annual Report and the audited financial statements of the Company for the year ended 31 July 2023.

This Directors' Report includes additional information required to be disclosed under the Companies Act 2006, the 2018 UK Corporate Governance Code (the 2018 Code), the Disclosure, Guidance and Transparency Rules (DTRs) and the Listing Rules 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 105;
- the Governance Report on pages 106 to 166;
- information relating to financial instruments, as set out in note 23 to the consolidated financial statements; and
- related party transactions as set out in note 29 to the consolidated financial statements.

This Directors' Report also represents the Management Report for the purpose of compliance with the DTRs.

Corporate structure

Volition Group plc is a public company limited by shares, incorporated in England and Wales, and its shares are traded on the premium segment of the Main Market 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 177.

An interim dividend of 2.5 pence per share was paid to shareholders on 2 May 2023 and the Directors are recommending a final dividend in respect of the financial year ended 31 July 2023 of 5.5 pence per share. If approved, the final dividend will be paid on 19 December 2023 to shareholders on the register on 24 November 2023. The total dividend paid and proposed for the year amounts to 8.0 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 2023.

As at 31 July 2023 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 2023 are shown in note 25 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 2023, 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 154 and 155. 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 140 to 161. An invitation under the Company's all-employee Sharesave Scheme was launched in November 2021.

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 2,471,100 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 25 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:

Major shareholder	% of total issued share capital	
	31 July 2023	Date of this Report
Black Rock, Inc	5.00	5.00
Primestone Capital LLP	4.79	4.79
Baillie Gifford & Co	5.74	5.74
The Capital Group Companies, Inc.	5.08	5.08
FMR LLC	4.96	4.96
Franklin Templeton Fund Management Limited	4.95	4.95
Abrdn plc	4.59	5.19
Swedbank Robur Fonder AB	3.09	3.09
Artemis Investment Management LLP	3.04	3.04
ODIN Forvaltning AS	4.03	4.03

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

The Directors of the Company and their biographies are set out on pages 110 and 111. Their interests in the ordinary shares of the Company are shown in the Directors' Remuneration Report on page 157. Jonathan Davis was appointed to the Board as an independent Non-Executive Director on 23 June 2023 and Paul Hollingworth stepped down from the Board on 23 June 2023.

Appointment and removal of Directors

Directors may be appointed by ordinary resolution of the Company or by the Board.

All Directors 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. 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 29 to the consolidated financial statements.

Directors' Report continued

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 dated 3 December 2020 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 23 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

The acquisition of DVS (Proven Solutions Limited) completed on 4 August 2023. More details may be found in the Chief Executive Officer's Review on pages 12 to 15.

Going concern

The Company's statement on going concern can be found on page 99.

Viability Statement

The Board assessed the prospects of the Group over a three-year period and the Viability Statement is set out on page 98.

Annual General Meeting

The Annual General Meeting (AGM) of the Company will take place at 12.00 noon on Wednesday 13 December 2023 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.

Following a competitive tender process, PwC has expressed its willingness to be appointed as auditor of the Company. A resolution to appoint PwC as the Company's independent auditor will be proposed at the forthcoming Annual General Meeting.

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.

Energy and greenhouse gas emissions reporting continued

Energy use and GHG emissions data for the year ended 31 July 2023

	2023 ¹ kWh	2023 ² CO ₂ e tonnes	2022 ^{3,4} CO ₂ e tonnes
Electricity, gas and other fuels	13,867,782	2,716	2,910
Petrol and diesel vehicle fuels	3,907,673	912	858
Refrigerants	—	—	7
Total^{1,2}	17,775,455	3,628	3,775

Notes

- 57% of the total figure reported relates to energy use in the UK and 43% relates to regions outside the UK. We have only included energy use for which we are directly responsible.
- 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.
- 57% of the total figure reported for 2022 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.
- 2022 emissions have been restated to use the appropriate country specific conversion factors for our overseas businesses. The carbon conversion rates for electricity have been revised to provide a more accurate representation for two of the Group's manufacturing sites located in North Macedonia and Bosnia and Herzegovina. To improve accuracy, the vehicle fuel has been updated for 2022 and the refrigerant carbon is calculated based on top-up value rather than system capacity for both years.

Our energy and GHG emissions for 2023 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 (2023) 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

	2023		2022	
	Group	UK	Group	UK
Energy use – scope 1 (kwh)	8,515,915	4,002,450	9,169,982	5,057,497
Energy use – scope 2 (kwh)	9,259,540	6,144,984	9,578,815	6,043,237
Energy use – scope 1 and 2 (kwh)	17,775,455	10,147,434	18,748,797	11,100,734
GHG emissions – scope 1 (CO ₂ e tonnes)	1,762	802	1,920	1,000
GHG emissions – scope 2 (CO ₂ e tonnes)	1,866	1,272	1,855	1,168
GHG emissions – scope 1 and 2 (CO ₂ e tonnes)	3,628	2,074	3,775	2,168
Intensity ratio: CO ₂ e tonnes per £m revenue	11.1	n/a	12.3	n/a

Notes

- 2022 emissions have been restated to use the appropriate country specific conversion factors for our overseas businesses. The carbon conversion rates for electricity have been revised to provide a more accurate representation for two of the Group's manufacturing sites located in North Macedonia and Bosnia and Herzegovina. To improve accuracy, the vehicle fuel has been updated for 2022 and the refrigerant carbon is calculated based on top-up value rather than system capacity for both years.

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 64 to 81.

By order of the Board



Fiona Smith
Company Secretary
4 October 2023

Volusion 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.

The financial statements are prepared in accordance with UK-adopted international accounting standards (IFRS). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and 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 (IFRS) 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;
- present information including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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 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 and Company's position and performance, business model and strategy.

Each of the Directors, whose names and functions are listed on pages 110 and 111, confirms that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with UK-adopted international accounting standards (IFRS), give a true and fair view of the assets, liabilities, financial position and profit of the Company;
- the Group financial statements, which have been prepared in accordance with UK-adopted international accounting standards (IFRS), give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that they face.

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 and Company's auditor is unaware;
- 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 and Company's auditor is aware of that information; and
- the financial statements on pages 167 to 231 were approved by the Board of Directors on 4 October 2023 and signed on its behalf by Ronnie George and Andy O'Brien.

On behalf of the Board

Ronnie George
Chief Executive Officer
4 October 2023

Andy O'Brien
Chief Financial Officer
4 October 2023

Financial Statements

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Independent Auditor's Report

To the members of Volution Group plc

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 2023 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with UK adopted international accounting standards as applied in accordance with section 408 of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Volution Group plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 July 2023 which comprise:

Group	Parent company
Consolidated statement of financial position as at 31 July 2023	Parent company statement of financial position as at 31 July 2023
Consolidated statement of comprehensive income for the year then ended	Parent company statement of changes in equity for the year then ended
Consolidated statement of changes in equity for the year then ended	Parent company statement of cash flows for the year then ended
Consolidated statement of cash flows for the year then ended	Related notes 1 to 14 to the financial statements, including a summary of significant accounting policies
Related notes 1 to 34 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards and as regards the parent company financial statements, as applied in accordance with section 408 of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting the audit.

Conclusions relating to going concern

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. Our evaluation of the directors' assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining an understanding of management's basis for use of the going concern basis of accounting. To challenge the completeness of this assessment, we independently identified factors that may indicate events or conditions that may cast significant doubt on the group's ability to continue as a going concern. We designed our audit procedures to evaluate the effect of these risks on the group's ability to continue as a going concern;
- Agreeing the Group's available financing and related terms, including the changes during the year, to the original debt agreements;
- Obtaining the cash flow forecast models used by the Board in its assessment, reviewing their arithmetical accuracy, whether they have been approved by the Board and considering the group's historical forecasting accuracy;
- Recalculating the Group's forecast covenant tests at each test date within the going concern period and comparing these to the terms of the Group's financing to check that no breach is expected to occur;
- Challenging management on the critical estimates and judgements applied in their latest financial models so that we could understand and consider the rationale informing these and assess the impact on the forecasts and conclusion. We also agreed any key amendments, estimates and judgements to underlying supporting information and fact patterns as appropriate;

Conclusions relating to going concern continued

- Inspecting the financial models provided to assess their consistency with our understanding of the operations of the Group and the other matters identified in our audit, and searching for any contra indicators against the estimates and judgements applied by management in the forecast models;
- Considering management's stress testing of the group's cash flow forecast models and their impact on forecast liquidity and banking covenants, specifically whether the stress tests were of reasonably possible adverse effects that could arise from these risks individually and collectively and considering whether the factors we identified independently that could adversely impact the group had been appropriately included;
- Considering management's reverse stress test, which determined how significant a reduction in cash flows would cause a breach in covenants and assessing the likelihood of such an occurrence; and subjecting the financial models to additional stress testing to confirm that the Board has considered a balanced range of outcomes in its assessment of the impact on the Group;
- Assessing the appropriateness of the going concern disclosures in describing the risks associated with the group's ability to continue as a going concern for the period to 31 January 2025; and
- Enquiring of management as to whether any events or conditions beyond 31 January 2025 had been identified that may cast significant doubt on the group's ability to continue as a going concern and evaluating whether we were aware of any such events or conditions from our audit work.

We communicated to the Audit Committee that we consider the disclosures made in the basis of preparation note and in the Strategic Report in respect to going concern to be appropriate.

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 and parent company's ability to continue as a going concern until 31 January 2025, being a period of approximately 16 months from when the financial statements are authorised for issue.

In relation to the group and parent company's 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. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Overview of our audit approach

Audit scope	<ul style="list-style-type: none"> • We performed an audit of the complete financial information of five components, audit procedures on specific balances for a further seven components and specified audit procedures for a further three components. • The components where we performed full scope, specific scope or specified audit procedures accounted for 90% of adjusted profit before tax less amortisation of acquired intangibles, 85% of revenue and 94% of total assets.
Key audit matters	<ul style="list-style-type: none"> • The risk of manipulation of revenue recognition through inappropriate manual journal entries or customer rebates. • Inappropriate accounting for business combinations, due to the complexity and number of estimates and judgements involved.
Materiality	<ul style="list-style-type: none"> • Overall group materiality of £2.5m which represents 5% of adjusted profit before tax less amortisation of acquired intangibles.

Independent Auditor’s Report continued

To the members of Volution Group plc

An overview of the scope of the parent company and group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We consider size, risk profile, the organisation of the group and effectiveness of group-wide controls, changes in the business environment, the potential impact of climate change and other factors such as recent Internal audit results when assessing the level of work to be performed at each company.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the 55 reporting components of the Group, we selected 15 components covering entities in Australia, Germany, the Netherlands, New Zealand, North Macedonia, Sweden and the UK, which represent the principal business units within the Group.

Of the 15 components selected, we performed an audit of the complete financial information of five components (“full scope components”) which were selected based on their size or risk characteristics. For a further seven components (“specific scope components”), we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile. For a further three components (“specified procedures components”), specified audit procedures were performed on account balances identified on account of either size or risk profile.

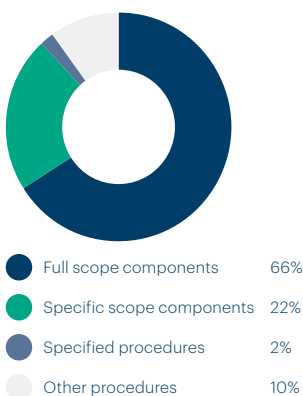
The reporting components where we performed full scope, specific scope or specified audit procedures accounted for 90% of the Group’s adjusted profit before tax less amortisation of acquired intangibles (2022: 92% of profit before tax and separately disclosed items), 85% (2022: 85%) of the Group’s revenue and 94% (2022: 95%) of the Group’s total assets. The full scope components contributed 66% of the Group’s adjusted profit before tax less amortisation of acquired intangibles (2022: 71% of profit before tax and separately disclosed items), 60% (2022: 60%) of the Group’s revenue and 81% (2022: 80%) of the Group’s total assets. The specific scope and specified procedures components contributed 24% of the Group’s adjusted profit before tax less amortisation of acquired intangibles (2022: 21% of profit before tax and separately disclosed items), 25% (2022: 25%) of the Group’s revenue and 13% (2022: 15%) of the Group’s total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group.

Of the remaining 40 components that together represent 10% of the Group’s adjusted profit before tax less amortisation of acquired intangibles, none are individually greater than 2% of the Group’s adjusted profit before tax less amortisation of acquired intangibles. For these components, we performed other procedures, including analytical review and testing of consolidation journals, intercompany eliminations and foreign currency translation recalculations to respond to any potential risks of material misstatement to the Group financial statements.

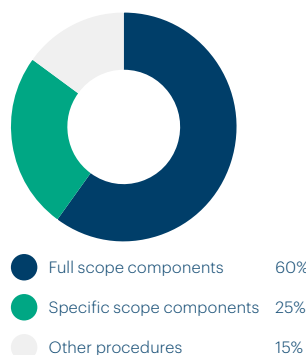
There were no significant changes in our component scoping from the prior year audit.

The charts below illustrate the coverage obtained from the work performed by our audit teams.

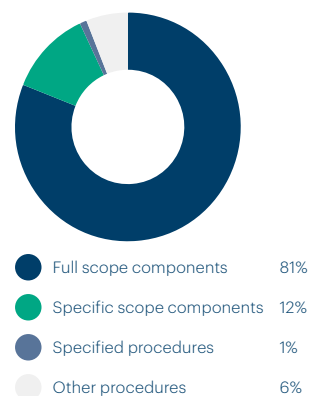
Adjusted profit before tax less amortisation of acquired intangibles



Revenue



Total assets



Involvement with component teams

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit team, or by component auditors from other EY global network firms or non-EY firms operating under our instruction. Of the five full scope components, audit procedures were performed on two of these directly by the primary audit team and on the remaining three by EY global network firm component teams. Of the ten specific scope and specified procedures components, audit procedures were performed on four of these directly by the primary audit team, on five by EY global network firm component teams and one by a non-EY firm. Where the work was performed by EY global network firm or non-EY firm component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

The Group audit team continued to follow a programme of planned visits that has been designed to ensure that the Senior Statutory Auditor visits component auditors on a periodic basis. During the current year's audit cycle, visits were undertaken by the Senior Statutory Auditor to the component teams in the Netherlands, North Macedonia and Sweden. These visits involved discussing the audit approach with the component team and any issues arising from their work, meeting with the local management and reviewing key audit working papers in risk areas.

The primary audit team interacted regularly with all of the component teams, including those not physically visited, during all stages of the audit, reviewed relevant working papers and was responsible for the scope and direction of the audit process. The Senior Statutory Auditor or a senior member of the primary audit team attended meetings with each of our full and specific scope component teams and local management to conclude the audit procedures at each location by video conference, to ensure that we were fully briefed on the progress and results of audit procedures. This involvement, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

Climate change

Stakeholders are increasingly interested in how climate change will impact the Group. 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; governments implementing taxes or charges which penalise the Group, also increasing the input cost of energy, freight and materials; and governments implementing stricter regulation, rendering elements of the Group's product portfolio non-compliant. This is explained on pages 70 to 71 in the required Task Force on Climate-related Financial Disclosures and on pages 96 to 104 in the principal risks and uncertainties. The Group has also explained its climate commitments on pages 52 to 92. All of these disclosures form part of the "Other information", rather than the audited financial statements. Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated, in line with our responsibilities on "Other information".

In planning and performing our audit, we assessed the potential impacts of climate change on the Group's business and any consequential material impact on its financial statements. We focused on evaluating management's assessment that there is no material impact of climate change risk, the adequacy of the Group's disclosures in the financial statements and the conclusion that no issues were identified that would impact the carrying values of assets with indefinite and long lives or have any other impact on the financial statements as disclosed on page 70. We also challenged the Directors' considerations of climate change risks in their assessment of going concern and viability and associated disclosures.

Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

Independent Auditor's Report continued

To the members of Volution Group plc

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our 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) that we identified. These matters included 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 were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>The risk of manipulation of revenue recognition through inappropriate manual journal entries or customer rebates:</p> <p>During the year the Group recognised revenue of £328.0 million (2022: £307.7 million) and at 31 July 2023 had a rebate liability of £9.1 million (2022: £9.4 million).</p> <p>We determined that there is risk of material misstatement associated with revenue recognition as revenue is the most significant item in the consolidated statement of comprehensive income and impacts the majority of the key performance indicators of the Group.</p> <p>Auditing standards include a rebuttable presumption that there is a risk of fraud in revenue recognition. We consider that this arises through:</p> <ul style="list-style-type: none"> • Inappropriate recognition of sales due to inappropriate manual journal entries; or • Inappropriate measurement of judgemental customer rebate provisions as a result of management bias. <p>Supporting references in the Annual Report and Accounts: the Audit Committee Report (page 135); accounting policies (page 185); and note 3 to the consolidated financial statements (page 186).</p>	<p>We tested that revenue had been appropriately recognised through performance of the following audit procedures:</p> <ul style="list-style-type: none"> • We obtained an understanding of the significant classes of transactions impacting revenue and performed walkthroughs of each in order to confirm our understanding; • We evaluated the adequacy of the design of the controls in place over the significant classes of transactions impacting revenue; • We performed analytical procedures, including a comparison of actual revenue against budget and prior year; • We investigated and understood manual journal entries posted to revenue; • We tested the application of cut-off for a sample of transactions across all in-scope trading components in the group by obtaining appropriate evidence for a sample of sales transactions; and • For the majority of full scope and specific scope components, we used data analytics to identify recorded transactions that did not align with our expectation of the transaction flow. This involved performing a three-way correlation between revenue, trade receivables and cash and obtaining evidence for unaligned amounts. <p>We tested the adjustments made to revenue from the application of rebate agreements by performing the following procedures:</p> <ul style="list-style-type: none"> • We tested a sample of rebate agreements in place with customers and agreed terms to supporting evidence; • We also searched for and enquired into the existence of undocumented side agreements; • For the sample selected, we confirmed the key terms and conditions per the rebate agreement directly with the customer or performed alternative procedures; • We recalculated the expected sales rebates for customers and compared these to actual amounts recorded by management; • We evaluated whether a consistent methodology was applied with the prior year; • We analysed the ageing of the rebate accrual and the ratio of the rebate accrual and rebate expense against revenue; and • We understood the basis for any release of prior year accrual identified as surplus. <p>We issued instructions to perform the above procedures to all full and specific scope component teams, to the extent they were relevant, which covered 85% of revenue and 96% of the rebates accrual. The remaining 15% of revenue relates to components where we concluded the risk of material misstatement is low.</p>	<p>We concluded that:</p> <ul style="list-style-type: none"> • revenue has been recognised in accordance with IFRS; • the customer rebate expense and liabilities recognised by the Group have been appropriately accounted for; and • there were no inappropriate manual journal entries recorded to revenue.

Key audit matters continued

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p>Inappropriate accounting for business combinations, due to the complexity and number of estimates and judgement involved:</p> <p>We determined that business combination accounting contains a risk of material misstatement as the Group agrees contractual terms for contingent and other forms of deferred consideration with the vendors of acquired entities that may be non-standard. Following acquisition, the principal areas of judgement relate to the identification and fair value measurement for intangible assets, the recognition of contingent consideration liabilities and any non-controlling interests.</p> <p>In April 2023, the Group acquired Ventilairsec (VMI) in France for initial consideration of £7.9 million (€9.0 million), net of cash acquired and further contingent consideration of up to €5.0 million. Subsequently, in July 2023, the Group acquired I-Vent in Slovenia for initial consideration of £21.7 million (€25.2 million), net of cash acquired and further contingent consideration of up to €15.0 million. These acquisitions both included contingent consideration and resulted in the recognition of intangible assets at fair value.</p> <p>Supporting references in the Annual Report and Accounts: the Audit Committee Report (page 136); accounting policies (page 198); and Note 15 to the consolidated financial statements (pages 198 to 202).</p>	<p>In order to respond to the risks identified in accounting for business combinations:</p> <ul style="list-style-type: none"> • We obtained management’s accounting papers which included the assumptions and judgements used for the business combination; • We considered the appropriateness of the separate classification and valuation of fair value adjustments; • We considered whether there were any non-standard contractual terms that should be identified and disclosed; • We identified contingent and deferred consideration amounts that exceeded our testing thresholds or were otherwise unusual, and validated the appropriateness and value of the recognised liability; and • We involved valuation specialists to challenge the appropriate recognition and valuation of intangible assets based on management’s own valuation. <p>The audit work for both the Ventilairsec (VMI) and I-Vent business combinations was performed by the primary audit team.</p>	<p>We concluded that the accounting for business combinations is acceptable.</p>

The key audit matters we identified are consistent with the previous year.

Independent Auditor's Report continued

To the members of Volution Group plc

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £2.5 million (2022: £2.15 million), which is 5% of the Group's adjusted profit before tax less amortisation of acquired intangibles (2022: profit before tax and separately disclosed items). We believe that adjusted profit before tax less amortisation of acquired intangibles is the measure that users of the Group's financial statements are most focused on.

We determined materiality for the Parent Company to be £2.3 million (2022: £2.2 million), which is 1% of net assets. The materiality determined for the standalone parent company financial statements is different to the Group materiality as it is determined on a different basis given the nature of the operations. For the purposes of the audit of the Group financial statements, our procedures, including those on balances in the parent company, are undertaken with reference to the lower of Group and Parent Company materiality and performance materiality set out in this report.

During the course of our audit, we reassessed initial materiality using the Group's actual reported results and made no changes to our initial assessment

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2022: 75%) of our planning materiality, namely £1.9m (2022: £1.6m). We have set performance materiality at this percentage as we did not anticipate a significant level of audit differences following our 2022 audit.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £380k to £1,130k (2022: £320k to £970k).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £125,000 (2022: £110,000), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

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

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

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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Corporate Governance Statement

We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group and company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

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 or our knowledge obtained during the audit:

- The Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 99;
- The Directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out on page 98;
- The Directors' statement on whether it has a reasonable expectation that the group will be able to continue in operation and meets its liabilities set out on page 99;
- The Directors' statement on fair, balanced and understandable set out on page 126;
- The Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 123;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 138; and
- The section describing the work of the audit committee set out on pages 131 to 139.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 166, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group and 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.

Independent Auditor's Report continued

To the members of Volution Group plc

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. 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. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant are those that relate to the reporting framework (UK adopted international accounting standards, the Companies Act 2006 and the UK Corporate Governance Code) and the relevant tax compliance regulations in the jurisdictions in which the Group operates. There are no significant industry specific laws or regulations that we considered in determining our approach.
- We understood how the Group is complying with those frameworks by making enquiries of management, internal audit, those responsible for legal and compliance procedures and the company secretary. We corroborated our enquiries through our review of board minutes and papers provided to the Audit Committee. Our assessment included a consideration of the tone from the top and the emphasis on a culture of honest and ethical behaviour.
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur. We challenged management to understand where it considered performance targets and their propensity to influence on efforts made by management to manage earnings. We considered the programs and the controls which the Group has established to address risks identified or that otherwise prevent, deter and detect fraud; and how senior management monitors these programs and controls. Where the risk was considered to be higher, including areas impacting Group key performance indicators or management remuneration, we performed audit procedures to address each identified fraud risk or other risk of material misstatement. These procedures include those on revenue recognition described above and testing manual journal entries and were designed to provide reasonable assurance that the financial statements were free from material fraud or error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations, including instructing full, specific and specified procedures scope component teams. At a Group level our procedures involved: enquiries of Group management and those charged with governance, legal counsel and internal audit; and journal entry testing, with a focus on manual consolidation journals and journals indicating large or unusual transactions based on our understanding of the business. We engaged our Forensics specialists to assist us in evaluating the appropriateness of management's response to a reported incident and instructed relevant component teams to perform additional audit procedures to address the risk.
- At a component level, our full, specific and specified procedures scope component teams included enquiries of component management; journal entry testing; and focused testing, including as referred to in the key audit matters section above.

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

Other matters we are required to address

- Following the recommendation from the Audit Committee, we were appointed by the Board of Directors on 14 December 2022 to audit the financial statements for the year ended 31 July 2023 and subsequent financial periods.

The period of total uninterrupted engagement including previous renewals and reappointments is ten years, covering the years ended 31 July 2014 to 31 July 2023.

- The audit opinion is consistent with the additional report to the audit committee.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Jon Killingley (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

4 October 2023

Consolidated Statement of Comprehensive Income

For the year ended 31 July 2023

	Notes	2023 £000	2022 £000
Revenue from contracts with customers	3	328,008	307,701
Cost of sales		(169,149)	(160,603)
Gross profit		158,859	147,098
Administrative and distribution expenses		(100,095)	(96,693)
Operating profit before separately disclosed items		58,764	50,405
Costs of business combinations		(1,032)	(215)
Contingent consideration		(640)	598
Operating profit		57,092	50,788
Finance revenue	5	65	1,333
Finance costs	5	(6,513)	(3,369)
Re-measurement of financial liabilities		54	(583)
Re-measurement of future consideration		(1,879)	(955)
Profit before tax		48,819	47,214
Income tax	9	(11,437)	(11,542)
Profit after tax		37,382	35,672
Attributable to the shareholders		37,373	35,610
Attributable to non-controlling interest		9	62
Other comprehensive income			
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:			
Exchange differences arising on translation of foreign operations		(3,015)	1,944
Loss on currency loans relating to the net investment in foreign operations		(1,309)	(1,744)
Other comprehensive (loss)/income for the year		(4,324)	200
Total comprehensive income for the year, net of tax		33,058	35,872
Attributable to the shareholders		33,049	35,810
Attributable to non-controlling interest		9	62
Earnings per share			
Basic earnings per share	10	19.0p	18.1p
Diluted earnings per share	10	18.7p	17.8p

Consolidated Statement of Financial Position

At 31 July 2023

	Notes	2023 £000	2022 £000
Non-current assets			
Property, plant and equipment	11	29,448	28,235
Right-of-use assets	21	29,902	23,567
Intangible assets – goodwill	12	164,873	142,661
Intangible assets – others	14	83,863	87,592
		308,086	282,055
Current assets			
Inventories	16	58,980	57,151
Trade and other receivables	17	52,336	57,526
Other financial assets	18	—	1,091
Cash and short-term deposits	19	21,244	13,543
		132,560	129,311
Total assets		440,646	411,366
Current liabilities			
Trade and other payables	20	(47,108)	(48,837)
Refund liabilities	3	(9,817)	(10,268)
Income tax		(4,662)	(5,564)
Other financial liabilities	22	(330)	—
Interest-bearing loans and borrowings	23	(3,754)	(3,599)
Provisions	24	(1,791)	(1,684)
		(67,462)	(69,952)
Non-current liabilities			
Interest-bearing loans and borrowings	23	(116,704)	(104,433)
Other financial liabilities	22	(16,597)	(14,132)
Provisions	24	(301)	(319)
Deferred tax liabilities	26	(13,337)	(14,222)
		(146,939)	(133,106)
Total liabilities		(214,401)	(203,058)
Net assets		226,245	208,308
Capital and reserves			
Share capital	25	2,000	2,000
Share premium	25	11,527	11,527
Treasury shares		(2,390)	(3,574)
Capital reserve		93,855	93,855
Share-based payment reserve		5,584	5,058
Foreign currency translation reserve		(1,225)	3,099
Retained earnings		116,894	96,247
Total shareholders' equity		226,245	208,212
Non-controlling interest		—	96
Total equity		226,245	208,308

The consolidated financial statements of Volution Group plc (registered number: 09041571) were approved by the Board of Directors and authorised for issue on 4 October 2023.

On behalf of the Board



Ronnie George
Chief Executive Officer



Andy O'Brien
Chief Financial Officer

Consolidated Statement of Changes in Equity

For the year ended 31 July 2023

	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	Shareholders' equity £000	Non-controlling interest £000	Total equity £000
At 31 July 2021	2,000	11,527	(3,739)	93,855	4,090	2,899	74,658	185,290	—	185,290
Profit for the year	—	—	—	—	—	—	35,610	35,610	62	35,672
Other comprehensive income	—	—	—	—	—	200	—	200	—	200
Total comprehensive income	—	—	—	—	—	200	35,610	35,810	62	35,872
Acquisition of businesses	—	—	—	—	—	—	—	—	34	34
Purchase of own shares	—	—	(1,900)	—	—	—	—	(1,900)	—	(1,900)
Exercise of share options	—	—	2,065	—	(1,129)	—	(749)	187	—	187
Share-based payment including tax	—	—	—	—	2,097	—	—	2,097	—	2,097
Dividends paid (note 27)	—	—	—	—	—	—	(13,272)	(13,272)	—	(13,272)
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 27)	—	—	—	—	—	—	(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

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.

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 32 for further detail of these plans.

Foreign currency translation reserve

Exchange differences arising on translation of the Group's foreign subsidiaries into GBP are included in the foreign currency translation reserve. The Group hedges some of its exposure to its net investment in foreign operations; foreign exchange gains and losses relating to the effective portion of the net investment hedge are accounted for by entries made to other comprehensive income. No hedge ineffectiveness has been recognised in the statement of comprehensive income for any of the periods presented.

Retained earnings

The parent company of the Group, Volution Group plc, had distributable retained earnings at 31 July 2023 of £131,795,000 (2022: £120,294,000).

Consolidated Statement of Cash Flows

For the year ended 31 July 2023

	Notes	2023 £000	2022 £000
Operating activities			
Profit for the year after tax		37,382	35,672
Adjustments to reconcile profit for the year to net cash flow from operating activities:			
Income tax		11,437	11,542
Gain on disposal of property, plant and equipment and intangible assets – other		(17)	(51)
Costs of business combinations		1,032	215
Contingent consideration		640	(598)
Cash flows relating to business combination costs		(1,032)	(215)
Re-measurement of financial liability relating to business combination of ClimaRad		(54)	583
Re-measurement of future consideration relating to business combination of ClimaRad		1,879	955
Finance revenue	5	(65)	(1,333)
Finance costs	5	6,513	3,369
Share-based payment expense		1,357	1,115
Depreciation of property, plant and equipment	11	4,102	3,816
Depreciation of right-of-use assets	21	3,895	3,612
Amortisation of intangible assets	14	12,574	16,026
Working capital adjustments:			
Decrease/(increase) in trade receivables and other assets		6,925	(6,418)
Decrease/(increase) in inventories		310	(9,805)
Decrease in trade and other payables		(4,505)	(1,235)
Movement in provisions		89	(242)
Cash generated by operations		82,462	57,008
UK income tax paid		(4,171)	(3,000)
Overseas income tax paid		(9,819)	(9,155)
Contingent consideration relating to the acquisition of Ventair	15	—	(3,211)
Net cash flow generated from operating activities		68,472	41,642
Investing activities			
Payments to acquire intangible assets	14	(3,049)	(2,238)
Purchase of property, plant and equipment	11	(4,914)	(4,773)
Proceeds from disposal of property, plant and equipment and intangible assets – other		175	179
Business combination of subsidiaries, net of cash acquired	15	(29,696)	(15,996)
Contingent consideration relating to the acquisition of Air Connection	15	—	(476)
Contingent consideration relating to the acquisition of Ventair	15	—	(952)
Interest received		65	4
Net cash flow used in investing activities		(37,419)	(24,252)
Financing activities			
Repayment of interest-bearing loans and borrowings		(62,240)	(33,626)
Repayment of VMI debt acquired		(92)	—
Repayment of ERI debt acquired		—	(3,227)
Repayment of ClimaRad vendor loan		—	(504)
Proceeds from new borrowings		65,950	36,428
Issue costs of new borrowings		(300)	(330)
Interest paid		(3,748)	(2,662)
Payment of principal portion of lease liabilities		(4,482)	(3,202)
Dividends paid to equity holders of the parent		(14,823)	(13,272)
Purchase of own shares		(1,834)	(1,900)
Net cash flow used in financing activities		(21,569)	(22,295)
Net increase/(decrease) in cash and cash equivalents		9,484	(4,905)
Cash and cash equivalents at the start of the year		13,543	19,456
Effect of exchange rates on cash and cash equivalents		(1,783)	(1,008)
Cash and cash equivalents at the end of the year	19	21,244	13,543

Volusion 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 2023

1. 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 as disclosed in the accounting policies under the relevant notes.

The preparation of the consolidated financial information in conformity with IFRS 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.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 July 2023. 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
- The ability to use its power over the investee to affect its returns

The Group reassesses 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 28 on pages 214 to 217 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 96 to 104. 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 committed facilities totalling £150 million, and an accordion of a further £30 million, maturing in December 2025.

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

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 20% compared to plan.
- supply chain difficulties or input price increases reducing gross profit margin by 10%; and
- a significant acquisition increasing debt but with no positive cash flow contribution.

A reverse stress test scenario has also been modelled which shows a revenue contraction of c37% 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.

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 2023

1. Basis of preparation 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 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.

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 IAS1. 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, VMI and I-Vent (notes 15 and 22).

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 key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of the assets and liabilities within the next financial year are described under the relevant notes.

1. Basis of preparation continued

Critical accounting judgements and key sources of estimation uncertainty continued

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 significant 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 66 to 80. Whilst we do not currently expect any material short 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.

These are short term (less than 5 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 three 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 to those which may arise over time but which are much less certain.

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.

New standards and interpretations

The standards or interpretations listed below have become effective since 1 August 2022 for annual periods beginning on or after 1 January 2022.

The following amendments became effective as at 1 January 2022:

- Amendments to IFRS3 "Reference to the Conceptual Framework"
- Amendments to IAS 16 "Property, plant and equipment – proceeds before intended use"
- Amendments to IAS37 "Onerous Contracts – Costs of Fulfilling a Contract"
- Amendments to IFRS 9 "Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities"

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 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"
- Amendments to IAS 1 and IFRS Practice Statement 2 – "Disclosure of accounting policies"

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"
- Amendments to IAS 7 "Supplier Finance Arrangements"

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.

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2023

2. Adjusted earnings

The Board and key management personnel 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.

	2023 £000	2022 £000
Profit after tax	37,382	35,672
Add back:		
Contingent consideration	640	(598)
Cost of business combinations	1,032	215
Re-measurement of future consideration relating to the business combination of ClimaRad	1,879	955
Net gain on financial instruments at fair value	1,599	(1,329)
Amortisation and impairment of intangible assets acquired through business combinations	11,088	14,485
Tax effect of the above	(2,788)	(2,085)
Adjusted profit after tax	50,832	47,315
Add back:		
Adjusted tax charge	14,225	13,627
Adjusted profit before tax	65,057	60,942
Add back:		
Interest payable on bank loans, lease liabilities and amortisation of financing costs	4,914	3,369
Re-measurement of financial liabilities relating to the business combination of ClimaRad	(54)	583
Finance revenue	(65)	(4)
Adjusted operating profit	69,852	64,890
Add back:		
Depreciation of property, plant and equipment	4,102	3,816
Depreciation of right-of-use assets	3,895	3,612
Amortisation of development costs, software and patents	1,486	1,541
Adjusted EBITDA	79,335	73,859

For definitions of terms referred to above see note 34, Glossary of terms.

3. Revenue from contracts with customers

Accounting policy

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 24, 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 the relative stand-alone selling prices of the equipment and the cost plus margin 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 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 2023.

Estimates and assumptions

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 £3.6m is non-coterminous with the year end and is based on actual revenue recorded to 31 July 2023 however, final rebate % are dependent on estimated performance to December based on the bottoms up board approved budget and managements experience and knowledge of the customers. Estimates are made as to which % 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.

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 IAS1.

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2023

3. Revenue from contracts with customers continued

Revenue recognised in the statement of comprehensive income is analysed below:

	2023 £000	2022 £000
Sale of goods	320,808	301,097
Installation services	7,200	6,604
Total revenue from contracts with customers	328,008	307,701
	2023 £000	2022 £000
Market sectors		
UK		
Residential	89,680	75,040
Commercial	30,151	31,031
Export	12,119	11,670
OEM (Torin-Sifan)	24,120	25,908
Total UK	156,070	143,649
Nordics ¹	49,126	53,303
Central Europe ²	75,410	65,128
Total Continental Europe	124,536	118,431
Total Australasia	47,402	45,621
Total revenue from contracts with customers	328,008	307,701
	2023 £000	2022 £000
Right of return assets and refund liabilities		
Right of return assets	—	—
Refund liabilities		
Arising from retrospective volume rebates	9,153	9,427
Arising from rights of return	664	841
Refund liabilities	9,817	10,268

Notes

- Included in the Nordics revenue is £nil of inorganic revenue from the business combination of Klimatfabriken and Rtek (2022: £3,514,000 of inorganic revenue from the business combination of Klimatfabriken and Rtek).
- Included in the Central Europe revenue is £4,530,000 of inorganic revenue from the business combination of ERI, VMI and I-Vent (2022: £18,950,000 of inorganic revenue from the business combination of ClimaRad BV and ERI).

4. Segmental analysis

Accounting policy

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 including OEM (Torin-Sifan), 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 34 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.

Transfer prices between operating segments are on an arm's length basis on terms similar to transactions with third parties.

4. Segmental analysis continued

Year ended 31 July 2023	UK £000	Continental Europe £000	Australasia £000	Central/ eliminations £000	Consolidated £000
Revenue from contracts with customers					
External customers	156,070	124,536 ¹	47,402	—	328,008
Inter-segment	24,908	38,779	188	(63,875)	—
Total revenue from contracts with customers	180,978	163,315	47,590	(63,875)	328,008
Gross profit	74,254	60,616	23,989	—	158,859
Results					
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)
Business combination-related operating costs	—	—	—	(1,672)	(1,672)
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
Year ended 31 July 2022					
	UK £000	Continental Europe £000	Australasia £000	Central/ eliminations £000	Consolidated £000
Revenue from contracts with customers					
External customers	143,649	118,431 ¹	45,621	—	307,701
Inter-segment	20,318	30,038	179	(50,535)	—
Total revenue from contracts with customers	163,967	148,469	45,800	(50,535)	307,701
Gross profit	62,397	61,984	22,456	—	146,837
Results					
Adjusted segment EBITDA	33,052	32,810	11,236	(3,239)	73,859
Depreciation and amortisation of development costs, software and patents	(3,799)	(3,201)	(1,292)	(677)	(8,969)
Adjusted operating profit/(loss)	29,253	29,609	9,944	(3,916)	64,890
Amortisation of intangible assets acquired through business combinations	(6,978)	(6,365)	(1,142)	—	(14,485)
Business combination-related operating costs	—	—	—	383	383
Operating profit/(loss)	22,275	23,244	8,802	(3,533)	50,788
Unallocated expenses					
Net finance cost	—	—	99	(2,135)	(2,036)
Re-measurement of future consideration	—	—	—	(955)	(955)
Re-measurement of financial liability	—	—	—	(583)	(583)
Profit/(loss) before tax	22,275	23,244	8,901	(7,206)	47,214

Note

1. Included in the Continental Europe revenue is £4,530,000 of inorganic revenue from the business combination of ERI, VMI and I-Vent (2022: £22,464,00000 of inorganic revenue from the business combination of ClimaRad BV, Klimatfabriken, Rtek and ERI).

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2023

4. Segmental analysis continued

Geographic information

	2023 £000	2022 £000
Revenue from external customers by customer destination		
United Kingdom	132,507	119,371
Europe (excluding United Kingdom and Sweden)	119,289	112,886
Sweden	23,328	24,431
Australasia	47,668	45,780
Rest of the world	5,216	5,233
Total revenue from contracts with customers	328,008	307,701

	2023 £000	2022 £000
Non-current assets excluding deferred tax		
United Kingdom	121,458	117,704
Europe (excluding United Kingdom and Nordics)	106,502	79,408
Nordics	33,901	35,930
Australasia	46,225	49,013
Total	308,086	282,055

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.

5. Finance revenue and costs

Accounting policy

Finance revenue

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.

	2023 £000	2022 £000
Finance revenue		
Net gain on financial instruments at fair value	—	1,329
Interest receivable	65	4
Total finance revenue	65	1,333
Finance costs		
Net loss on financial instruments at fair value	(1,599)	—
Interest payable on bank loans	(3,087)	(1,828)
Amortisation of finance costs	(452)	(442)
Lease interest	(635)	(520)
Other interest	(740)	(579)
Total finance costs	(6,513)	(3,369)
Net finance costs	(6,448)	(2,036)

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 22.

6. Staff costs

Accounting policy

Pensions

Contributions to defined contribution schemes are recognised in the statement of comprehensive income in the period they become payable. The cost charged to the statement of comprehensive income of providing retirement pensions for employees represents the amounts paid by the Group to various defined contribution pension schemes operated by the Group in the financial period.

	2023 £000	2022 £000
Staff costs		
Wages and salaries	64,858	60,439
Social security costs	7,210	6,825
Other pension costs	2,625	2,442
Share-based payment charge (see note 32)	1,357	1,115
	76,050	70,821

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 2022/23 but based on actual salary levels in 2023/24.

Average monthly number of employees in the year

	2023 Number	2022 Number
Production	1,100	1,126
Sales and administration	771	772
	1,871	1,898

Directors' remuneration

	2023 £000	2022 £000
Amounts paid in respect of qualifying services		
Aggregate Directors' remuneration	3,748	3,497
Aggregate Directors' pension scheme contributions	59	72
In respect of the highest paid Director		
Aggregate Director's remuneration	2,298	2,148
Aggregate Director's pension scheme contributions	48	55

The number of Directors accruing benefits under Group money purchase pension arrangements was £nil (2022: £nil).

The Group also incurred fees and expenses of £400,000 (2022: £367,000) in respect of Paul Hollingworth, Tony Reading, 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 2023

7. Other operating expenses

Accounting policy

The Group's research and development concentrates on the development of new products. Research and development costs that are not eligible for capitalisation have been expensed in the period incurred and are disclosed in the table below.

Cost of sales, distribution costs and administrative expenses include the following:

	2023 £000	2022 £000
Cost of sales		
Costs of inventories recognised as expenses	131,227	125,836
Depreciation of property, plant and equipment	2,311	1,696
Depreciation of right-of-use assets	2,507	2,081
Amortisation and impairment of intangible assets	254	375
Administrative and distribution expenses		
Research and development costs	4,485	4,481
Depreciation of property, plant and equipment	1,791	2,120
Depreciation of right-of-use assets	1,388	1,531
Amortisation and impairment of intangible assets	12,320	15,651
Net foreign exchange differences	(190)	(695)
Gain on disposal of property, plant and equipment, and intangible assets – other	(17)	(51)

8. Auditor's remuneration

The Group paid the following amounts to its auditor, Ernst & Young LLP, and its member firms in respect of the audit of the financial statements and for other services provided to the Group:

	2023 £000	2022 £000
Audit services		
Fees for the audit of the parent and Group financial statements	332	310
Fees for local statutory audits of subsidiaries	488	423
Non-audit services		
Fees payable for interim review	99	95
Total	919	828

9. Income tax

Accounting policy

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 26.

(a) Income tax charges against profit for the year

	2023 £000	2022 £000
Current income tax		
Current UK income tax expense	4,694	4,897
Current foreign income tax expense	8,887	9,075
Tax credit relating to the prior year	(638)	(673)
Total current tax	12,943	13,299
Deferred tax		
Origination and reversal of temporary differences	(2,023)	(2,851)
Effect of changes in the tax rate	(223)	200
Tax charge relating to the prior year	740	894
Total deferred tax	(1,506)	(1,757)
Net tax charge reported in the consolidated statement of comprehensive income	11,437	11,542

(b) Income tax recognised in equity for the year

	2023 £000	2022 £000
Increase in deferred tax asset on share-based payments	(343)	(685)
Net tax credit reported in equity	(343)	(685)

(c) Reconciliation of total tax

	2023 £000	2022 £000
Profit before tax	48,819	47,214
Profit before tax multiplied by the standard rate of corporation tax in the UK of 21.00% (2022: 19.00%)	10,252	8,971
Adjustment in respect of previous years	102	221
Expenses not deductible for tax purposes	1,473	1,161
Effect of changes in the tax rate (see explanation below)	(164)	200
Non-taxable income	—	(391)
Higher overseas tax rate	184	1,602
Patent box	(410)	(330)
Other	—	108
Net tax charge reported in the consolidated statement of comprehensive income	11,437	11,542

Our reported effective tax rate for the period was 23.4% (2022: 24.4%). Our underlying effective tax rate, on adjusted profit before tax, was 21.9% (2022: 22.4%).

On 24 May 2021, legislation was passed which substantively enacted an increase in UK corporation tax rate from 19% to 25% from April 2023. Deferred tax on the balance sheet at 31 July 2023 was therefore measured at 25%.

The higher overseas tax rates relate to the Group's profits from subsidiaries which are subject to tax jurisdictions with a higher rate of tax compared to the standard rate of corporation tax in the UK (see note 30 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.

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2023

10. Earnings per share (EPS)

Basic earnings per share 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 3,365,875 dilutive potential ordinary shares at 31 July 2023 (2022: 2,966,484).

The following reflects the income and share data used in the basic and diluted earnings per share computations:

Year ended 31 July	2023 £000	2022 £000
Profit attributable to ordinary equity holders	37,382	35,672
	Number	Number
Weighted average number of ordinary shares for basic earnings per share	197,131,650	197,522,143
Effect of dilution from:		
Share options	2,658,209	2,525,713
Weighted average number of ordinary shares for diluted earnings per share	199,789,859	200,047,856
Earnings per share		
Basic	19.0p	18.1p
Diluted	18.7p	17.8p
	2023 £000	2022 £000
Adjusted profit attributable to ordinary equity holders	50,832	47,315
	Number	Number
Weighted average number of ordinary shares for adjusted basic earnings per share	197,131,650	197,522,143
Effect of dilution from:		
Share options	2,658,209	2,525,713
Weighted average number of ordinary shares for adjusted diluted earnings per share	199,789,859	200,047,856
Adjusted earnings per share		
Basic	25.8p	24.0p
Diluted	25.4p	23.7p

The weighted average number of ordinary shares has declined as a result of treasury shares held by the Volution Employee Benefit Trust (EBT) during the year (see note 25 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 34, Glossary of terms, for an explanation of the adjusted basic and diluted earnings per share calculation.

11. Property, plant and equipment

Accounting policy

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. 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:

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.

The Group's impairment policy can be found in note 13.

11. Property, plant and equipment continued

	Freehold land and buildings £000	Plant and machinery £000	Fixtures, fittings, tools, equipment and vehicles £000	Total £000
2023				
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
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
2022				
Cost				
At 1 August 2021	15,370	13,840	11,544	40,754
On business combinations	2,046	1,739	92	3,877
Additions	341	2,237	2,195	4,773
Disposals	—	(531)	(812)	(1,343)
Net foreign currency exchange differences	(277)	(263)	(96)	(636)
At 31 July 2022	17,480	17,022	12,923	47,425
Depreciation				
At 1 August 2021	4,542	5,795	6,509	16,846
Charge for the year	517	1,339	1,960	3,816
Disposals	—	(523)	(709)	(1,232)
Net foreign currency exchange differences	(48)	(118)	(74)	(240)
At 31 July 2022	5,011	6,493	7,686	19,190
Net book value				
At 31 July 2022	12,469	10,529	5,237	28,235

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2023

12. Intangible assets – goodwill

Accounting policy

Goodwill

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to the Group's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units.

Goodwill is reviewed for impairment annually or more frequently if there is an indication of impairment. Impairment of goodwill is determined by assessing the recoverable amount of the cash generating unit to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than the carrying value of the cash generating unit to which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

See note 13 for the Group's impairment assessment.

Goodwill	£000
Cost and net book value	
At 1 August 2021	137,710
On the business combination of ERI	5,134
Net foreign currency exchange differences	(183)
At 31 July 2022	142,661
On the business combination of VMI	4,072
On the business combination of I-Vent	19,813
On the business combination of ClimaRad	126
Net foreign currency exchange differences	(1,799)
At 31 July 2023	164,873

13. Impairment assessment of goodwill

Accounting policy

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.

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 Ventilation, Central Europe, Nordics, Australasia and OEM. This is also the level at which management is monitoring the value of goodwill for internal management purposes.

Judgements and estimates

Impairment of goodwill

The Group's impairment test for goodwill is based on a value in use calculation using a discounted cash flow model. The 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 cash generating units (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.

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 IAS1.

13. Impairment assessment of goodwill continued

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

As at 31 July 2022 calculated headroom was:

31 July 2022	UK Ventilation £000	OEM (Torin-Sifan) £000	Nordics £000	Central Europe £000	Australasia £000
Carrying value of goodwill	55,899	5,101	19,022	35,165	27,474
CGU value in use headroom ¹	152,066	21,821	71,987	61,517	32,446

Note

1. Headroom 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).

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 13.8% to 16.8% (2022: 12.1% to 15.7%) 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 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% (2022: 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 Ventilation: 14.2% (2022: 13.0%); OEM (Torin-Sifan): 15.4% (2022: 14.0%); Nordics: 13.8% (2022: 12.1%); Central Europe: 14.4% (2022: 12.2%); and Australasia: 16.8% (2022: 15.7%).

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.

Notes to the Consolidated Financial Statements continued

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14. Intangible assets – other

Accounting policy

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	–	15–25 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.

Judgements and estimates

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 cash generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified. The identification of the Group's cash generating units (CGUs) used for impairment testing is considered a critical judgement within the scope of paragraph 122 of IAS1.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount. Impairment losses are immediately recognised in the statement of comprehensive income.

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 IAS1.

14. Intangible assets – other continued

	Development costs £000	Software costs £000	Customer base £000	Trademarks £000	Patents/ technology £000	Other £000	Total £000
2023							
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
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

Included in software costs are assets under construction of £54,000 (2022: £48,000), which are not amortised. Included in development costs are assets under construction of £1,505,000 (2022: £1,501,000), which are not amortised.

	Development costs £000	Software costs £000	Customer base £000	Trademarks £000	Patents/ technology £000	Other £000	Total £000
2022							
Cost							
At 1 August 2021	6,783	9,698	147,582	51,447	3,410	1,163	220,083
Additions	1,245	238	755	—	—	—	2,238
On business combinations	6	39	12,957	2,933	19	—	15,954
Disposals	(25)	(122)	—	—	—	—	(147)
Net foreign currency exchange differences	(53)	(18)	(1,280)	(275)	(65)	—	(1,691)
At 31 July 2022	7,956	9,835	160,014	54,105	3,364	1,163	236,437
Amortisation							
At 1 August 2021	2,039	5,503	106,202	18,127	1,676	1,163	134,710
Charge for the year	620	932	9,207	4,868	399	—	16,026
Disposals	(8)	(122)	—	—	—	—	(130)
Net foreign currency exchange differences	(50)	(31)	(1,289)	(317)	(74)	—	(1,761)
At 31 July 2022	2,601	6,282	114,120	22,678	2,001	1,163	148,845
Net book value							
At 31 July 2022	5,355	3,553	45,894	31,427	1,363	—	87,592

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14. Intangible assets – other continued

The remaining amortisation periods for acquired intangible assets at 31 July 2023 are as follows:

	Customer base	Trademark	Patent/ technology/ other
Volution Holdings Limited and its subsidiaries	1 year	15 years	—
Fresh AB and its subsidiaries	—	10 years	—
PAX AB and PAX Norge AS	—	11 years	—
inVENTer GmbH	1 year	12 years	12 years
Ventilair Group International BVBA and its subsidiaries	1 year	3 years	—
Energy Technique Limited and its subsidiaries	2 years	14 years	—
NVA Services Limited and its subsidiaries	4 years	9 years	—
Breathing Buildings Limited	4 years	9 years	—
VoltAir System AB	10 years	10 years	—
Simx Limited	11 years	21 years	—
Oy Pamon Ab	6 years	16 years	6 years
Air Connection ApS	6 years	—	—
Nordic Line ApS	—	—	—
Ventair Pty Limited	8 years	18 years	—
ClimaRad BV	7 years	14 years	—
Nordiska Klimatfabriken AB	4 years	9 years	—
Energent Oy	4 years	9 years	—
ERI	9 years	19 years	—
VMI	8 years	10 years	5 years
I-Vent	—	20 years	—

Individually material intangible assets with definite useful lives:

	Carrying amount 2023 £000	Remaining amortisation period 2023 Years
Customer base		
Simx Limited	6,102	11 years
ClimaRad BV	10,462	7 years
ERI	10,517	9 years
Trademark		
Volution Holdings Limited and its subsidiaries	16,885	15 years
ClimaRad BV	2,671	14 years
ERI	2,663	19 years

15. Business combinations

Accounting policy

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 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.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash generating units (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.

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. Contingent consideration was assessed based on the current estimate of the future performance of the business for the year ended 31 December 2023 as £nil, with a range from €0–€5,000,000, based on EBITDA performance from €1,600,000 to €3,000,000 for year ended 31 December 2023. If actual EBITDA for the year ended 31 December 2023 varies by 10% from the estimate, the contingent consideration would vary by approximately £600,000. 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.

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.

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2023

15. Business combinations continued

Business combinations in the year ended 31 July 2023 continued

VMI continued

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.

The gross amount of trade and other receivables is £1,445,000. The amounts for trade and other receivables not expected to be collected are £nil.

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 for this reporting period.

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.

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. Contingent consideration was assessed based on the current estimate of the future performance of the business as £nil, with a range and performance thresholds for each of 3 years of; year 1 range from €0 - €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 - €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 - €7,000,000, based on EBITDA performance from €5,280,000 to €7,500,000 for year ended 31/12/25. If actual EBITDA for each year varies by 10% from the estimate, the contingent consideration would vary by approximately £3,000,000. 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.

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.

15. Business combinations continued

Business combinations in the year ended 31 July 2023 continued

I-Vent continued

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.

The gross amount of trade and other receivables is £290,000. The amounts for trade and other receivables not expected to be collected are £nil.

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 for this reporting period.

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.

Business combinations in the year ended 31 July 2022

ERI

On 9 September 2021, Volution Group acquired ERI Corporation, a leading manufacturer and supplier of low-carbon, energy efficient heat exchanger cells, for an initial consideration of €20.0 million with a further contingent cash consideration of up to €12.4 million based on stretching targets for the financial results for the year ending 31 December 2024. The acquisition of ERI Corporation is in line with the Group's strategy to grow by selectively acquiring value-adding businesses in new and existing markets and geographies.

ERI designs and manufactures a range of innovative and highly efficient aluminium heat exchanger cells for use primarily in commercial heat recovery ventilation systems. Products are manufactured in ERI's modern, high quality production facility in Bitola, North Macedonia, and are supplied to heat recovery and air handling unit manufacturers predominantly in Europe, including existing Volution Group companies. The business combination encompasses 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). For the financial year ended 31 December 2020, ERI generated revenue of €11.3 million and profit before tax of €2.0 million.

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2023

15. Business combinations continued

Business combinations in the year ended 31 July 2022 continued

ERI continued

The fair value of the net assets acquired were as follows:

	Book value £000	Fair value adjustments £000	Fair value £000
Intangible assets	418	15,536	15,954
Property, plant and equipment	3,130	747	3,877
Inventory	2,276	—	2,276
Trade and other receivables	3,626	—	3,626
Trade and other payables	(2,343)	—	(2,343)
Deferred tax liabilities	—	(1,589)	(1,589)
Bank debt	(3,227)	—	(3,227)
Cash and cash equivalents	896	—	896
Total identifiable net assets	4,776	14,694	19,470
Non-controlling interest in ERI UK			(34)
Goodwill on the business combination			5,134
Discharged by:			
Cash consideration (including deferred cash consideration)			16,892
Contingent consideration			7,678

Goodwill of £5,134,000 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 trademark and customer base was identified and included in intangible assets.

The gross amount of trade and other receivables is £3,626,000. All of the trade receivables are expected to be collected in full. Transaction costs relating to professional fees associated with the business combination in the period ended 31 July 2022 were £126,000 and have been expensed as cost of business combinations separately disclosed on the face of the consolidated statement of comprehensive income above operating profit.

ERI generated revenue of £15,215,000 and profit after tax of £2,642,000 in the period from acquisition to 31 July 2022 that are included in the consolidated statement of comprehensive income for this reporting period. If the combination had taken place at 1 August 2021, the Group's revenue would have been £309,231,000 and the profit before tax from continuing operations would have been £47,559,000.

Cash outflows arising from business combinations are as follows:

	2023 £000	2022 £000
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	—
ERI		
Cash consideration	—	16,892
Less: cash acquired with the business	—	(896)
Ventair		
Deferred cash consideration paid	—	4,163
Air Connection		
Deferred cash consideration paid	—	476
Total	29,696	20,635

Note:

1. During the year Volution Group plc purchased a small proportion of shares holding of ClimaRad for £126,000.

15. Business combinations continued

Business combinations in the year ended 31 July 2022 continued

ERI continued

Operating cash flows – cost of business combinations:

	2023 £000	2022 £000
VMI	532	—
I-Vent	98	—
DVS	207	—
ERI	—	126
Other potential or aborted business combinations	195	89
Total	1,032	215

16. Inventories

Accounting policy

Inventories are stated at the lower of cost and net realisable value. The cost of raw materials is purchase cost on a first in, first out basis. 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.

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs to sell.

	2023 £000	2022 £000
Raw materials and consumables	27,566	24,247
Work in progress	3,242	3,523
Finished goods and goods for resale	28,172	29,381
	58,980	57,151

During 2023, £970,000 (2022: £865,000) 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 £5,634,000 (2022: £5,473,000). This provision was split amongst the three categories: £3,187,000 (2022: £2,926,000) for raw materials and consumables; £111,000 (2022: £146,000) for work in progress; and £2,336,000 (2022: £2,401,000) for finished goods and goods for resale.

17. Trade and other receivables

Accounting policy

Trade and other receivables are recognised when it is probable that a future economic benefit will flow to the Group. Trade and other receivables are carried at original invoice or contract amount less any provisions for discounts and expected credit losses. Provisions are made where there is evidence of a risk of non-payment taking into account 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.

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For the year ended 31 July 2023

17. Trade and other receivables continued

	2023 £000	2022 £000
Trade receivables	44,968	53,431
Allowance for expected credit loss	(521)	(772)
	44,447	52,659
Other debtors	4,323	2,069
Prepayments	3,566	2,798
Total	52,336	57,526

Movement in the allowance for expected credit losses is set out below:

	2023 £000	2022 £000
At the start of the year	(772)	(553)
Charge for the year	(39)	(231)
Amounts utilised	292	19
Foreign currency adjustment	(2)	(7)
At the end of the year	(521)	(772)

Gross trade receivables are denominated in the following currencies:

	2023 £000	2022 £000
Sterling	25,361	30,639
US Dollar	723	677
Euro	8,165	9,665
Swedish Krona	2,713	3,216
New Zealand Dollar	2,946	3,073
Australian Dollar	3,914	4,262
Other	1,146	1,899
Total	44,968	53,431

Net trade receivables are aged as follows:

	2023 £000	2022 £000
Neither past due nor impaired	40,547	41,297
Past due but not impaired		
Overdue 0–30 days	2,500	5,273
Overdue 31–60 days	598	2,283
Overdue 61–90 days	349	932
Overdue more than 90 days	453	2,874
Total	44,447	52,659

The credit quality of trade receivables that are neither past due nor impaired is assessed by reference to external credit ratings where available; otherwise, historical information relating to counterparty default rates is used. The Group continually assesses the recoverability of trade receivables and the level of provisioning required.

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

18. Other financial assets

	2023 Current £000	2022 Current £000
Financial assets		
Foreign exchange forward contracts	—	1,091
Total	—	1,091

19. Cash and cash equivalents

Accounting policy

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.

	2023 £000	2022 £000
Cash and short-term deposits	21,244	13,543

Cash and cash equivalents are denominated in the following currencies:

	2023 £000	2022 £000
Sterling	6,276	3,004
Euro	9,828	4,654
US Dollar	200	519
Swedish Krona	34	1,082
New Zealand Dollar	2,240	1,987
Australian Dollar	1,339	1,370
Other	1,327	927
Total	21,244	13,543

20. Trade and other payables

	2023 £000	2022 £000
Trade payables	23,059	27,715
Social security and staff welfare costs	1,929	1,737
Accrued expenses	22,120	19,385
Total	47,108	48,837

Trade payables are non-interest bearing and are normally settled on 60-day terms.

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2023

21. Leases

Group as a lessee

Accounting policy

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 twelve 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.

Set out below are the carrying amounts of right-of-use assets recognised and movements during the year:

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
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

21. Leases continued

Group as a lessee continued

Right-of-use assets 2022	Land and buildings £000	Plant and machinery £000	Fixtures, fittings, tools, equipment and vehicles £000	Total £000
Cost				
At 1 August 2021	28,073	203	2,819	31,095
Additions	2,657	30	639	3,326
Disposals	—	(19)	(149)	(168)
Expiration of leases	(1,634)	(78)	(184)	(1,896)
Net foreign currency exchange differences	(27)	191	164	328
At 31 July 2022	29,069	327	3,289	32,685
Depreciation				
At 1 August 2021	5,298	139	1,181	6,618
Charge for the period	2,967	99	546	3,612
Disposals	—	(15)	(51)	(66)
Expiration of leases	(1,634)	(78)	(184)	(1,896)
Net foreign currency exchange differences	689	126	35	850
At 31 July 2022	7,320	271	1,527	9,118
Net book value				
At 31 July 2022	21,749	56	1,762	23,567

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 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 2023

21. Leases continued

Group as a lessee continued

Lease liabilities 2022	Land and buildings £000	Plant and machinery £000	Fixtures, fittings, tools, equipment and vehicles £000	Total £000
At 1 August 2021	24,281	75	1,073	25,429
Additions to lease liabilities	2,657	30	639	3,326
Early termination	—	(19)	(149)	(168)
Interest expense	470	6	44	520
Lease payments	(3,362)	(61)	(300)	(3,722)
Foreign exchange movements	(271)	5	(151)	(418)
At 31 July 2022	23,775	36	1,156	24,967
Analysis				
Current	3,116	28	455	3,599
Non-current	20,659	8	701	21,368
At 31 July 2022	23,775	36	1,156	24,967

The following are amounts recognised in the statement of comprehensive income:

	2023 £000	2022 £000
Depreciation expense of right-of-use assets (cost of sales)	2,507	2,081
Depreciation expense of right-of-use assets (administrative expenses)	1,388	1,531
Interest expense	635	520

22. Other financial liabilities

2023	Foreign exchange forward contracts £000	ClimaRad BV £000	ERI £000	Total £000
Contingent consideration				
At 1 August 2022	—	7,052	7,080	14,132
Re-measurement of financial liability	—	(54)	—	(54)
Re-measurement of future consideration	—	1,879	640	2,519
Foreign exchange	330	—	—	330
At 31 July 2023	330	8,877	7,720	16,927
Analysis				
Current	330	—	—	330
Non-current	—	8,877	7,720	16,597
Total	330	8,877	7,720	16,927

22. Other financial liabilities continued

2022	Air Connection ApS £000	Ventair Pty Limited £000	ClimaRad BV £000	Nordiska Klimatfabriken AB £000	Energent Ab £000	ERI £000	Total £000
Contingent consideration							
At 1 August 2021	483	4,070	5,514	251	256	—	10,574
Re-measurement of contractual liability to purchase remaining non-controlling interest	—	—	1,538	—	—	—	1,538
Further consideration recognised	—	—	—	—	—	7,080	7,080
Consideration paid	(476)	(4,163)	—	(240)	(256)	—	(5,135)
Foreign exchange	(7)	93	—	(11)	—	—	75
At 31 July 2022	—	—	7,052	—	—	7,080	14,132
Analysis							
Current	—	—	—	—	—	—	—
Non-current	—	—	7,052	—	—	7,080	14,132
Total	—	—	7,052	—	—	7,080	14,132

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).

Non-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, 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 €12,000,000 (£10,686,000) 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 was assessed based on the current estimate of the future performance of the business as £8,877,000, discounted to present value (2022: £7,052,000). If actual EBITDA for the year ended 31 December 2024 varies by 10% from the estimate, the contingent consideration would vary by approximately £1,800,000.

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). The contingent consideration was assessed based on the current estimate of the future performance of the business as £7,720,000 (2022: £7,080,000), with a range from €0 - €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 £1,500,000.

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 28 for the fair value hierarchy the Group uses to determine the fair value of financial instruments.

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For the year ended 31 July 2023

23. Interest-bearing loans and borrowings

Accounting policy

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.

	2023		2022	
	Current £000	Non-current £000	Current £000	Non-current £000
Unsecured – at amortised cost				
Borrowings under the revolving credit facility (maturing 2025)	—	79,369	—	74,351
Cost of arranging bank loan	—	(692)	—	(843)
Lease liabilities (note 21)	3,754	27,454	3,599	21,368
Other loans	—	802	—	—
ClimaRad vendor loan	—	9,771	—	9,557
Total	3,754	116,704	3,599	104,433

In December 2022, the Group took the option to extend its multicurrency “Sustainability Linked Revolving Credit Facility”, together with an accordion of up to £30 million, by a period of twelve months; the maturity date is now December 2025.

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			

Revolving credit facility – at 31 July 2022

Currency	Amount outstanding £000	Termination date	Repayment frequency	Rate %
GBP	—	2 December 2024	One payment	SONIA + margin%
Euro	71,932	2 December 2024	One payment	EURIBOR + margin%
Swedish Krona	2,419	2 December 2024	One payment	STIBOR + margin%
Total	74,351			

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 2023, Group leverage was below 1.0:1 and therefore the margin will remain at 1.25%.

At 31 July 2023, the Group had £70,631,000 (2022: £75,649,000) of its multicurrency revolving credit facility unutilised, plus an unutilised accordion of up to £30,000,000.

23. Interest-bearing loans and borrowings continued

Changes in liabilities arising from financing activities

	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

	1 August 2021 £000	Cash flows £000	Foreign exchange movement £000	New leases £000	Changes due to business combination £000	Interest/ other £000	31 July 2022 £000
Non-current interest-bearing loans and borrowings (excluding lease liabilities)	73,293	2,802	(1,744)	—	—	—	74,351
Debt related to the business combination of ERI (see note 15)	—	(3,227)	—	—	3,227	—	—
Lease liabilities	25,429	(3,202)	(418)	3,326	—	(168)	24,967
ClimaRad vendor loan	10,551	(504)	(490)	—	—	—	9,557
Total liabilities from financing activities	109,273	(4,131)	(2,652)	3,326	3,227	(168)	108,875

24. Provisions

Accounting policy

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.

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.

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For the year ended 31 July 2023

24. Provisions continued

	Product warranties £000	Property dilapidations £000	Total £000
2023			
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 £000	Property dilapidations £000	Total £000
2022			
At 1 August 2021	1,787	458	2,245
Arising during the year	921	9	930
Utilised	(1,142)	—	(1,142)
Foreign currency adjustment	(26)	(4)	(30)
At 31 July 2022	1,540	463	2,003
Analysis			
Current	1,279	405	1,684
Non-current	261	58	319
Total	1,540	463	2,003

Product warranties

A provision is recognised for warranty costs expected to be incurred in the following twelve 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 twelve 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.

25. Authorised and issued share capital and reserves

Accounting policy

Treasury shares

Own equity instruments that are reacquired (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.

	Number of ordinary shares	Ordinary shares £000	Share premium £000
At 31 July 2022 and 31 July 2023	200,000,000	2,000	11,527

The 200,000,000 authorised ordinary shares of £0.01p each.

At 31 July 2023, a total of 2,471,100 (2022: 2,183,665) 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, 550,000 ordinary shares in the Company were purchased by the trustees (2022: 463,000) and 262,565 (2022: 402,407) were released by the trustees at £973,960 (2022: £1,114,667). The market value of the shares at 31 July 2023 was £9,923,938 (2022: £9,094,965).

The Volution EBT has agreed to waive its rights to dividends.

26. Deferred tax

Accounting policy

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 IAS1, 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 2023, the Group had not recognised a deferred tax asset in respect of gross tax losses of £5,195,000 (2022: £5,195,000) relating to management expenses, capital losses of £3,975,000 (2022: £3,975,000) arising in UK subsidiaries and gross tax losses of £nil (2022: £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 2023, the Group had no deferred tax liability (2022: £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.

	1 August 2022 £000	(Charged)/ credited to income £000	Credited to equity £000	Translation difference £000	On business combinations £000	31 July 2023 £000
2023						
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)

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2023

26. Deferred tax continued

2022	1 August 2021 £000	(Charged)/ credited to income £000	Credited to equity £000	Translation difference £000	On business combinations £000	31 July 2022 £000
Temporary differences						
Depreciation in advance of capital allowances	(1,721)	11	—	(4)	—	(1,714)
Fair value movements of derivative financial instruments	11	(193)	—	—	—	(182)
Customer base, trademark and patent	(17,274)	2,409	—	(10)	(1,589)	(16,464)
Unutilised tax losses	407	(344)	—	—	—	63
Other temporary differences	1,246	(176)	—	55	—	1,125
Share based payments	2,455	50	445	—	—	2,950
Deferred tax liability	(14,876)	1,757	445	41	(1,589)	(14,222)

27. Dividends paid and proposed

Accounting policy

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

	2023 £000	2022 £000
Cash dividends on ordinary shares declared and paid		
Interim dividend for 2023: 2.50 pence per share (2022: 2.30 pence)	4,942	4,553
Proposed dividends on ordinary shares		
Final dividend for 2023: 5.50 pence per share (2022: 5.00 pence)	10,863	9,891

An interim dividend payment of £4,942,000 is included in the consolidated statement of cash flows (2022: £4,553,000).

A final dividend payment of £9,891,000 is included in the consolidated statement of cash flows relating to 2022 (2022: £8,719,000).

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 2023.

There are no income tax consequences attached to the payment of dividends in either 2023 or 2022 by the Group to its shareholders.

28. Risk management

Accounting policy

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 22.

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 twelve months and as a current asset or a current liability if the remaining maturity of the relationship is less than twelve months.

No derivative contracts have been designated as hedges for accounting purposes.

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 OCI while any gains or losses relating to the ineffective portion are recognised in profit or loss. On disposal of the foreign operation, the cumulative value of any such gains or losses recorded in equity is reclassified to profit or loss.

The Group uses 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.

This note provides further detail on financial risk management and includes quantitative information on the specific risks the Group is exposed to.

Derivative financial instruments

The Group uses forward foreign currency contracts to reduce exposure to foreign exchange risk.

Forward foreign currency contracts

The Group's purchases in foreign currencies, net of Group sales in those currencies, represent approximately 10% (2022: less than 20%) of total material and component purchases. This has increased due to the diversification of the Group to more overseas regions. 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 2023, the Group had commitments under forward foreign exchange contracts with varying settlement dates to 5 July 2024 (2022: 5 May 2023). See note 22 for fair values.

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28. Risk management continued

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 2023		
Sterling	+25	—
Swedish Krona	+25	—
Euro	+25	(198)
31 July 2022		
Sterling	+25	—
Swedish Krona	+25	(6)
Euro	+25	(180)

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 LIBOR and SEK LIBOR 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.

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	
		2023 £000	2022 £000
Swedish Krona	5%	488	499
US Dollar	5%	(245)	(92)
Euro	5%	900	2,024
Danish Krone	5%	23	33
New Zealand Dollar	5%	304	320
Australian Dollar	5%	242	210
	Change in GBP vs SEK/EUR/ DKK/NZD/AUD rate	Effect on equity	
		2023 £000	2022 £000
Swedish Krona	5%	(703)	(454)
Euro	5%	481	373
Danish Krone	5%	47	45
New Zealand Dollar	5%	(202)	(55)
Australian Dollar	5%	(9)	83

28. Risk management continued

Hedge of net investments in foreign operations

The Euro denominated loans at 31 July 2023 have been designated as a hedge of the net investments in the subsidiaries in Europe and the Nordics. The borrowing is being used to hedge the Group's exposure to the Euro and Swedish Krona foreign exchange risk on these investments. Gains or losses on the retranslation of this borrowing are transferred to OCI 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 OCI before tax is equal to the change in fair value used for measuring effectiveness. There is no ineffectiveness recognised in profit or loss.

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 summarise 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

The tables below summarise the maturity profile of the Group's significant discounted financial liabilities at 31 July 2022.

At 31 July 2022	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)	—	74,351	—	74,351
Lease liabilities	3,599	21,368	—	24,967
ClimaRad vendor loan	—	9,557	—	9,557
Forward foreign currency exchange outflow	17,654	—	—	17,654
Forward foreign currency exchange inflow	(18,729)	—	—	(18,729)
Contingent consideration – ClimaRad BV	—	7,052	—	7,052
Contingent consideration – ERI	—	7,080	—	7,080
Trade payables and other accrued expenses	47,100	—	—	47,100
	49,624	119,408	—	169,032

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.

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2023

28. Risk management continued

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:

	Trade receivables					Total £000
	Current £000	<30 days £000	30–60 days £000	61–90 days £000	>91 days £000	
31 July 2023						
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

	Trade receivables					Total £000
	Current £000	<30 days £000	30–60 days £000	61–90 days £000	>91 days £000	
31 July 2022						
Expected credit loss rate	<0.1%	<0.1%	<0.5%	1.5%	20.6%	
Estimated total gross carrying amount at default	39,195	5,273	2,289	946	3,618	51,321
Expected credit loss	8	—	6	14	744	772

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 2023 and 2022 is the carrying amount. The Group's maximum exposure to derivative financial instruments is noted in either note 22 or in the liquidity table on the previous page.

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 investments and 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 22 and the contingent consideration in notes 15 and 22. 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 22 for details on the valuation techniques used to measure the fair value.

29. 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 2023 or 31 July 2022.

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 140 to 161).

Compensation of key management personnel

	2023 £000	2022 £000
Short-term employee benefits	3,886	3,517
Share-based payment charge (see note 32)	1,003	1,049
Total	4,889	4,566

Key management personnel is defined as the CEO, the CFO and the fourteen (2022: thirteen) individuals who report directly to the CEO.

30. Group structure details

At 31 July 2023, 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
Fresh AB ²	Ventilation products	Sweden
Welair AB ³	Ventilation products	Sweden
VoltAir System AB ⁴	Ventilation products	Sweden
PAX AB ⁵	Ventilation products	Sweden
Volution Norge AS (formerly Fresh Norge AS) ⁶	Ventilation products	Norway

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2023

30. Group structure details continued

Group company	Principal activity	Country of incorporation
Fresh Shanghai Limited ⁷	Ventilation products	China
inVENTer GmbH ⁸	Ventilation products	Germany
Volution Management Holdings GmbH ⁸	Intermediate holding company	Germany
Volution Deutschland Real Estate GmbH ⁸	Property holding company	Germany
Brüggemann Energiekonzepte GmbH ⁹	Ventilation products	Germany
Ventilair Group International BVBA ¹⁰	Intermediate holding company	Belgium
Ventilair Group Belgium BVBA ¹⁰	Ventilation products	Belgium
Ventilair Group Netherlands B.V. ¹¹	Ventilation products	Netherlands
Ventilair France SARL ¹²	Ventilation products	France
Volution Ventilation New Zealand Limited (formerly known as Chinook Limited) ¹³	Intermediate holding company	New Zealand
Simx Limited ¹³	Ventilation products	New Zealand
Vent-Axia B.V. (formerly known as AirFan B.V.)	Ventilation products	Netherlands
Oy Pamon Ab ¹⁴	Ventilation products	Finland
Air Connection ApS ¹⁵	Ventilation products	Denmark
Volution Ventilation Australia Pty Limited (formerly known as Woamera Pty Limited) ¹⁶	Intermediate holding company	Australia
Ventair Pty Limited ¹⁶	Ventilation products	Australia
ERI Corporation DOO Bitola ¹⁷	Ventilation products	North Macedonia
ERI Corporation SRL ¹⁸	Ventilation products	Italy
Energy Recovery Industries Trading SLU ¹⁹	Ventilation products	Spain
Energy Recovery Industries Corporation Limited ²⁰	Ventilation products	UK
Ventilairsec ²¹	Ventilation products	France
Neosfair ²¹	Ventilation products	France
I-VENT doo ²²	Ventilation products	Slovenia
Lunos Hrvatska d.o.o. ²³	Ventilation products	Croatia

Registered offices

- | | | |
|---|--|---|
| 1. Fleming Way, Crawley, West Sussex RH10 9YX. | 10. Pieter Verhaeghestraat 8, 8520 Kuurne, Belgium. | 18. Via Modigliani 90 81031 Aversa, Italy. |
| 2. Gransholmsvägen 136, 35599 Gemla, Sweden. | 11. Kerver 16, 5521 DB Eersel, the Netherlands. | 19. Calle Pere Dezcallar I Net 11 Planta 2, 07003 Palma De Mallorca Illes Balears, Spain. |
| 3. Strandvägen 65, 87052 Nyland, Sweden. | 12. Boulevard de la Liberté 130, FR-59000 Lille, France. | 20. 15 Ashfield, Consett, United Kingdom, DH8 0RF. |
| 4. Box 7033, 12107 Stockholm-Globen, Sweden. | 13. 1 Haliday Place, East Tamaki, Auckland, 2013, New Zealand. | 21. 16 Rue des Imprimeurs, 44220 Couëron, France |
| 5. Kattkärrsvägen 4, 64831 Hälleforsnäs, Sweden. | 14. Keskikankaantie 17, 15680 Hollola, Finland. | 22. Robbova ulica 2, 1000 Ljubljana, Slovenia |
| 6. Professor Birkelands vei 24B, 1081 Oslo, Norway. | 15. Rude Havvej 17B, DK-8300 Odder, Denmark. | 23. Zagreb (Grad Zagreb), Samoborska cesta 153A, Croatia |
| 7. No. 272-3 Julu Road, Shanghai, China. | 16. 4 Capital Pl, Carrum Downs VIC 3201, Australia. | |
| 8. Ortsstraße 4a 07751 Löberschütz, Germany. | 17. BURSA 124 7000, Bitola, North Macedonia. | |
| 9. Uhlenhorst 149A, 21435 Stelle, Germany. | | |

At 31 July 2023, Volution Group plc held 75% 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

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 and Vent-Axia Group 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.

31. Commitments and contingencies

Commitments for the acquisition of property, plant and equipment as of 31 July 2023 are £582,000 (2022: £730,000).

32. Share-based payments

Accounting policy

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.

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.

	2023 Number	2022 Number
Outstanding at 1 August	2,954,091	3,270,467
Granted during the year	920,834	365,972
Dividend equivalent added on vesting	28,355	26,500
Exercised during the year	(187,697)	(236,094)
Lapsed during the year	(76,423)	(472,754)
Outstanding at 31 July	3,639,160	2,954,091

The weighted average exercise price for all options is £nil.

Of the total number of options outstanding at 31 July 2023, 1,805,635 had vested and were exercisable.

The weighted average fair value of each option granted during the year was £3.02 (2022: £4.91).

The weighted average remaining contractual life for the share options outstanding as at 31 July 2023 was 7.5 years (2022: 6.8 years).

The following information is relevant in the determination of the fair value of options granted during the year under the LTIP:

	2023
Option pricing model used	Monte Carlo
Weighted average share price at grant date (£)	3.02
Exercise price (£)	Nil
Expected dividend yield (£)	Nil
Expected life (years)	3
Expected volatility	46.2%
Risk-free interest rate	4.09%

Notes to the Consolidated Financial Statements continued

For the year ended 31 July 2023

32. Share-based payments continued

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:

	2023 £000	2022 £000
Equity-settled schemes	1,357	1,115
	1,357	1,115

The Group did not enter into any share-based payment transactions with parties other than employees during the current or previous periods.

33. Events after the reporting period

On 4 August 2023, Volusion Group acquired the trade and assets of Proven Systems Limited ("DVS"), a market leading supplier and installer of home ventilation solutions in New Zealand, for an initial consideration of NZ\$18 million with a further contingent cash consideration of up to NZ\$9 million based on stretching targets for the financial results in the next 12 months and the year ending 31 March 2025.

Transaction costs relating to professional fees associated with the acquisition in the period ended 31 July 2023 were £207,000 and have been expensed as cost of business combinations separately disclosed on the face of the consolidated statement of comprehensive income above operating profit.

34. 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 3,365,875 dilutive potential ordinary shares at 31 July 2023 (2022: 2,966,484).

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 2023 at the average exchange rate for the year ended 31 July 2022. In addition, we have converted the UK operating companies' sale and purchase transactions in the year ended 31 July 2023, which were denominated in foreign currencies, at the average exchange rates for the year ended 31 July 2022.

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 2023

	Notes	2023 £000	2022 £000
Non-current assets			
Property, plant and equipment	4	140	162
Investments	5	199,322	199,322
Deferred tax asset	6	3,417	2,719
		202,879	202,203
Current assets			
Other receivables and prepayments	7	135,160	116,189
Other current financial assets	8	—	890
Cash and short-term deposits		1,118	151
		136,278	117,230
Total assets		339,157	319,433
Current liabilities			
Trade and other payables	9	(24,461)	(23,024)
Other current financial liabilities	8	(433)	—
		(24,894)	(23,024)
Non-current liabilities			
Interest-bearing loans and borrowings	10	(78,677)	(73,507)
		(78,677)	(73,507)
Total liabilities		(103,571)	(96,531)
Net assets		235,586	222,902
Capital and reserves			
Share capital	11	2,000	2,000
Share premium		11,527	11,527
Treasury shares		(2,390)	(3,574)
Share-based payment reserve		5,357	4,910
Capital reserve		(273)	(273)
Retained earnings		219,365	208,312
Total equity		235,586	222,902

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 2023 was £27.5 million (2022: £20.2 million).

The financial statements of Volution Group plc (registered number: 09041571) were approved by the Board of Directors and authorised for issue on 4 October 2023.

On behalf of the Board



Ronnie George
Chief Executive Officer



Andy O'Brien
Chief Financial Officer

Parent Company Statement of Changes in Equity

For the year ended 31 July 2023

	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 2021	2,000	11,527	(3,739)	3,943	(273)	202,128	215,586
Profit for the year	—	—	—	—	—	20,233	20,233
Total comprehensive income	—	—	—	—	—	20,233	20,233
Share-based payment	—	—	—	2,096	—	—	2,096
Purchase of own shares	—	—	(1,900)	—	—	—	(1,900)
Vesting of shares	—	—	2,065	(1,129)	—	(777)	159
Dividends paid	—	—	—	—	—	(13,272)	(13,272)
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 31 July 2023	2,000	11,527	(2,390)	5,357	(273)	219,365	235,586

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 option schemes.

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 32 of the Group financial statements for further details.

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.

Retained earnings

£131,795,000 of the retained earnings balance at 31 July 2023 is available for distribution (2022: £120,294,000).

Parent Company Statement of Cash Flows

For the year ended 31 July 2023

	Notes	2023 £000	2022 £000
Operating activities			
Profit for the year after tax		27,515	20,233
Adjustments to reconcile profit for the year to net cash flow from operating activities:			
Income tax for the year		(2,474)	(817)
Business combination-related costs		1,032	199
Cash flows relating to business combination costs		(1,032)	(199)
Finance revenue		(45)	(70)
Finance costs		5,051	1,040
Effect of exchange on foreign denominated loans		1,308	(1,744)
Share-based payment expense		1,357	1,115
Depreciation of property, plant and equipment	4	35	29
Working capital adjustments:			
Increase in other receivables and prepayments		(16,995)	(4,877)
Increase/(Decrease) in trade and other payables		1,438	(560)
Net cash flow generated from operating activities		17,190	14,349
Investing activities			
Purchase of property, plant and equipment	4	(13)	(29)
Interest received		45	70
Net cash flow generated from investing activities		32	41
Financing activities			
Interest paid		(3,008)	(1,765)
Repayment of interest-bearing loans and borrowings		(62,240)	(33,626)
Proceeds from new borrowings		65,950	36,428
Issue costs of new borrowings		(300)	(330)
Dividend paid to equity holders		(14,823)	(13,272)
Purchase of own shares		(1,834)	(1,900)
Net cash flow (used in) financing activities		(16,255)	(14,465)
Net increase in cash and cash equivalents		967	(75)
Cash and cash equivalents at the start of the year		151	226
Cash and cash equivalents at the end of the year		1,118	151

Notes to the Parent Company Financial Statements

For the year ended 31 July 2023

1. General information

These financial statements were approved and authorised for issue by the Board of Directors of Volution Group plc (the Company) on 4 October 2023.

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. Basis of preparation

The financial statements are prepared in accordance with UK-adopted international accounting standards (IFRS).

The financial statements are presented in Sterling (£), 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

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 29 of the Group financial statements.

New standards and interpretations

The standards or interpretations listed below have become effective since 1 August 2022 for annual periods beginning on or after 1 January 2022.

The following amendments became effective as at 1 January 2022:

- Amendments to IFRS3 "Reference to the Conceptual Framework"
- Amendments to IAS 16 "Property, plant and equipment – proceeds before intended use"
- Amendments to IFRS 9 "Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities"

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 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"
- Amendments to IAS 1 and IFRS Practice Statement 2 – "Disclosure of accounting policies"

The following amendments became effective as at 1 January 2024:

- Amendments to IAS 1 "Classification of liabilities as current or non-current"
- Amendments to IAS 1 "Non-current liabilities with covenants"
- Amendments to IAS 7 "Supplier Finance Arrangements"

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the Company financial statements 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

	2023 £000	2022 £000
Staff costs		
Wages and salaries	4,127	3,381
Social security costs	338	302
Share-based payment charge	1,357	1,115
Other pension costs	76	63
	5,898	4,861

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 2022/23 but based on actual salary levels in 2023/24.

Average monthly number of employees in the year

	2023 Number	2022 Number
Administration	17	16

Directors' remuneration

	2023 £000	2022 £000
Amounts paid in respect of qualifying services		
Aggregate Directors' remuneration	3,748	3,497
Aggregate Directors' pension scheme contributions	59	72
In respect of the highest paid Director		
Aggregate Director's remuneration	2,298	2,148
Aggregate Director's pension scheme contributions	48	55

The number of Directors accruing benefits under Company money purchase pension arrangements was £nil (2022: £nil).

The Group also incurred fees and expenses of £400,000 (2022: £367,000) in respect of Paul Hollingworth, Tony Reading, Claire Tiney, Amanda Mellor, Nigel Lingwood, Margaret Amos and Jonathan Davis for their services as Non-Executive Directors.

Notes to the Parent Company Financial Statements continued

For the year ended 31 July 2023

4. Property, plant and equipment

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
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

2022	Fixtures, fittings, tools, equipment and vehicles £000	Total £000
Cost		
At 1 August 2021	260	260
Additions	29	29
At 31 July 2022	289	289
Depreciation		
At 1 August 2021	98	98
Charge for the year	29	29
At 31 July 2022	127	127
Net book value		
At 31 July 2022	162	162

5. Investments

2023	£000
Cost	
At 31 July 2022 and 31 July 2023	199,322

For a list of the subsidiaries in which Volution Group plc held 100% of the voting shares as at 31 July 2023, see note 30 of the Group financial statements.

The Group has considered whether there is objective evidence that the investment in subsidiaries is impaired. A similar model and assumptions were used in this assessment to those used for the Group goodwill impairment testing (see note 13 of the Group financial statements for further details). No impairment has been identified.

6. Deferred tax balances

Deferred tax assets and liabilities arise from the following:

	1 August 2022 £000	Charged to income £000	Charged to equity £000	31 July 2023 £000
Deferred tax asset				
Temporary differences	2,719	434	264	3,417

7. Other receivables and prepayments

	2023 £000	2022 £000
Amounts owed by Group undertakings	134,451	115,474
Prepayments	709	715
	135,160	116,189

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 assets and liabilities

	2023 Current £000	2022 Current £000
Financial assets		
Foreign exchange forward contracts	—	890
	—	890
	2023 Current £000	2022 Current £000
Financial liabilities		
Foreign exchange forward contracts	433	—
	433	—

The foreign exchange forward contracts are carried at their fair value with the gain or loss being recognised in the Company's consolidated statement of comprehensive income. Refer to note 28 within the Group's financial statements for the fair value hierarchy the Group uses to determine the fair value of financial instruments.

9. Trade and other payables

	2023 £000	2022 £000
Trade payables	552	448
Other payables	411	—
Accruals	2,773	2,610
Amounts owed to Group undertakings	20,725	19,966
	24,461	23,024

10. Interest-bearing loans and borrowings

	2023		2022	
	Current £000	Non-current £000	Current £000	Non-current £000
Unsecured – at amortised cost				
Borrowings under the revolving credit facility (maturing 2025)	—	79,369	—	74,351
Cost of arranging bank loan	—	(692)	—	(843)
	—	78,677	—	73,508

In December 2022, the Group took the option to extend its multicurrency "Sustainability Linked Revolving Credit Facility", together with an accordion of up to £30 million, by a period of twelve months; the maturity date is now December 2025.

Notes to the Parent Company Financial Statements continued

For the year ended 31 July 2023

10. Interest-bearing loans and borrowings continued

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			

Revolving credit facility – at 31 July 2022

Currency	Amount outstanding £000	Termination date	Repayment frequency	Rate %
GBP	—	2 December 2024	One payment	SONIA + margin%
Euro	71,932	2 December 2024	One payment	EURIBOR + margin%
Swedish Krona	2,419	2 December 2024	One payment	STIBOR + margin%
Total	74,351			

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 2023, Group leverage was below 1.0:1 and therefore the margin will remain at 1.25%.

At 31 July 2023, the Group had £70,631,000 (2022: £75,649,000) of its multicurrency revolving credit facility unutilised, plus an unutilised accordion of up to £30,000,000.

Reconciliation of movement in financial liabilities

Reconciliation of movement of financial liabilities	2023 £000	2022 £000
At 1 August	74,351	73,293
Additional loans	65,950	36,428
Repayment of loans	(62,240)	(33,626)
Interest charge	3,008	1,765
Interest paid	(3,008)	(1,765)
Foreign exchange	1,308	(1,744)
At 31 July	79,369	74,351

Changes in liabilities arising from financing activities

	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	Share capital £000	Share premium £000
At 31 July 2022 and 31 July 2023	200,000,000	2,000	11,527

12. Dividends paid and proposed

	2023 £000	2022 £000
Cash dividends on ordinary shares declared and paid		
Interim dividend for 2023: 2.50 pence per share (2022: 2.30 pence)	4,942	4,553
Proposed dividends on ordinary shares		
Final dividend for 2023: 5.50 pence per share (2022: 5.00 pence)	10,863	9,891

The interim dividend payment of £4,942,000 is included in the consolidated statement of cash flows (2022: £4,553,000).

A final dividend payment of £9,891,000 is included in the consolidated statement of cash flows relating to 2022 (2022: £8,719,000).

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 2023.

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.

	2023		2022	
	Amounts owed by related parties £000	Amounts owed to related parties £000	Amounts owed by related parties £000	Amounts owed to related parties £000
Related parties				
Volution Ventilation Group Limited	95,066	19,966	73,461	19,966
Volution Holdings Limited	39,385	—	36,580	—
ERI	—	—	2,738	—
Ventair	—	—	2,695	—
VMI	—	759	—	—
	134,451	20,725	115,474	19,966

Sales made to Volution Holdings Limited of £4,113,000 (2022: £3,885,000) relate to management fees. The sales are made on terms equivalent to those that prevail in arm's length transactions. 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 32 of the Group financial statements.

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
Lo-Carbon products	a trademark used to represent our low-energy range of products
MEV	mechanical extract ventilation: a system of ventilation operated by a power-driven mechanism which extracts air from a room and discharges it only to the external air
Motorised impellers	a motor that is supplied complete with an impeller attached to it
MVHR	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

Shareholder Information

Shareholder services

For any enquiries concerning your shareholding please contact our registrar:

Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex BN99 6DA
United Kingdom

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 2030¹ 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.

Company advisers

External independent auditor

Ernst & Young LLP

Corporate brokers

Liberum Capital

Berenberg

Legal adviser

Norton Rose Fulbright

Financial PR adviser

FTI Consulting

Company Secretary and registered office

Fiona Smith

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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.



Volution Group plc's commitment to environmental stewardship is reflected in this Annual Report, which has been printed on Revive 100 Silk, which is 100% post-consumer recycled, FSC® certified. This document was printed by Pureprint Group using its environmental print technology, with 99% of dry waste diverted from landfill, minimising the impact of printing on the environment. The printer is a CarbonNeutral® company.

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