

Monday 30 October 2017

Volution Group plc
Annual Report and Accounts 2017 and Notice of Annual General Meeting

Volution Group plc (“Volution” or the “Company”, LSE: FAN), a leading supplier of ventilation products to the residential and commercial construction markets, announces that following the release by Volution on 10 October 2017 of the Company’s Preliminary Results Announcement for the year ended 31 July 2017, it has today posted and made available to shareholders on its website, <http://www.volutiongroupplc.com/> the documents listed below:

- Annual Report and Accounts 2017
- Notice of Annual General Meeting 2017
- Form of Proxy for the Annual General Meeting 2017

Copies of these documents are also being submitted to the National Storage Mechanism and will shortly be available for inspection at: <http://www.hemscott.com/nsm.do>

The Company’s Annual General Meeting will be held at 12.00 noon on Wednesday 13 December 2017 at the offices of Norton Rose Fulbright LLP, 3 More London Riverside, London SE1 2AQ.

A condensed set of financial statements and information on important events that have occurred during the year ended 31 July 2017 and their impact on the financial statements, were included in the Company’s Preliminary Results Announcement made on 10 October 2017, which is available on the Company’s website referred to above. That information together with the information set out below in the appendices to this announcement (which is extracted from the Annual Report and Accounts 2017), constitute the material required by Disclosure Guidance & Transparency Rule 6.3.5(2)(b) which is required to be communicated to the media in full unedited text through a Regulatory Information Service. This announcement is not a substitute for reading the full Annual Report and Accounts 2017.

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Enquiries:

Volution Group plc

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Note to Editors:

Volution Group plc (LSE: FAN) is a leading supplier of ventilation products to the residential and commercial construction markets in the UK, the Nordics and Central Europe.

The Volution Group operates through two divisions: the Ventilation Group and the OEM (Torin-Sifan) division. The Ventilation Group consists of 13 key brands - Vent-Axia, Manrose, Diffusion, National Ventilation, Airtech, Breathing Buildings, Fresh, PAX, VoltAir System, Welair, inVENTer, Brüggemann and Ventilair, focused primarily on the UK, the Nordic and Central European ventilation markets. The Ventilation Group principally supplies ventilation products for residential and commercial ventilation applications. The OEM (Torin-Sifan) division supplies motors, fans and blowers to OEMs of heating and ventilation products for both residential and commercial construction applications in Europe.

For more information, please go to: www.volutiongroupplc.com

Legal Entity Identifier: 213800EPT84EQCDHO768

APPENDICES

Appendix A: Directors' Responsibility Statement

The following Directors' Responsibility Statement is extracted from page 88 of the Annual Report and Accounts 2017 and is repeated in this announcement solely for the purpose of complying with DTR 6.3.5 (2) (b). The statement relates to the full Annual Report and Accounts 2017 and not the extracted information contained in this announcement:

The Directors are responsible for preparing the Annual Report and the Group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and parent company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with IFRS as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with IFRS as adopted by the EU.

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 parent company and of their profit or loss for that period. In preparing each of the Group and parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether the Group and parent company financial statements have been prepared in accordance with IFRS as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a strategic report, directors' report, directors' remuneration report and corporate governance statement that complies with that law and those regulations.

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

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report and the Directors' Report include a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

By order of the Board

Ronnie George
Chief Executive Officer
10 October 2017

Ian Dew
Chief Financial Officer
10 October 2017

Appendix B: Principal Risks and Uncertainties

The following is extracted from pages 32 to 37 of the Annual Report and Accounts 2017 and is repeated in this announcement solely for the purpose of complying with DTR 6.3.5 (2) (b). The information relates to the full Annual Report and Accounts 2017 and not the extracted information contained in this announcement:

The Board is committed to protecting and enhancing the Group's reputation and assets, while safeguarding the interests of shareholders. 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 comparable companies in terms of scale and operations.

The risks and uncertainties facing the Group have also been considered in the context of the UK leaving the European Union. Whilst negotiations continue between the UK and the European Union, it is still too early to judge the long-term implications, and at the current time we consider that the principal risks affecting the Group are unchanged. The Board will, however, continue to closely monitor market conditions and will react accordingly.

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. This framework of risk management has been enhanced this year and additional processes have been introduced across the Group which will assist the Board to monitor and assess the principal risks throughout the year. In addition, to enhance risk awareness, embed risk management and gain greater participation in managing risk across the Group, a programme of employee communication commenced during the year.

The Group's risk management systems are 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 2017.

Identifying and monitoring material risks

Material risks are identified through a detailed 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 a biannual 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 UK Corporate Governance Code (the 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 C.2.1 of the 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. These risks are similar to those reported last year, although with some movement on the direction of the perceived risk. 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.

Risk	Impact	Strategic consequence	Likelihood	Potential impact	Risk Direction	Mitigation
<p>Economic risk including the UK exit from the EU.</p> <p>A decline in general economic activity and/or a specific decline in activity in the construction industry, including, but not exclusively, an economic decline caused by the UK leaving the European Union.</p>	<p>Demand for our products serving the residential and commercial construction markets would decline. This would result in a reduction in revenue and profitability.</p>	<p>Our ability to achieve our ambition for continuing organic growth would be adversely affected.</p>	Possible	High	<p>Stable</p> <p>Trading patterns during the year have remained stable including any which may be attributed to the decision to leave the EU.</p>	<p>Geographic spread from our international acquisition strategy helps to mitigate the impact of local fluctuations in economic activity.</p> <p>New product development, the breadth of our product portfolio and the strength and specialisation of our sales forces should allow us to outperform against a general decline.</p> <p>We are heavily exposed to the RMI market, which is more resilient to the effects of general economic decline affecting the construction industry. This remains true even under current circumstances where conditions specific to the public RMI market mean that our sales in that sector have recently declined.</p> <p>Our business is not capital intensive and our operational flexibility allows us to react quickly to the impact of a decline in volume.</p>
<p>Acquisitions.</p> <p>We may fail to identify suitable acquisition targets at an acceptable price or we may fail to complete or properly integrate the acquisition.</p>	<p>Revenue and profitability would not grow in line with management's ambitions and investor expectations.</p> <p>Failure to properly integrate a business may distract senior management from other priorities and adversely affect revenue and profitability.</p> <p>Financial performance could be impacted by failure to integrate acquisitions and to secure possible synergies.</p>	<p>Our strategic ambition to grow by acquisition may be compromised.</p>	Possible	Medium	<p>Stable</p> <p>We continue to implement our strategy, completing two acquisitions during the year.</p>	<p>The ventilation industry in Europe is fragmented with many opportunities to court acquisition targets.</p> <p>Senior management has a clear understanding of potential targets in the industry and a track record of ten acquisitions over the past five years.</p> <p>Management is experienced in integrating new businesses into the Group.</p> <p>Our policy of rigorous due diligence prior to acquisition and a structured integration process post acquisition has been maintained.</p>
<p>Foreign exchange risk.</p> <p>The exchange rates between currencies that we use may move adversely.</p>	<p>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.</p>	<p>Our ambition to grow internationally through acquisition exposes us to increasing levels of translational foreign exchange risk.</p>	Likely	Medium	<p>Increasing.</p> <p>Our policy on foreign currency risk has remained unchanged.</p> <p>Our exposure to the translation effect of foreign earnings has increased following the acquisition of VoltAir System in Sweden during the year.</p>	<p>Significant transactional risks are hedged by using forward currency contracts to fix exchange rates for the ensuing financial year.</p> <p>Revaluation of foreign currency-denominated assets and liabilities is partially hedged by corresponding foreign currency bank debt.</p>
<p>IT Systems including cyber breach.</p> <p>We may be adversely affected by a breakdown in our IT systems or a failure to properly implement any new systems.</p>	<p>Failure of our IT and communication systems could affect any or all of our business processes and have significant impact on our ability to trade, collect cash and make payments.</p>	<p>We could temporarily lose sales and market share and could potentially damage our reputation for customer service.</p>	Possible	Medium	<p>Increasing</p> <p>We believe there is an increasing risk as the frequency and sophistication of cyberattacks on businesses has been increasing.</p>	<p>Disaster recovery and data backup processes are in place, operated diligently and tested regularly.</p> <p>A significant Enterprise Resource Planning system upgrade is underway for several key sites, managed by a dedicated team of experienced senior employees from the business. A disaster failover site has been implemented.</p>

Risk	Impact	Strategic consequence	Likelihood	Potential impact	Risk Direction	Mitigation
						<p>We have a three-layered system of network security protection against cyberattack or breaches of security. This infrastructure is maintained to withstand the increasingly sophisticated worldwide cyber threats. We also undertake regular cyber security testing.</p>
<p>Customers.</p> <p>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.</p>	<p>Any deterioration in our relationship with a significant customer could have an adverse significant effect on our revenue from that customer.</p>	<p>Our organic growth ambitions would be adversely affected.</p>	Possible	Medium	<p>Stable</p> <p>Our underlying risk of losing the revenue of any one customer continues unchanged; however, our recent acquisitions have further served to diversify our customer base.</p>	<p>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.</p> <p>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.</p> <p>We continue to develop new and existing products to support our product portfolio and brand reputation.</p> <p>We provide an excellent level of customer service.</p>
<p>Legal and Regulatory environment.</p> <p>Changes in laws or regulation relating to the carbon efficiency of buildings, the efficiency of electrical products, or compliance may change.</p>	<p>The shift towards higher value-added and more energy-efficient products may not develop as anticipated resulting in lower sales and profit growth.</p> <p>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.</p> <p>Failure to manage certain compliance risks adequately could lead to death or serious injury of an employee or third party, and/or penalties for non-compliance in health and safety, anti-bribery, data protection or competition law.</p>	<p>Our organic growth ambitions may be adversely affected.</p> <p>We may need to review our acquisition criteria to reflect the dynamics of a new regulatory environment.</p> <p>We may have to redirect our new product development activity.</p>	Possible	Medium	<p>Stable</p> <p>There has been no significant new legislation or regulation, or changes to current legislation or regulation, which has had, or could have, a material impact on the business.</p>	<p>We participate in trade bodies that help to influence the regulatory environment in which we operate and as a consequence we are also well placed to understand future trends in our industry.</p> <p>We are active in new product development and have the resource to react to and anticipate necessary changes in the specification of our products.</p> <p>We employ internal specialist expertise, supported where needed by suitably qualified and experienced external providers. Local operational compliance audits are undertaken.</p> <p>We have training and awareness programmes in place such as health and safety and anti-bribery. We have a whistleblowing hotline managed by an independent third party providing employees with a process to raise non-compliance issues.</p>
<p>Supply chain and raw materials.</p> <p>Raw materials or components may become difficult to source because of material scarcity or disruption of supply.</p>	<p>Sales and profitability may be reduced during the period of constraint.</p> <p>Prices for the input material may increase and our costs may increase.</p>	<p>Organic growth may be reduced.</p> <p>Our product development efforts may be redirected to find alternative materials and components.</p>	Unlikely	Medium	<p>Stable</p> <p>Our pattern of purchasing and relationships with our long-term supplier base remains unchanged.</p> <p>Our policy of ensuring a resilient supply base remains a priority.</p>	<p>We establish long-term relationships with key suppliers to promote continuity of supply and where possible we have alternative sources identified.</p>

Risk	Impact	Strategic consequence	Likelihood	Potential impact	Risk Direction	Mitigation
Innovation. 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 which 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.	Possible	Low	Stable We continue to demonstrate innovation with new product launches, and a number of awards were received during the year.	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.
People. 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.	Possible	Low	Stable There have been no significant changes to the supply and retention of quality employees.	Regular employee appraisals allow two-way feedback on performance and ambition. A Management Development Programme was initiated in 2013 (with the latest to be launched in late 2017) to provide key employees with the skills needed to grow within the business and to enhance their contribution to the business. The Group aims to reward and incentivise employees competitively.

Appendix C: Related Party Transactions

The following description of related party transactions involving the Company and its subsidiaries during the financial year ended 31 July 2017 is extracted from page 137 of the Annual Report and Accounts 2017 and is repeated in this announcement solely for the purpose of complying with DTR 6.3.5 (2)(b):

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 2017 or 31 July 2016.

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 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 67 to 84).

Compensation of key management personnel

	2017	2016
	£000	£000
<i>Short-term employee benefits</i>	2,714	2,292
<i>Share-based payment change (see note 32)</i>	512	389
Total	3,226	2,681

Key management personnel is defined as the CEO, the CFO and the ten (2016: nine) individuals who report directly to the CEO.