Thursday 10 October 2024

VOLUTION GROUP PLC

Full year results for the year ended 31 July 2024

Continuing to deliver strong compounding growth

Volution Group plc ("Volution" or "the Group" or "the Company", LSE: FAN), a leading international designer and manufacturer of energy efficient indoor air quality solutions, today announces its audited financial results for the 12 months ended 31 July 2024.

RESULTS SUMMARY

	2024	2023	Change
Revenue (£m)	347.6	328.0	+6.0%
Adjusted operating profit (£m)[1]	78.0	69.9	+11.7%
Adjusted operating profit margin (%)[1]	22.5%	21.3%	+1.2pp
Adjusted profit before tax (£m)[1]	70.7	65.1	+8.7%
Adjusted basic EPS (pence)[1]	28.0	25.8	+8.5%
Adjusted operating cash flow (£m)[1]	85.8	75.7	+13.4%
Statutory operating profit (£m)	70.4	57.1	+23.2%
Statutory profit before tax (£m)	56.6	48.8	+15.9%
Statutory basic EPS (pence)	21.6	19.0	+13.7%
Dividend per share (pence)	9.0	8.0	+12.5%
Return on Invested Capital (ROIC)[1]	27.8%	27.4%	+0.4pp
Adjusted operating cash conversion[1]	107%	106%	+1.0pp

FINANCIAL HIGHLIGHTS

- Group revenue up 6.0%; +1.5% organic (cc), +6.5% inorganic, offset by a 2.0% adverse foreign exchange impact
- Adjusted operating profit margin up 120bps to 22.5% (2023: 21.3%), driven by strong UK performance, with enhanced mix and benefits from wider group value engineering, procurement initiatives and operational excellence
- Excellent cash conversion of 107% (2023: 106%), above our target of 90%, assisted by further inventory optimisation
- Adjusted basic EPS up 8.5% at 28.0 pence (2023: 25.8 pence), with reported basic EPS at 21.6 pence (2023: 19.0 pence)
- High return on invested capital maintained: ROIC (pre-tax) of 27.8% (2023: 27.4%)
- Proposed final dividend of 6.2p, bringing total dividend for the year to 9.0p, up 12.5% (2023: 8.0p)

OPERATIONAL & STRATEGIC HIGHLIGHTS

- Excellent organic growth in UK residential (+17.1%) with continued strong demand in Public RMI coupled with good growth in new build systems supported by regulatory changes
- Strong growth in ClimaRad NL and Australia, offsetting weaker performance and more challenging market conditions in UK OEM, Germany and New Zealand
- New product introductions contributing well especially in the UK with our residential applications, in Australia where we are moving more quickly to low carbon ceiling fan solutions and in France via the roll out of an extended range of group products
- Completed the acquisition of DVS (New Zealand) at the start of the year, initial consideration of £8.5 million, net of cash acquired
- Signed an agreement post year end to acquire the Fantech Group in Australasia ('Fantech') for AUD$280 million, our largest acquisition to date, with closing currently anticipated by the end of calendar year 2024

SUSTAINABILITY HIGHLIGHTS

- First Group-wide Employee Engagement Survey completed in the year, strong overall engagement
- Our fourth Management Development Programme with 17 internal participants completes in October 2024
- Significant improvement in reportable accident frequency, down from 0.30 (2023) to 0.20 (2024) per 100,000 hours worked
- Continued progress on "product" and "planet" targets with low-carbon revenue at 70.9% (2023: 70.1%) and recycled plastics 78.1% (2023: 76.2%), albeit with a small increase in carbon intensity to 12.8tCO_2/£m revenue (2023: 12.3tCO2/£m revenue)
- Our SBTi aligned carbon emissions targets, have been technically validated and final evaluation is in progress

1 The Group uses some alternative performance measures (APMs) to track and assess the underlying performance of the business. These measures include adjusted operating profit, adjusted operating profit margin, adjusted profit before tax, adjusted basic EPS, adjusted operating cash flow, return on invested capital, net debt, net debt (excluding lease liabilities) and adjusted operating cash conversion. The reconciliation of the Group's statutory profit before tax to adjusted profit measures of performance is summarised in note 2 to the condensed consolidated financial statements. For a definition of all the adjusted and non-GAAP measures, please see the glossary of terms in note 25 to the condensed consolidated financial statements.

Commenting on the Group's performance, Ronnie George, Chief Executive Officer, said:

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

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

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

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A meeting for analysts will be held at 09:30am GMT today, Thursday 10 October 2024, at the offices of FTI Consulting, 200 Aldersgate, Aldersgate Street, London, EC1A 4HD. Please contact FTI_Volution@fticonsulting.com to register to attend or for instructions on how to connect to the meeting via conference facility.

A copy of this announcement and the presentation given to analysts will be available on our website www.volutiongroupplc.com on Thursday 10 October 2024.

Volution Group plc Legal Entity Identifier: 213800EPT84EQCDHO768.

Note to Editors:

Volution Group plc (LSE: FAN) is a leading international designer and manufacturer of energy efficient indoor air quality solutions. Volution Group comprises 22 key brands across three regions:

UK: Vent-Axia, Manrose, Diffusion, National Ventilation, Airtech, Breathing Buildings, Torin-Sifan.

Continental Europe: Fresh, PAX, VoltAir, Kair, Air Connection, inVENTer, Ventilair, ClimaRad, rtek, ERI, VMI, I-Vent.

Australasia: Simx, Ventair, Manrose, DVS.

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

Cautionary statement regarding forward-looking statements

This document may contain forward-looking statements which are made in good faith and are based on current expectations or beliefs, as well as assumptions about future events. You can sometimes, but not always, identify these statements by the use of a date in the future or such words as "will", "anticipate", "estimate", "expect", "project", "intend", "plan", "should", "may", "assume" and other similar words. By their nature, forward-looking statements are inherently predictive and speculative and involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. You should not place undue reliance on these forward-looking statements, which are not a guarantee of future performance and are subject to factors that could cause our actual results to differ materially from those expressed or implied by these statements. The Company undertakes no obligation to update any forward-looking statements contained in this document, whether as a result of new information, future events or otherwise.

Chairman's statement

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

Performance and results

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

Agreement to acquire Fantech, Australasia

Shortly after the year-end, on 20 September 2024, we were pleased to announce the agreement to acquire the Fantech Group in Australasia ('Fantech') for a consideration of AUD$280 million (£143.7 million[2]) on a debt/cash free basis, financed through newly arranged bank facilities. The Board anticipates being able to complete on the transaction, which is subject to antitrust approvals, by the end of the calendar year 2024. Once completed Fantech, will be our largest acquisition to date, provides Volution with a great platform to continue our growth ambitions in Australasia and demonstrates the Board's commitment to the strategy of building a broader market position and set of businesses to enhance returns to shareholders.

Dividends

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

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

Strategy

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

Environmental, social and governance objectives

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

Our people and culture

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

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

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

Board changes

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

Governance

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

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

Nigel Lingwood

Non-Executive Chair

9 October 2024

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

Chief Executive Officer's Review

Overview

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

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

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

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

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

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

Our markets

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

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

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

Results

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

Sustainability

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

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

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

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

Strategy

Organic growth

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

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

Acquisitions

We completed one acquisition in the year. In August 2023, we announced the completion of the acquisition of DVS in New Zealand for an initial consideration of £8.5 million (NZ$17.7 million), net of cash acquired, with further contingent cash consideration of up to NZ$9.0 million. DVS supplies directly to consumers and installs a range of energy-efficient centralised ventilation systems, incorporating positive input, heat recovery, heat transfer, and heating and cooling solutions, supplying into both newbuild and refurbishment applications. A combination of difficult market conditions in New Zealand coupled with slower than originally planned implementation of key product cost initiatives meant that performance in the first year was short of our forecast. Progress is now being made with the initiatives and we are confident that DVS will be a key contributor to our Australasian business and 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 120bps margin improvement to 22.5% despite the dilutionary impact of the three most recent acquisitions that participated in the year and the continuing inflationary pressures across mainly labour, and infrastructure costs. Our technically led value engineering initiatives and Group procurement-led sourcing programmes have again delivered good support for our gross margin improvement.

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

People

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

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

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

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

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

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

Outlook

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

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

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

Ronnie George

Chief Executive Officer

9 October 2024

Regional Review – UK

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

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

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

Residential

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

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

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

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

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

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

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

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

Commercial

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

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

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

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

Export

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

OEM

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

Regional Review – Continental Europe

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

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

Central Europe

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

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

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

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

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

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

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

Nordics

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

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

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

Regional Review – Australasia

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

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

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

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

Financial Review

Results Review

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

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

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

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

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

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

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

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

Reported and adjusted results

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

Amortisation of intangible assets acquired through business combinations was £9.3 million (2023: £11.1 million), down £1.8 million in the year as a number of our older intangible assets reached the end of their amortisation life. Contingent consideration of £1.9 million consists of £1.6 million in respect of i-Vent in Slovenia, where a strong finish to calendar year 2023 was followed by a more difficult trading period in spring/summer 2024 which led to a reduction in our expectation of contingent consideration payable. A small adjustment of £0.3 million was also made in respect of estimated contingent consideration for ERI. Costs associated with business combinations were £0.2 million (2023: £1.1 million), down £0.9 million due to the lower level of acquisitions completed in the year compared to the prior year. Re-measurement of contingent consideration was £6.6 million for the increase in expected consideration for the purchase of the remaining 25% of the shares of ClimaRad due to the strong earnings performance of the ClimaRad business through FY24.

Currency impacts

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

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

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

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

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

Taxation

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

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

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

Excellent cash generation

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

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

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

Movements in net debt position for the year ended 31 July

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

Reconciliation of Bank debt to Net debt

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

Reconciliation of reported to adjusted operating cash flow

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

Funding facilities and liquidity

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

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

Value-adding acquisitions

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

Contingent consideration of £2.6 million for the year 1 measurement period of the FY23 acquisition of i-Vent was paid during the year, as was a deferred payment of £1.9 million related to the FY22 acquisition of ERI.

On 20 September 2024 the Group signed an agreement to acquire Fantech for an initial consideration of AUD$220 million (£113.4 million[2]) on a debt free cash free basis, with further non-contingent consideration of AUD$60 million (£30.9 million[2]) payable 12 months after the completion date. The transaction will be financed using proceeds of the new facility, plus cash on the balance sheet.

High Returns on Invested Capital (ROIC) maintained

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

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

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

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

Recommended dividend

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

Employee Benefit Trust

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

Andy O'Brien

Chief Financial Officer

9 October 2024

Directors' responsibilities in respect of the financial statements

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 Company and the undertakings included in the consolidation taken as a whole; and

- the Strategic report includes a fair review of the development and performance of the business and the position of the Company, and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face. We consider the annual report and financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

The contents of this announcement, including the responsibility statement above, have been extracted from the annual report and accounts for the year ended 31 July 2024 which may be found at www.volutiongroupplc.com and will be despatched to shareholders on or around 23 October 2024. Accordingly, this responsibility statement makes reference to the financial statements of the Company and the group and to the relevant narrative appearing in that annual report and accounts rather than the contents of this announcement.

On behalf of the Board

Ronnie George
Chief Executive Officer
9 October 2024

Andy O'Brien
Chief Financial Officer
9 October 2024

Consolidated Statement of Comprehensive Income

For the year ended 31 July 2024

	Notes	**2024 £000**	2023 £000
Revenue from contracts with customers	3	**347,611**	328,008
Cost of sales		**(169,344)**	(169,149)
Gross profit		**178,267**	158,859
Administrative and distribution expenses		**(109,545)**	(100,095)
Operating profit before separately disclosed items		**68,722**	58,764
Costs of business combinations		**(206)**	(1,032)
Contingent consideration		**1,845**	(640)
Operating profit		**70,361**	57,092
Finance income	5	**283**	65
Finance costs	5	**(6,605)**	(6,513)
Re-measurement of financial liabilities	17	**(870)**	54
Re-measurement of future consideration	17	**(6,599)**	(1,879)
Profit before tax		**56,570**	48,819
Income tax	6	**(13,773)**	(11,437)
Profit after tax		**42,797**	37,382
Attributable to:			
Owners of the parent		**42,797**	37,373
Non-controlling interest		**—**	9
		42,797	37,382
Other comprehensive loss			
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:			
Exchange differences arising on translation of foreign operations		**(6,151)**	(3,015)
Gain/(loss) on currency loans relating to the net investment in foreign operations		**1,124**	(1,309)
Other comprehensive loss for the year		**(5,027)**	(4,324)
Total comprehensive income for the year, net of tax		**37,770**	33,058
Attributable to:			
Owners of the parent		**37,770**	33,049
Non-controlling interest		**—**	9
		37,770	33,058
Earnings per share			
Basic earnings per share	7	**21.6p**	19.0p
Diluted earnings per share	7	**21.4p**	18.7p

Consolidated Statement of Financial Position

At 31 July 2024

	Notes	**2024 £000**	2023 £000
ASSETS			
Non-current assets			
Property, plant and equipment	8	**30,193**	29,448
Right-of-use assets	16	**24,894**	29,902
Intangible assets – goodwill[1]	9	**171,340**	168,988
Intangible assets – others	11	**76,902**	83,863
Total non-current assets		**303,329**	312,201
Current assets			
Inventories	13	**53,112**	58,980
Trade and other receivables	14	**55,239**	52,336
Income tax assets		**392**	—
Cash and short-term deposits		**18,243**	21,244
Total current assets		**126,986**	132,560
Total assets		**430,315**	444,761
LIABILITIES			
Current liabilities			
Trade and other payables	15	**(46,653)**	(47,108)
Refund liabilities		**(10,847)**	(9,817)
Income tax liabilities		**(3,940)**	(4,662)
Other financial liabilities[1]	17	**(22,068)**	(2,901)
Interest-bearing loans and borrowings	18	**(14,363)**	(3,754)
Provisions	19	**(1,450)**	(1,791)
Total current liabilities		**(99,321)**	(70,033)
Non-current liabilities			
Interest-bearing loans and borrowings	18	**(71,630)**	(116,704)
Other financial liabilities[1]	17	**—**	(18,141)
Provisions	19	**(819)**	(301)
Deferred tax liabilities	21	**(12,622)**	(13,337)
Total non-current liabilities		**(85,071)**	(148,483)
Total liabilities		**(184,392)**	(218,516)
Net assets		**245,923**	226,245
Capital and reserves			
Share capital	20	**2,000**	2,000
Share premium	20	**11,527**	11,527
Treasury shares		**(2,250)**	(2,390)
Capital reserve		**93,855**	93,855
Share-based payment reserve		**5,427**	5,584
Foreign currency translation reserve		**(6,252)**	(1,225)
Retained earnings		**141,616**	116,894
Total shareholders' funds		**245,923**	226,245

1 An adjustment has been made during the measurement period relating to the acquisition of I-Vent to increase the fair value of contingent consideration by €4,800,000 (£4,115,000) with an equivalent increase in goodwill. See note 12 for further details.

The consolidated financial statements of Volution Group plc (registered number: 09041571) were approved by the Board of Directors and authorised for issue on 9 October 2024.

On behalf of the Board

Ronnie George
Chief Executive Officer

Andy O'Brien
Chief Financial Officer

Consolidated Statement of Changes in Equity

For the year ended 31 July 2024

	Share capital £000	Share premium £000	Treasury shares £000	Capital reserve £000	Share-based payment reserve £000	Foreign currency translation reserve £000	Retained earnings £000	Total shareholders' funds £000	Non-controlling interest £000	Total equity £000
At 1 August 2022	2,000	11,527	(3,574)	93,855	5,058	3,099	96,247	208,212	96	208,308
Profit for the year	—	—	—	—	—	—	37,373	37,373	9	37,382
Other comprehensive loss	—	—	—	—	—	(4,324)	—	(4,324)	—	(4,324)
Total comprehensive income	—	—	—	—	—	(4,324)	37,373	33,049	9	33,058
Purchase of own shares	—	—	(1,834)	—	—	—	—	(1,834)	—	(1,834)
Exercise of share options	—	—	3,018	—	(1,379)	—	(1,639)	—	—	—
Share-based payment including tax	—	—	—	—	1,905	—	—	1,905	—	1,905
Dividends paid (note 22)	—	—	—	—	—	—	(14,823)	(14,823)	—	(14,823)
Acquisition of non-controlling interest	—	—	—	—	—	—	(264)	(264)	(105)	(369)
At 31 July 2023	2,000	11,527	(2,390)	93,855	5,584	(1,225)	116,894	226,245	—	226,245
Profit for the year	**—**	**—**	**—**	**—**	**—**	**—**	**42,797**	**42,797**	**—**	**42,797**
Other comprehensive loss	**—**	**—**	**—**	**—**	**—**	**(5,027)**	**—**	**(5,027)**	**—**	**(5,027)**
Total comprehensive income	**—**	**—**	**—**	**—**	**—**	**(5,027)**	**42,797**	**37,770**	**—**	**37,770**
Purchase of own shares	**—**	**—**	**(2,732)**	**—**	**—**	**—**	**—**	**(2,732)**	**—**	**(2,732)**
Exercise of share options	**—**	**—**	**2,872**	**—**	**(1,214)**	**—**	**(1,658)**	**—**	**—**	**—**
Share-based payment including tax	**—**	**—**	**—**	**—**	**1,057**	**—**	**—**	**1,057**	**—**	**1,057**
Dividends paid (note 22)	**—**	**—**	**—**	**—**	**—**	**—**	**(16,417)**	**(16,417)**	**—**	**(16,417)**
At 31 July 2024	**2,000**	**11,527**	**(2,250)**	**93,855**	**5,427**	**(6,252)**	**141,616**	**245,923**	**—**	**245,923**

Consolidated Statement of Cash Flows

For the year ended 31 July 2024

	Notes	2024 £000	2023 £000
Operating activities			
Profit for the year after tax		**42,797**	37,382
Adjustments to reconcile profit for the year to net cash flow from operating activities:			
Income tax		**13,773**	11,437
Gain on disposal of property, plant and equipment and intangible assets – other		**(184)**	(17)
Costs of business combinations		**206**	1,032
Contingent consideration		**1,845**	(640)
Cash flows relating to business combination costs		**(206)**	(1,032)
Re-measurement of financial liabilities	17	**870**	(54)
Re-measurement of contingent consideration	17	**6,599**	1,879
Finance revenue	5	**(283)**	(65)
Finance costs	5	**6,605**	6,513
Share-based payment expense		**1,200**	1,357
Depreciation of property, plant and equipment	8	**4,413**	4,102
Depreciation of right-of-use assets	16	**4,738**	3,895
Amortisation of intangible assets	11	**11,129**	12,574
Working capital adjustments net of the effect of acquisitions:			
(Increase)/decrease in trade receivables and other assets		**(2,776)**	6,925
Decrease in inventories		**5,976**	310
Decrease in trade and other payables		**(670)**	(4,505)
Movement in provisions		**204**	89
Cash generated by operations		**92,546**	82,462
UK income tax paid		**(7,019)**	(4,171)
Overseas income tax paid		**(9,817)**	(9,819)
Net cash flow generated from operating activities		**75,710**	68,472
Investing activities			
Payments to acquire intangible assets	11	**(1,918)**	(3,049)
Purchase of property, plant and equipment	8	**(5,464)**	(4,914)
Proceeds from disposal of property, plant and equipment and intangible assets – other		**445**	175
Business combination of subsidiaries, net of cash acquired	12	**(8,498)**	(29,696)
Contingent consideration relating to the acquisition of I-Vent	12	**(2,566)**	—
ERI deferred consideration	12	**(1,874)**	—
Interest received		**283**	65
Net cash flow used in investing activities		**(19,592)**	(37,419)
Financing activities			
Repayment of interest-bearing loans and borrowings		**(56,734)**	(62,240)
Repayment of VMI debt acquired		**(237)**	(92)
Proceeds from new borrowings		**28,283**	65,950
Issue costs of new borrowings		**—**	(300)
Interest paid		**(5,321)**	(3,748)
Payment of principal portion of lease liabilities		**(5,672)**	(4,482)
Dividends paid to equity holders of the parent		**(16,417)**	(14,823)
Purchase of own shares		**(2,732)**	(1,834)
Net cash flow used in financing activities		**(58,830)**	(21,569)
Net (decrease)/increase in cash and cash equivalents		**(2,712)**	9,484
Cash and cash equivalents at the start of the year		**21,244**	13,543
Effect of exchange rates on cash and cash equivalents		**(289)**	(1,783)
Cash and cash equivalents at the end of the year		**18,243**	21,244

Volution Group plc (the Company) is a public limited company and is incorporated and domiciled in the UK (registered number: 09041571). The share capital of the Company is listed on the London Stock Exchange. The address of its registered office is Fleming Way, Crawley, West Sussex RH10 9YX.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2024

1. Accounting policies

Basis of preparation

The Group's consolidated financial statements have been prepared in accordance with UK-adopted international accounting standards (UK-adopted IAS). The consolidated financial statements have been prepared under the historical cost convention, except for business combinations, other financial liabilities, share based payments, and derivative financial instruments as referred to in the respective accounting policies below.

The preparation of the consolidated financial information in conformity with UK-adopted IAS requires the use of certain critical accounting estimates and requires management to exercise judgement in the process of applying the Group's accounting policies. Accounting policies, including critical accounting judgements and estimates used in the preparation of the financial statements, are described in the specific note to which they relate.

The consolidated financial statements are presented in GBP and all values are rounded to the nearest thousand (£000), except as otherwise indicated.

The Group has adjusted prior period balances for contingent consideration liability and goodwill due to the fair value of the contingent consideration liability and goodwill recognised on acquisition of I-Vent in 2023 being determined only provisionally. During the 12-month re-measurement period since acquisition a re-measurement period adjustment was identified, and adjustments to the contingent consideration liability and goodwill have been recognised by revising comparative information for the prior period presented in the statement of financial position as if the accounting for the business combination had been finalised at the acquisition date. Contingent consideration liabilities in the prior period have been increased by €4,800,000 (£4,115,000) and goodwill on acquisition of I-Vent has been increased by €4,800,000 (£4,115,000). The adjustments are shown in the condensed consolidated statement of financial position, note 9, note 12 and note 17.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 July 2024. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- exposure, or rights, to variable returns from its involvement with the investee; and
- the ability to use its power over the investee to affect its returns.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary. The financial statements of subsidiaries are prepared for the same reporting periods using consistent accounting policies. All intercompany transactions and balances, including unrealised profits arising from intra-group transactions, have been eliminated on consolidation.

Going concern

The financial position of the Group, its cash flows and liquidity position are set out in the financial statements. Furthermore, note 27 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. Under a severe but plausible downside scenario, the Group remains within its debt facilities and the attached financial covenants under the 18-month from the balance sheet date period of assessment, and the Directors therefore believe, at the time of approving the financial statements, that the Company is well placed to manage its business risks successfully and remains a going concern. The key facts and assumptions in reaching this determination are summarised below.

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

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

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 July 2024

1. Accounting policies (continued)

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

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

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

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

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

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

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

Non-controlling interest

Non-controlling interests are identified separately from the Group's equity. Non-controlling interests consist of the amount of those interests at the date of the business combination and the non-controlling interests' share of changes in equity since that date. Non-controlling interests are measured at the non-controlling interests' share of the fair value of the identifiable net assets.

Where there is an obligation to purchase a non-controlling interest at a future date, the non-controlling interest will be recognised on the business combination, and subsequently when the obligation to purchase liability is recognised the amount is reclassified from equity to a financial liability and the non-controlling interest is derecognised. Any difference between the carrying value of the non-controlling interest and the liability is adjusted against retained earnings.

The financial liability for the non-controlling interest is subsequently accounted for under IFRS 9, with all changes in the carrying amount, including the non-controlling interest's share of profit, recognised as a re-measurement in the income statement. When the obligation or 'put liability' is exercised, the carrying amount of the financial liability at that date is extinguished by the payment of the exercise price. The non-controlling interest of profit is shown in the re-measurement of financial liabilities in the income statement, and all other charges in the carrying amount are shown in the re-measurement of future consideration.

Foreign currencies

The individual financial statements of each subsidiary are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the Group financial statements, the results and financial position of each entity are expressed in GBP (£000), which is the functional currency of the Company and the presentational currency of the Group.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rate of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rate prevailing at the end of the reporting period.

Non-monetary items that are measured at historical cost in a foreign currency are translated using the exchange rate at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rate at the date the fair value was determined.

For the purpose of presenting consolidated financial information, the assets and liabilities of the Group's foreign operations are expressed in GBP using exchange rates prevailing at the end of the reporting period. Income and expenses are translated at the average exchange rate for the period. Exchange differences arising are classified as other comprehensive income and are transferred to the foreign currency translation reserve. All other translation differences are taken to profit and loss with the exception of differences on foreign currency borrowings to the extent that they are used to finance or provide a hedge against Group equity investments in foreign operations, in which case they are taken to other comprehensive income together with the exchange difference on the net investment in these operations.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 July 2024

1. Accounting policies (continued)

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

The key judgement, apart from any involving estimations, that has the most significant effect on the amounts recognised in the financial statements is the identification of the Group's cash generating units (CGUs) and the grouping of those CGUs for goodwill impairment testing purposes. This judgement could have a significant impact on the carrying value of goodwill and other intangible assets in the financial statements. Hence, the Directors have concluded that this is a key judgement under the scope of paragraph 122 of IAS 1. Further details can be found in note 10 (impairment assessment of goodwill) and note 11 (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 10), intangible assets – other (note 11), ii) estimates and assumptions relating to refund liabilities arising from retrospective volume rebates, and iii) financial liabilities relating to the business combination of ClimaRad, ERI and i-Vent (notes 12 and 17).

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The Group based its assumptions and estimates on parameters available when these financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur. The Directors have considered a range of potential scenarios arising from the current macroeconomic uncertainty and how these have impacted the judgements, estimates and assumptions in these financial statements is included under the relevant notes.

In preparing the financial statements, we have considered the impact of climate change, particularly in the context of the risks identified in the TCFD disclosure. Whilst we do not currently expect any material short-term and medium-term risks from climate change under the scenarios we have considered, the risks over the long term are more uncertain. However, there have been no risks of climate change identified which would have a material impact on the judgements and estimates made in preparation of these financial statements.

Separately disclosed items

The Group discloses some items on the face of the consolidated statement of comprehensive income by virtue of their nature, size or incidence to allow a better understanding of the underlying trading performance of the Group. These separately disclosed items include, but are not limited to, significant restructuring costs and significant business combination and related integration and earn-out costs.

Revenue from contracts with customers (note 3)

Revenue from contracts with customers is recognised when the control of goods or services is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods and services. The performance obligation is satisfied upon delivery of the equipment and payment is generally due within 30 to 90 days from delivery.

Sale of products

Revenue from the sale of products is recognised at the point in time when control of the asset is transferred to the buyer, usually on the delivery of the goods.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price needs to be allocated (e.g. warranties and volume rebates). In determining the transaction price for the sale of ventilation products, the Group considers the effects of variable consideration (if any).

1. Accounting policies (continued)

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'.

Installation services

The Group provides installation services that are bundled together with the sale of equipment to a customer.

Contracts for bundled sales of equipment and installation services are comprised of two performance obligations because the promises to transfer equipment and provide installation services are capable of being distinct and separately identifiable. Accordingly, the Group allocates the transaction price based on an estimate of the relative standalone selling prices of the equipment and the residual approach for installation services.

The Group recognises revenue from installation services at a point in time after the service has been performed; this is because installation of the ventilation equipment is generally over a small timeframe, usually around one to two days. Revenue from the sale of the ventilation equipment is recognised at a point in time, generally upon delivery of the equipment.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods and services transferred to the customer. A contract asset is recognised when the Group transfers goods or services to the customer before the Group issues an invoice or the customer pays consideration. There is no contract asset included within the statement of financial position as revenue is recognised at a point in time, after installation. Consideration is recognised immediately as a receivable and is unconditional (only the passage of time is required before payment of consideration is due).

Contract liabilities

There are no contract liabilities recognised in the comparative period or in the financial year ended 31 July 2024.

Liabilities arising from retrospective volume rebates

The Group has a number of customer rebate agreements that are recognised as a reduction from sales (collectively referred to as rebates). Rebates are based on an agreed percentage of revenue, which increases with the level of revenue achieved. These agreements typically are not coterminous with the Group's year-end, and some of the amounts payable are subject to confirmation after the reporting date. Of the total rebates, approximately £4.1 million is non-coterminous with the year-end and is based on actual revenue recorded to 31 July 2024 and an estimate of the total revenue for the rebate period. Final rebate percentages are dependent on estimated performance to December based on the bottom-up, Board-approved budget and management's experience and knowledge of the customers. Estimates are made as to which percentages band each customer will fall into.

At the reporting date, the Directors make estimates of the amount of rebate that will become payable by the Group under these agreements; to estimate the variable consideration for the expected future rebates, the Group applies the expected value method for contracts with more than one volume threshold. Where the respective customer has been engaged with the Group for a number of years, historical settlement trends are also used to assist in ensuring an appropriate estimate is recorded at the reporting date and that appropriate internal approvals and reviews take place before rebates are recorded.

The sales rebate provision is recognised within refund liabilities, rather than trade receivables, as a significant proportion of the agreements across the Group do not provide for credit notes to be raised against receivable balances. Rather, cash payment of the rebate amount due is expected. Furthermore, the majority of rebate agreements do not contain a clause which provides a legally enforceable right to offset invoiced amounts.

1. Accounting policies (continued)

Given that the rebate provision represents an estimate within the financial statements, there is a risk that the Directors' estimate of the potential liability may be incorrect. However, the Directors do not consider it reasonably possible, at the balance sheet date, that this was a major source of estimation uncertainty that could have a significant risk of resulting in a material adjustment to the liabilities recorded under the scope of paragraph 125 of IAS 1.

Segmental analysis (note 4)

The method of identifying reporting segments is based on internal management reporting information that is regularly reviewed by the Chief Operating Decision-Maker, which is considered to be the Chief Executive Officer of the Group.

In identifying its operating segments, management follows the Group's market sectors. These are UK, Continental Europe (Nordics and Central Europe) and Australasia.

The measure of revenue reported to the Chief Operating Decision-Maker to assess performance is total revenue for each operating segment. The measure of profit reported to the Chief Operating Decision-Maker to assess performance is adjusted operating profit (see note 25 for definition) for each operating segment. Gross profit and the analysis below segment profit is additional voluntary information and not 'segment information' prepared in accordance with IFRS 8.

Finance revenue and costs are not allocated to individual operating segments as the underlying instruments are managed on a Group basis.

Total assets and liabilities are not disclosed as this information is not provided by operating segment to the Chief Operating Decision-Maker on a regular basis.

Finance income and costs (note 5)

Finance income

Finance revenue is recognised as interest accrues using the effective interest method. The effective interest rate is the rate that discounts estimated future cash receipts through the expected life of the financial instrument to its net carrying amount.

Net financing costs

Net financing costs comprise interest income on funds invested, gains/losses on the disposal of financial instruments, changes in the fair value of financial instruments, interest expense on borrowings and foreign exchange gains/losses. Interest income and expense is recognised as it accrues in the statement of comprehensive income using the effective interest method.

Income tax (note 6)

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.

Property, plant and equipment (note 8)

Property, plant and equipment is stated at cost, net of accumulated depreciation and impairment losses, if any. Such cost includes the cost of replacing part of the property, plant and equipment; when significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly. All other repair and maintenance costs are recognised in the statement of comprehensive income as incurred.

Depreciation is charged so as to write off the cost or valuation of assets, except freehold land, over their estimated useful lives using the straight-line method.

Tangible assets arising from a business combination are recognised initially at fair value at the date of acquisition.

The estimated useful lives, residual values and depreciation methods are reviewed at each year-end, with the effect of any changes in estimates accounted for on a prospective basis.

The following useful lives are used in the calculation of depreciation:

Freehold land and buildings	–	30–50 years
Plant and machinery	–	5–10 years
Fixtures, fittings, tools, equipment and vehicles	–	4–10 years

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income as part of administrative expenses.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 July 2024

1. Accounting policies (continued)

Goodwill (note 9)

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill is allocated to the Group's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units.

Goodwill is reviewed for impairment annually or more frequently if there is an indication of impairment. Impairment of goodwill is determined by assessing the recoverable amount of the cash generating unit to which the goodwill relates. Where the recoverable amount of the cash generating unit is less than the carrying value of the cash generating unit to which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Impairment assessment of goodwill (note 10)

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, Central Europe, Nordics, and Australasia. This is also the level at which management is monitoring the value of goodwill for internal management purposes.

Following a review of the Group's existing operating segments and considering the changes in our OEM business during the year. It was concluded that as the identification of operating segments is closely linked to the internal management and reporting structure of the business and given the integration that had occurred with our OEM business with UK Ventilation during the year, such that information is no longer presented to the Chief Operating Decision-Maker (CEO) separately, OEM should no longer be identified as an operating segment separate to UK Ventilation. Similarly, the Group reviewed the CGUs used for performing the impairment assessment under IAS 36, and considered that the operational and management integration with UK Ventilation and the level of interdependence, including significant intercompany trading, means that OEM cannot be considered to produce truly independent cash flows, and hence it was appropriate that the former OEM CGU be combined with the UK Ventilation CGU for the purposes of impairment testing under IAS 36.

As a result of this decision to combine OEM and UK Ventilation into a single operating segment and single CGU, an impairment test was performed on the OEM CGU at 31 May 2024 and reviewed by the Group. There was sufficient headroom under 'severe but plausible' downside scenarios and, as such, it was concluded there was no requirement to impair the goodwill, nor other intangible assets, related to OEM at 31 May 2024.

After careful consideration, and in line with the requirements of IFRS 8 'Operating segments' and IAS 36 'Impairment of assets', it has been concluded it is appropriate to combine OEM and UK Ventilation into a single CGU and a single operating segment, and that impairment testing at 31 July 2024 and thereafter be conducted on the new combined UK CGU, which will also be the level at which goodwill is monitored.

The Group's impairment test for goodwill is based on a value-in-use calculation using a discounted cash flow model. The test aims to ensure that goodwill is not carried at a value greater than the recoverable amount, which is considered to be the higher of fair value less costs of disposal and value in use.

The identification of the Group's CGUs used for impairment testing is considered a critical judgement within the scope of paragraph 122 of IAS1. Management has reviewed the Group's assets and cash inflows and identified the lowest aggregation of assets that generate largely independent cash inflows and that goodwill is monitored by management.

The cash flows are derived from the business plan for the following three years. The recoverable amount is very sensitive to the discount rate used for the discounted cash flow model as well as assumptions and estimates of expected future cash flows and the growth rate used for extrapolation purposes. The current economic and political uncertainty has increased the level of estimation uncertainty as the impact on countries and markets continues to be uncertain; however, the Group has modelled a range of scenarios to consider the impact on the carrying value of its assets as described in the going concern statement in the risk management and principal risks section.

We have tested the sensitivity of our headroom calculations in relation to the above assumptions and estimates and the Group does not consider that changes in these assumptions that could cause the carrying value of the CGUs to materially exceed their recoverable value are reasonably possible, and hence are not major sources of estimation uncertainties under the scope of paragraph 125 of IAS 1.

See note 10 for the Group's impairment assessment.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 July 2024

1. Accounting policies (continued)

Intangible assets – other (note 11)

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the business combination date.

The fair value of patents, trademarks and customer base acquired and recognised as part of a business combination is determined using the relief-from-royalty method or multi-period excess earnings method.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses.

Research and development

Research costs are expensed as incurred. Development expenditure on an individual project is recognised as an intangible asset when the Company can demonstrate: the technical feasibility of completing the intangible asset so that it will be available for use or sale; its intention to complete and its ability to use or sell the asset; how the asset will generate future economic benefits; the availability of resources to complete the asset; and the ability to reliably measure the expenditure during development.

Subsequent measurement of intangible assets

Intangible assets with a finite life are amortised on a straight-line basis over their estimated useful lives as follows:

Development costs	–	10 years
Software costs	–	5–10 years
Customer base	–	5–15 years
Trademarks	–	10–25 years
Patents/technology	–	5–25 years
Other	–	5 years

The estimated useful life and amortisation methods are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Impairment of other intangible assets excluding goodwill

At each reporting date, the Group reviews the carrying amounts of its other intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the CGU to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual CGUs, or otherwise they are allocated to the smallest group of CGUs for which a reasonable and consistent allocation basis can be identified. The identification of the Group's CGUs used for impairment testing is considered a critical judgement within the scope of paragraph 122 of IAS 1.

The recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. Impairment losses are immediately recognised in the statement of comprehensive income.

The assumptions and sensitivities in respect of the Group's other intangible assets are included in note 10 and are not considered major sources of estimation uncertainties under the scope of paragraph 125 of IAS 1.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 July 2024

1. Accounting policies (continued)

Business combinations (note 12)

Business combinations are accounted for using the acquisition method. The cost of the business combination is measured as the aggregate of the consideration transferred, measured at fair value on the date of the business combination. The business combination costs incurred are expensed.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions at the business combination date.

Contingent consideration (note 17) resulting from business combinations is accounted for at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently re-measured to fair value at each reporting date, with changes in fair value recognised in profit or loss. The determination of fair value is based on discounted cash flows. The key estimates and assumptions used in determining the discounted cash flows take into consideration the probability of meeting each performance target and a discount factor.

The Group did not consider it reasonably possible, at the balance sheet date, that this was a major source of estimation uncertainty that could have a significant risk of resulting in a material adjustment to the liabilities recorded and hence is not within the scope of paragraph 125 of IAS 1.

Goodwill is initially recognised at cost, being the excess of the aggregate of the consideration transferred over the net identifiable assets acquired and liabilities assumed. During the measurement period (12 months from the date of acquisition) adjustments could be made to goodwill as a result of new information relating to events or circumstances relating to the acquisition date.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs that are expected to benefit from the combination, irrespective of whether assets or liabilities of the business combination are assigned to those units.
Non-controlling interests are identified separately from the Group's equity. Non-controlling interests consist of the amount of those interests at the date of the business combination and the non-controlling interest's share of changes in equity since that date. Non-controlling interests are measured at the non-controlling interest's share of the fair value of the identifiable net assets.

Where there is an obligation to purchase the non-controlling interest at a future date, the non-controlling interest will be recognised on the business combination, and subsequently when the obligation to purchase liability is recognised the amount is reclassified from equity to a financial liability and the non-controlling interest is derecognised. Any difference between the carrying value of the non-controlling interest and the liability is adjusted against retained earnings.

The financial liability for the non-controlling interest is subsequently accounted for under IFRS 9, with all changes in the carrying amount, including the non-controlling interest share of profit, recognised as a re-measurement in the income statement. When the obligation or 'put liability' is exercised, the carrying amount of the financial liability at that date is extinguished by the payment of the exercise price.

Inventories (note 13)

Inventories and work in progress are stated at the lower of cost and net realisable value.

Inventory acquired as part of business combinations is valued at fair value less cost to sell.

Costs represents direct costs incurred and, where appropriate, production or conversion costs and other costs to bring the inventory to its existing location and condition. The cost of work in progress and finished goods includes the cost of direct materials and labour and an appropriate portion of fixed and variable overhead expenses based on normal operating capacity but excludes borrowing costs. The cost of raw materials is purchase cost on a first in, first out basis.

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs to sell.

Provisions are made to write down slow-moving, excess and obsolete items to net realisable value, based on an assessment of technological and market developments and on an analysis of historical and projected usage with regard to quantities on hand.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 July 2024

1. Accounting policies (continued)

Trade and other receivables (note 14)

Trade and other receivables are recognised when it is probable that a future economic benefit will flow to the Group (which is considered a reasonable proxy for fair value). Trade and other receivables are carried at original invoice or contract amount less any provisions for discounts and expected credit losses. Provisions are made where there is evidence of a risk of non-payment considering ageing, previous experience and general economic conditions.

Allowance for expected credit losses

Allowance for expected credit losses is measured at an amount equal to lifetime expected credit losses (ECLs). For trade receivables the Group applies a simplified approach in calculating ECLs. Trade receivables have been grouped based on historical credit risk characteristics and the number of days from date of invoice. The expected loss rates are calculated using the provision matrix approach.

Trade receivables are categorised by common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The provision matrix is determined based on historical observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates.

Rebates receivable

The Group has a number of supplier rebate agreements that are recognised as a reduction of cost of sales (collectively referred to as rebates). Rebates are based on an agreed percentage of purchases, which will increase with the level of purchases made. These agreements typically are not coterminous with the Group's year-end and some of the amounts payable are subject to confirmation after the reporting date.

Trade and other payables (note 15)

Trade and other payables principally comprise of amounts outstanding for trade purchases and ongoing costs. These are recognised at the amounts expected to be paid.

Leases (note 16)

The Group leases a range of assets including property, plant and equipment and vehicles. Leases of property generally have lease terms of up to 20 years, plant and machinery between three and six years and motor vehicles and other equipment between two and five years.

Right-of-use assets are initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses and adjusted for certain re-measurements of the lease liability. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, restoration costs and lease payments made at or before the commencement date less any lease incentives received. The right-of-use assets are depreciated on a straight-line basis over the shorter of their estimated useful life and the lease term.

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is re-measured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset. The Group's lease liabilities are included in interest-bearing loans and borrowings.

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

The interest portion of lease payments is presented under financing activities in the consolidated statement of cash flows.

1. Accounting policies (continued)

Interest-bearing loans and borrowings (note 18)

Borrowings and other financial liabilities, including loans, are initially measured at fair value, net of transaction costs.

Borrowings and other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability or, where appropriate, a shorter period.

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Provisions (note 19)

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.

Deferred tax liabilities (note 21)

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.

1. Accounting policies (continued)

However, the Group does not consider this to be an accounting judgement, apart from those involving estimations, that has a significant effect on the amount recognised in the financial statements under the scope of paragraph 122 of IAS 1, nor the estimates and assumptions to be major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year under the scope of paragraph 125 of IAS 1.

At 31 July 2024, the Group had not recognised a deferred tax asset in respect of gross tax losses of £5,195,000 (2023: £5,195,000) relating to management expenses, capital losses of £4,098,000 (2023: £3,975,000) arising in UK subsidiaries and gross tax losses of £nil (2023: £nil) arising in overseas entities as there is insufficient evidence that the losses will be utilised. These losses are available to be carried indefinitely.

At 31 July 2024, the Group had no deferred tax liability (2023: £nil) to recognise for taxes that would be payable on the remittance of certain of the Group's overseas subsidiaries' unremitted earnings. Deferred tax liabilities have not been recognised as the Group has determined that there are no undistributed profits in overseas subsidiaries where an additional tax charge would arise on distribution.

Dividends paid and proposed (note 22)

Dividends are recognised when they meet the criteria for recognition as a liability. In relation to final dividends, this is when the dividend is approved by the Directors in the Annual General Meeting and, in relation to interim dividends, when paid.

Treasury shares

The treasury shares reserve represents the cost of shares in Volution Group plc purchased in the market and held by the Volution Employee Benefit Trust to satisfy obligations under the Group's share incentive schemes. Treasury shares are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognised in share premium. Share options exercised during the period are satisfied with treasury shares.

Capital reserve

The capital reserve is the difference in share capital and reserves arising from the use of the pooling of interest method for preparation of the financial statements in 2014. This is a non-distributable reserve.

Share-based payment reserve

The share-based payment reserve is used to recognise the value of equity-settled share-based payments provided to key management personnel, as part of their remuneration.

Foreign currency translation reserve

For the purpose of presenting consolidated financial information, the assets and liabilities of the Group's foreign operations are expressed in GBP using exchange rates prevailing at the end of the reporting period. Income and expenses are translated at the average exchange rate for the period. Exchange differences arising are classified as other comprehensive income and are transferred to the foreign currency translation reserve. All other translation differences are taken to profit and loss with the exception of differences on foreign currency borrowings to the extent that they are used to finance or provide a hedge against Group equity investments in foreign operations, in which case they are taken to other comprehensive income together with the exchange difference on the net investment in these operations.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 July 2024

1. Accounting policies (continued)

New standards or interpretations

The standards or interpretations listed below have become effective since 1 August 2023 for annual periods beginning on or after 1 January 2023.

The following amendments became effective as at 1 January 2023:

- Amendments to IAS 12 'Deferred tax related to assets and liabilities arising from a single transaction';
- Amendments to IAS 8 'Definition of accounting estimates'; and
- Amendments to IAS 1 and IFRS Practice Statement 2 'Disclosure of accounting policies'.

At the date of authorisation of these Consolidated Financial Statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective.

The following amendments became effective as at 1 January 2024:

- Amendments to IAS 1 'Classification of liabilities as current or non-current';
- Amendments to IFRS 16 'Lease liability in a sale and leaseback';
- Amendments to IAS 1 'Non-current liabilities with covenants'; and
- Amendments to IAS 7 'Supplier finance arrangements'.

The following amendments will become effective after 1 January 2025:

- Amendments to IFRS 18 'Presentation and disclosure in financial statements'.

The Directors do not expect that the adoption of the Standards listed above will have a material impact on the consolidated financial statements of the Group in future periods.

In June 2023, the UK Government substantively enacted legislation introducing a global minimum corporate income tax rate, to have effect from 2024 in line with the OECD's Pillar Two model framework on large multinational enterprises with a consolidated group revenue of €750 million plus. The Group has performed an assessment of its potential exposure to Pillar Two income taxes and based on an assessment of the most recent information available regarding the financial performance of the constituent entities in the Group, we do not expect to be within the scope of Pillar Two and therefore do not expect it to have a material impact on the Group's tax rate or tax payments.

2. Adjusted earnings

The Board and key management use some alternative performance measures to track and assess the underlying performance of the business. These measures include adjusted operating profit and adjusted profit before tax. These measures are deemed more helpful as they remove items that do not reflect the day-to-day trading operations of the business and therefore their exclusion is relevant to an assessment of the day-to-day trading operations, as opposed to overall annual business performance. Such alternative performance measures are not defined terms under IFRS and may not be comparable with similar measures disclosed by other companies. Likewise, these measures are not a substitute for IFRS measures of profit. A reconciliation of these measures of performance to the corresponding reported figure is shown below. For definitions of terms referred to see note 25.

	2024 £000	2023 £000
Profit after tax	**42,797**	37,382
Add back:		
Contingent consideration	**(1,845)**	640
Cost of business combinations	**206**	1,032
Re-measurement of contingent consideration (note 17)	**6,599**	1,879
Net (gain)/loss on financial instruments at fair value	**(144)**	1,599
Amortisation and impairment of intangible assets acquired through business combinations	**9,322**	11,088
Tax effect of the above	**(1,664)**	(2,788)
Adjusted profit after tax	**55,271**	50,832
Add back:		
Adjusted tax charge	**15,437**	14,225
Adjusted profit before tax	**70,708**	65,057
Add back:		
Interest payable on bank loans, lease liabilities and amortisation of financing costs	**6,605**	4,914
Re-measurement of financial liabilities	**870**	(54)
Finance revenue	**(139)**	(65)
Adjusted operating profit	**78,044**	69,852
Add back:		
Depreciation of property, plant and equipment	**4,413**	4,102
Depreciation of right-of-use assets	**4,738**	3,895
Amortisation of development costs, software and patents	**1,807**	1,486
Adjusted EBITDA	**89,002**	79,335

3. Revenue from contracts with customers

Revenue recognised in the statement of comprehensive income is analysed below:

	2024 £000	2023 £000
Sale of goods	**341,207**	320,808
Installation services	**6,404**	7,200
Total revenue from contracts with customers	**347,611**	328,008

Market sectors	**2024 £000**	2023 £000
UK		
Residential	**105,039**	89,680
Commercial	**28,158**	30,151
Export	**12,130**	12,119
OEM	**15,448**	24,120
Total UK	**160,775**	156,070
Nordics	**47,376**	49,126
Central Europe[1]	**87,016**	75,410
Total Continental Europe	**134,392**	124,536
Total Australasia[2]	**52,444**	47,402
Total revenue from contracts with customers	**347,611**	328,008

Notes

1. Included in the Central Europe revenue is £12,915,000 of inorganic revenue from the business combination of VMI and i-Vent (2023: £4,530,000 of inorganic revenue from the business combination of ERI, VMI and i-Vent).
2. Included in the Australasia revenue is £7,801,000 of inorganic revenue from the business combination of DVS (2023: £nil of inorganic revenue from the business combination of DVS).

4. Segmental analysis

The Group's reportable segments are described below. The segmental regional structure reflects the current internal reporting provided to the Chief Operating Decision-Maker (considered to be the CEO of the Group) on a regular basis.

The segmental results include an allocation of central head office costs, where the costs are attributable to a segment. Costs of running the PLC are reported separately as central costs.

Year ended 31 July 2024	UK £000	Continental Europe £000	Australasia £000	Eliminations/ central costs £000	Total £000
Revenue from contracts with customers					
External customers	**160,775**	**134,392**[1]	**52,444**[2]	**—**	**347,611**
Inter-segment	**26,949**	**37,718**	**101**	**(64,768)**	**—**
Total	**187,724**	**172,110**	**52,545**	**(64,768)**	**347,611**
Adjusted segment EBITDA	**45,161**	**35,859**	**13,458**	**(5,476)**	**89,002**
Depreciation and amortisation of development costs, software and patents	**(4,956)**	**(3,801)**	**(1,534)**	**(667)**	**(10,958)**
Adjusted operating profit/(loss)	**40,205**	**32,058**	**11,924**	**(6,143)**	**78,044**
Amortisation of intangible assets acquired through business combinations	**(5,634)**	**(2,895)**	**(793)**	**—**	**(9,322)**
Contingent consideration	**—**	**—**	**—**	**1,845**	**1,845**
Business combination-related operating costs	**—**	**—**	**—**	**(206)**	**(206)**
Operating profit/(loss)	**34,571**	**29,163**	**11,131**	**(4,504)**	**70,361**
Unallocated expenses					
Net finance income/(cost)	**—**	**—**	**24**	**(6,346)**	**(6,322)**
Re-measurement of contingent consideration	**—**	**—**	**—**	**(6,599)**	**(6,599)**
Re-measurement of financial liabilities	**—**	**—**	**—**	**(870)**	**(870)**
Profit/(loss) before tax	**34,571**	**29,163**	**11,155**	**(18,319)**	**56,570**

Note
1. Included in the Continental Europe revenue is £12,915,000 of inorganic revenue from the business combination of VMI and i-Vent (2023: £4,530,000 of inorganic revenue from the business combination of ERI, VMI and i-Vent).
2. Included in the Australasia revenue is £7,801,000 of inorganic revenue from the business combination of DVS (2023: £nil).

Year ended 31 July 2023	UK £000	Continental Europe £000	Australasia £000	Eliminations/ central costs £000	Total £000
Revenue from contracts with customers					
External customers	156,070	124,536	47,402	—	328,008
Inter-segment	24,908	38,779	188	(63,875)	—
Total	180,978	163,315	47,590	(63,875)	328,008
Adjusted segment EBITDA	39,562	31,707	12,568	(4,502)	79,335
Depreciation and amortisation of development costs, software and patents	(4,277)	(3,283)	(1,239)	(684)	(9,483)
Adjusted operating profit/(loss)	35,285	28,424	11,329	(5,186)	69,852
Amortisation of intangible assets acquired through business combinations	(7,163)	(3,338)	(587)	—	(11,088)
Contingent consideration	—	—	—	(640)	(640)
Business combination-related operating costs	—	—	—	(1,032)	(1,032)
Operating profit/(loss)	28,122	25,086	10,742	(6,858)	57,092
Unallocated expenses					
Net finance cost	—	—	(90)	(6,358)	(6,448)
Re-measurement of future consideration	—	—	—	(1,879)	(1,879)
Re-measurement of financial liability	—	—	—	54	54
Profit/(loss) before tax	28,122	25,086	10,652	(15,041)	48,819

4. Segmental analysis (continued)

Geographic information

The Group operates in several geographical locations and sells on to external customers in all parts of the world. No individual country amounts to more than 5% of revenue, other than those noted below. The following is an analysis of revenue from continuing operations by geographical destination.

Revenue from external customers by customer destination	2024 £000	2023 £000
United Kingdom	**142,231**	132,440
Germany	**18,919**	22,471
Netherlands	**24,978**	24,878
Sweden	**26,134**	26,388
Rest of Europe	**77,109**	68,989
Australia	**25,048**	24,375
New Zealand	**27,698**	23,338
Rest of the world	**5,494**	5,129
Total revenue from contracts with customers	**347,611**	328,008

Non-current assets excluding deferred tax	2024 £000	2023 £000
United Kingdom	**112,515**	121,458
Europe (excluding United Kingdom and Nordics)	**109,560**	106,502
Nordics	**30,274**	33,901
Australasia	**50,980**	46,225
Total	**303,329**	308,086

Information about major customers

Annual revenue from no individual customer accounts for more than 10% of Group revenue in either the current or prior year.

5. Finance income and costs

	2024 £000	2023 £000
Finance revenue		
Net gain on financial instruments at fair value	**144**	—
Interest receivable	**139**	65
Total finance revenue	**283**	65
Finance costs		
Net loss on financial instruments at fair value	**—**	(1,599)
Interest payable on bank loans	**(4,427)**	(3,087)
Amortisation of finance costs	**(692)**	(452)
Lease interest	**(763)**	(635)
Other interest	**(723)**	(740)
Total finance costs	**(6,605)**	(6,513)
Net finance costs	**(6,322)**	(6,448)

The net loss or gain on financial instruments at each year-end date relates to the measurement of fair value of the financial derivatives and the Group recognises any finance losses or gains immediately within net finance costs.

Due to the refinancing that completed in September 2024, the amortisation of finance costs in the year included an element of accelerated amortised finance costs of £240,000.

6. Income tax

(a) Income tax charges against profit for the year

	2024 £000	2023 £000
Current income tax		
Current UK income tax expense	**5,571**	4,694
Current foreign income tax expense	**10,278**	8,887
Tax credit relating to the prior year	**(80)**	(638)
Total current tax	**15,769**	12,943
Deferred tax		
Origination and reversal of temporary differences	**(2,224)**	(2,023)
Effect of changes in the tax rate	**58**	(223)
Tax charge relating to the prior year	**170**	740
Total deferred tax	**(1,996)**	(1,506)
Net tax charge reported in the consolidated statement of comprehensive income	**13,773**	11,437

(b) Income tax recognised in equity for the year

	2024 £000	2023 £000
Decrease/(increase) in deferred tax asset on share-based payments	**380**	(264)
Translation differences	**(212)**	(79)
Net tax charge/(credit) reported in equity	**168**	(343)

(c) Reconciliation of total tax

	2024 £000	2023 £000
Profit before tax	**56,570**	48,819
Profit before tax multiplied by the standard rate of corporation tax in the UK of 25.00% (2023: 21.00%)	**14,143**	10,252
Adjustment in respect of previous years	**89**	102
Expenses not deductible for tax purposes	**2,738**	1,473
Effect of changes in the tax rate (see explanation below)	**58**	(164)
Effect of overseas tax rates	**(931)**	184
Patent-related tax relief	**(719)**	(410)
Other	**(1,605)**	—
Net tax charge reported in the consolidated statement of comprehensive income	**13,773**	11,437

Our reported effective tax rate for the period was 24.4% (2023: 23.4%). Our underlying effective tax rate, on adjusted profit before tax, was 21.8% (2023: 21.9%).

The effect of overseas tax rates relates to the Group's profits from subsidiaries which are subject to tax jurisdictions with a blended lower average rate of tax compared to the standard rate of corporation tax in the UK.

We expect our medium-term reported effective tax rate to be in the range of 29% to 35% of the Group's reported profit before tax and our underlying effective tax rate to be in the range of 22% to 25% of the Group's adjusted profit before tax.

In June 2023, the UK Government substantively enacted legislation introducing a global minimum corporate income tax rate, to have effect from 2024 in line with the OECD's Pillar Two model framework on large multinational enterprises with a consolidated group revenue of €750 million plus. The Group has performed an assessment of its potential exposure to Pillar Two income taxes and based on an assessment of the most recent information available regarding the financial performance of the constituent entities in the Group, we do not expect to be within the scope of Pillar Two and therefore do not expect it to have a material impact on the Group's tax rate or tax payments.

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 July 2024

7. Earnings per share (EPS)

Basic EPS is calculated by dividing the profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of any dilutive potential ordinary shares into ordinary shares. There are 2,143,783 dilutive potential ordinary shares at 31 July 2024 (2023: 3,365,875).

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	2024 £000	2023 £000
Profit attributable to ordinary equity holders	**42,797**	37,382

	Number	Number
Weighted average number of ordinary shares for basic earnings per share	**197,739,417**	197,131,650
Effect of dilution from:		
Share options	**2,143,783**	2,658,209
Weighted average number of ordinary shares for diluted earnings per share	**199,883,200**	199,789,859

Earnings per share		
Basic	**21.6p**	19.0p
Diluted	**21.4p**	18.7p

	2024 £000	2023 £000
Adjusted profit attributable to ordinary equity holders	**55,271**	50,832

	Number	Number
Weighted average number of ordinary shares for adjusted basic earnings per share	**197,739,417**	197,131,650
Effect of dilution from:		
Share options	**2,143,783**	2,658,209
Weighted average number of ordinary shares for adjusted diluted earnings per share	**199,883,200**	199,789,859

Adjusted earnings per share		
Basic	**28.0p**	25.8p
Diluted	**27.6p**	25.4p

The weighted average number of ordinary shares has increased as a result of treasury shares held by the Volution Employee Benefit Trust (EBT) during the year. 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 25, Glossary of terms, for an explanation of the adjusted basic and diluted earnings per share calculation.

8. Property, plant and equipment

2024	Freehold land and buildings £000	Plant and machinery £000	Fixtures, fittings, tools, equipment and vehicles £000	Total £000
Cost				
At 1 August 2023	**18,009**	**19,440**	**14,080**	**51,529**
On business combinations	**31**	**88**	**66**	**185**
Additions	**423**	**1,561**	**3,424**	**5,408**
Disposals	**(12)**	**(242)**	**(1,283)**	**(1,537)**
Net foreign currency exchange differences	**(164)**	**(137)**	**(183)**	**(484)**
At 31 July 2024	**18,287**	**20,710**	**16,104**	**55,101**
Accumulated depreciation				
At 1 August 2023	**5,436**	**7,859**	**8,786**	**22,081**
Charge for the year	**526**	**1,906**	**1,981**	**4,413**
Disposals	**(12)**	**(241)**	**(1,107)**	**(1,360)**
Net foreign currency exchange differences	**(44)**	**(22)**	**(160)**	**(226)**
At 31 July 2024	**5,906**	**9,502**	**9,500**	**24,908**
Net book value				
At 31 July 2024	**12,381**	**11,208**	**6,604**	**30,193**

2023	Freehold land and buildings £000	Plant and machinery £000	Fixtures, fittings, tools, equipment and vehicles £000	Total £000
Cost				
At 1 August 2022	17,480	17,022	12,923	47,425
On business combinations	—	514	—	514
Additions	486	2,110	2,318	4,914
Disposals	(18)	(185)	(655)	(858)
Net foreign currency exchange differences	61	(21)	(506)	(466)
At 31 July 2023	18,009	19,440	14,080	51,529
Accumulated depreciation				
At 1 August 2022	5,011	6,493	7,686	19,190
Charge for the year	527	1,619	1,956	4,102
Disposals	(56)	(129)	(524)	(709)
Net foreign currency exchange differences	(46)	(124)	(332)	(502)
At 31 July 2023	5,436	7,859	8,786	22,081
Net book value				
At 31 July 2023	12,573	11,581	5,294	29,448

9. Intangible assets – goodwill

Goodwill	£000
Cost and net book value	
At 1 August 2022	**142,661**
On the business combination of VMI	**4,072**
On the business combination of i-Vent	**23,928**
On the business combination of ClimaRad	**126**
Net foreign currency exchange differences	**(1,799)**
At 31 July 2023[1]	**168,988**
On the business combination of DVS	**5,037**
Net foreign currency exchange differences	**(2,685)**
At 31 July 2024	**171,340**

Note:

1. An adjustment has been made during the measurement period relating to the acquisition of i-Vent. See note 15 for further details.

10. Impairment assessment of goodwill

31 July 2024	UK £000	Nordics £000	Central Europe £000	Australasia £000
Carrying value of goodwill	**61,000**	**18,151**	**62,827**	**29,362**
CGU value-in-use headroom[1]	**249,557**	**49,409**	**66,028**	**45,101**

31 July 2023	UK Ventilation £000	OEM (Torin-Sifan) £000	Nordics £000	Central Europe £000	Australasia £000
Carrying value of goodwill	55,899	5,101	18,637	63,109	25,673
CGU value-in-use headroom[1]	166,576	12,382	47,383	28,396	27,730

Note:

1. Headroom is shown at the date of impairment testing, and is calculated by comparing the value in use (VIU) of a group of CGUs to the carrying amount of its asset, which includes the net book value of fixed assets (tangible and intangible), goodwill and operating working capital (current assets and liabilities).

Impairment review

Under IAS 36 'Impairment of assets', the Group is required to complete a full impairment review of goodwill, which has been performed using a value-in-use calculation. A discounted cash flow (DCF) model was used, taking a period of five years, which has been established using pre-tax discount rates of 12.2% to 15.0% (2023: 13.8% to 16.8%) over that period. In all CGUs it was concluded that the carrying amount was in excess of the value in use and all CGUs had positive headroom.

When assessing for impairment of goodwill, we have considered the impact of climate change, particularly in the context of the risks and opportunities identified in the TCFD disclosure in the Annual Report. We have not identified any material short-term and medium-term impacts from climate change that would impact the carrying value of goodwill. Over the long term, the risks and opportunities are more uncertain and we will continue to assess these risks at each reporting period.

Assumptions in the value-in-use calculation

The calculation of value-in-use for all CGUs is most sensitive to the following assumptions:

- specific growth rates have been used for each of the CGUs for the five-year forecast period based on historical growth rates and market expectations;
- long-term growth rates of 2% (2023: 2%) for all CGUs have been applied to the period beyond which budgets and forecasts do not exist, based on historical macroeconomic performance and projections for the geographies in which the CGUs operate; and
- discount rates reflect the current market assessment of the risks specific to each operation. The pre-tax discount rates used for each CGU are: UK 13.5% (2023: 14.2%); Nordics: 12.2% (2023: 13.8%); Central Europe: 12.4% (2023: 14.4%); and Australasia: 15.0% (2023: 16.8%).

The value-in-use headroom for each CGU has been set out above. We have tested the sensitivity of our headroom calculations in relation to the above assumptions and the Group does not consider that changes in these assumptions that could cause the carrying value of the CGUs to materially exceed their recoverable value are reasonably possible.

10. Impairment assessment of goodwill (continued)

Following a review of the Group's existing operating segments and considering the changes in our OEM business during the year. It was concluded that as the identification of operating segments is closely linked to the internal management and reporting structure of the business and given the integration that had occurred with our OEM business with UK Ventilation during the year, such that information is no longer presented to the Chief Operating Decision-Maker (CEO) separately, OEM should no longer be identified as an operating segment separate to UK Ventilation. Similarly, the Group reviewed the CGUs used for performing impairment assessments under IAS 36, and considered that the operational and management integration with UK Ventilation and the level of interdependence, including significant intercompany trading, means that OEM cannot be considered to produce truly independent cash flows, and hence it was appropriate that the former OEM CGU be combined with the UK Ventilation CGU for the purposes of impairment testing under IAS 36.

As a result of this decision to combine OEM and UK Ventilation into a single operating segment and single CGU, an impairment test was performed on the OEM CGU at 31 May 2024 and reviewed by the Group. There was sufficient headroom under 'severe but plausible' downside scenarios and, as such, it was concluded there was no requirement to impair the goodwill, nor other intangible assets, related to OEM at 31 May 2024.

After careful consideration, and in line with the requirements of IFRS 8 'operating segments' and IAS 36 'Impairment of assets', it has been concluded it is appropriate to combine OEM and UK Ventilation into a single CGU and a single operating segment, and that future impairment testing at 31 July 2024 and thereafter will be conducted on the new combined UK CGU, which will also be the level at which goodwill is monitored.

11. Intangible assets – other

2024	Development costs £000	Software costs £000	Customer base £000	Trademarks £000	Patents/ technology £000	Other £000	Total £000
Cost							
At 1 August 2023	**12,732**	**10,277**	**160,841**	**55,260**	**3,417**	**1,163**	**243,690**
Additions	**1,578**	**318**	**—**	**—**	**—**	**—**	**1,896**
On business combinations	**—**	**35**	**1,667**	**2,309**	**—**	**—**	**4,011**
Disposals	**(21)**	**(75)**	**(84)**	**—**	**—**	**—**	**(180)**
Net foreign currency exchange differences	**(288)**	**176**	**(1,544)**	**(554)**	**(61)**	**—**	**(2,271)**
At 31 July 2024	**14,001**	**10,731**	**160,880**	**57,015**	**3,356**	**1,163**	**247,146**
Accumulated amortisation							
At 1 August 2023	**3,266**	**7,158**	**118,929**	**27,132**	**2,179**	**1,163**	**159,827**
Charge for the year	**847**	**1,035**	**6,333**	**2,718**	**196**	**—**	**11,129**
Disposals	**(21)**	**(75)**	**—**	**—**	**—**	**—**	**(96)**
Net foreign currency exchange differences	**(186)**	**8**	**(17)**	**(361)**	**(60)**	**—**	**(616)**
At 31 July 2024	**3,906**	**8,126**	**125,245**	**29,489**	**2,315**	**1,163**	**170,244**
Net book value							
At 31 July 2024	**10,095**	**2,605**	**35,635**	**27,526**	**1,041**	**—**	**76,902**

Included in software costs are assets under construction of £226,000 (2023: £54,000), which are not amortised. Included in development costs are assets under construction of £1,516,000 (2023: £1,505,000), which are not amortised.

11. Intangible assets – other (continued)

2023	Development costs £000	Software costs £000	Customer base £000	Trademarks £000	Patents/ technology £000	Other £000	Total £000
Cost							
At 1 August 2022	7,956	9,835	160,014	54,105	3,364	1,163	236,437
Additions	2,310	568	171	—	—	—	3,049
On business combinations	2,466	1	1,175	1,626	—	—	5,268
Disposals	—	(50)	—	—	—	—	(50)
Net foreign currency exchange differences	—	(77)	(519)	(471)	53	—	(1,014)
At 31 July 2023	12,732	10,277	160,841	55,260	3,417	1,163	243,690
Accumulated amortisation							
At 1 August 2022	2,601	6,282	114,120	22,678	2,001	1,163	148,845
Charge for the year	702	1,080	5,507	5,037	248	—	12,574
Disposals	—	(41)	—	—	—	—	(41)
Net foreign currency exchange differences	(37)	(163)	(698)	(583)	(70)	—	(1,551)
At 31 July 2023	3,266	7,158	118,929	27,132	2,179	1,163	159,827
Net book value							
At 31 July 2023	9,466	3,119	41,912	28,128	1,238	—	83,863

The remaining amortisation periods for acquired intangible assets at 31 July 2024 are as follows:

	Customer base	**Trademark**	**Patent/ technology/ other**
Volution Holdings Limited and its subsidiaries	—	**14 years**	—
Fresh AB and its subsidiaries	—	**9 years**	—
PAX AB and PAX Norge AS	—	**10 years**	—
inVENTer GmbH	—	**11 years**	**11 years**
Ventilair Group International BVBA and its subsidiaries	—	**2 years**	—
Energy Technique Limited and its subsidiaries	**1 years**	**13 years**	—
NVA Services Limited and its subsidiaries	**3 years**	**8 years**	—
Breathing Buildings Limited	**3 years**	**8 years**	—
VoltAir System AB	**9 years**	**9 years**	—
Simx Limited	**10 years**	**20 years**	—
Oy Pamon Ab	**5 years**	**15 years**	**5 years**
Air Connection ApS	**5 years**	—	—
Nordic Line ApS	—	—	—
Ventair Pty Limited	**7 years**	**17 years**	—
ClimaRad BV	**6 years**	**13 years**	—
Nordiska Klimatfabriken AB	**3 years**	**8 years**	—
Energent Oy	**3 years**	**8 years**	—
ERI	**8 years**	**18 years**	—
VMI	**7 years**	**9 years**	**4 years**
i-Vent	—	**10 years**	—

11. Intangible assets – other (continued)

Individually material intangible assets with definite useful lives:

	Carrying amount 2024 £000	Remaining amortisation 2024 Years
Customer base		
Simx Limited	**5,224**	**10 years**
ClimaRad BV	**8,356**	**6 years**
ERI	**9,059**	**8 years**
Trademark		
Volution Holdings Limited and its subsidiaries	**15,605**	**14 years**
ClimaRad BV	**2,413**	**13 years**
ERI	**2,473**	**18 years**

12. Business combinations

Business combinations in the year ended 31 July 2024

DVS

On 4 August 2023, Volution Group acquired the trade and assets of Proven Systems Limited (DVS), a market leading supplier and installer of home ventilation solutions in New Zealand. The acquisition of DVS is in line with the Group's strategy to grow by selectively acquired value-adding businesses in new and existing markets and geographies.

Total consideration for the purchase of the trade and assets of DVS was £8.5 million (NZ$17.7 million), net of cash acquired, with further contingent cash consideration of up to NZ$9 million based on stretching targets for the financial results for the 12 months ended 3 August 2024 and the 12 months ended 31 March 2026. Contingent consideration was assessed based on the current estimate of the future performance of the business for the 12 months ended 3 August 2024 as £nil, with NZ$3 million payable if EBITDA exceeds NZ$3 million, and for the 12 months ended 31 March 2026 as NZ$nil with a range of NZ$nil to NZ$6 million based on EBITDA performance from NZ$3.5 million to NZ$4 million.

If EBITDA for each period for which contingent consideration is measured is 10% higher than expected, contingent consideration would be £1.5 million higher, discounted to present value. 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 ending 31 July 2024 were £31,000 and have been expensed as cost of business combinations separately disclosed on the face of the consolidated statement of comprehensive income above operating profit.

The fair value of the net assets acquired is set out below:

	Book value £000	Fair value adjustments £000	Fair value £000
Intangible assets	**35**	**3,976**	**4,011**
Property, plant and equipment	**185**	**—**	**185**
Inventory	**875**	**—**	**875**
Trade and other receivables	**130**	**—**	**130**
Trade and other payables	**(627)**	**—**	**(627)**
Deferred tax liabilities	**—**	**(1,113)**	**(1,113)**
Total identifiable net assets	**598**	**2,863**	**3,461**
Goodwill on the business combination			**5,037**
Discharged by:			
Cash consideration			**8,498**

Goodwill of £5,037,000 reflects certain intangibles that cannot be individually separated and reliably measured due to their nature. These items include the value of expected synergies arising from the business combination and the experience and skill of the acquired workforce. The fair value of the acquired tradename and customer base was identified and included in intangible assets.

DVS generated revenue of £7,801,000 and generated a profit after tax of £280,000 in the period from acquisition to 31 July 2024 that is included in the consolidated statement of comprehensive income for this reporting period.

If the combination had taken place at 1 August 2023, the Group's revenue and profit before tax would have been the same as reported, as the acquisition took place on 4 August 2023.

12. Business combinations (continued)

Business combinations in the year ended 31 July 2023

VMI

On 4 April 2023, Volution Group plc acquired the entire share capital of Ventilairsec (VMI), a company based in Nantes, France. VMI designs and manufactures a range of residential ventilation systems focused on a low-carbon positive input ventilation technology known as 'VMI'. The acquisition provides Volution with direct access to the French market, one of the largest ventilation markets in Europe. The acquisition of VMI is in line with the Group's strategy to grow by selectively acquiring value-adding businesses in new and existing markets and geographies.

Total consideration for the purchase of the entire issued share capital was £7.9 million (€9.0 million), net of cash acquired, with a further contingent cash consideration of up to €5 million based on the performance for the year ended 31 December 2023; £nil consideration was earned or paid.

Transaction costs relating to professional fees associated with the business combination in the year ended 31 July 2023 were £532,000 and have been expensed as cost of business combinations separately disclosed on the face of the consolidated statement of comprehensive income above operating profit.

The fair value of the net assets acquired is set out below:

	Book value £000	Fair value adjustments £000	Fair value £000
Intangible assets	1,217	2,369	3,586
Property, plant and equipment	224	—	224
Inventory	1,180	—	1,180
Trade and other receivables	1,445	—	1,445
Trade and other payables	(1,314)	213	(1,101)
Debt	(894)	—	(894)
Deferred tax liabilities	—	(592)	(592)
Cash and cash equivalents	1,371	—	1,371
Total identifiable net assets	3,229	1,990	5,219
Goodwill on the business combination			4,072
Discharged by:			
Cash consideration			9,291

Goodwill of £4,072,000 reflects certain intangible assets that cannot be individually separated and reliably measured due to their nature. These items include the value of expected synergies arising from the business combination and the experience and skill of the acquired workforce. The fair value of the acquired trade name and customer base was identified and included in intangible assets.

VMI generated revenue of £2,057,000 and profit after tax of £71,000 in the period from the business combination to 31 July 2023 that are included in the consolidated statement of comprehensive income in the prior year.

If the combination had taken place at 1 August 2022, the Group's revenue would have been £8,272,000 higher and the profit after tax from continuing operations would have been £796,000 higher than reported in the year to 31 July 2023.

12. Business combinations (continued)

Business combinations in the year ended 31 July 2023 (continued)

i-Vent

On 22 June 2023, Volution Group plc acquired the entire share capital of i-Vent, a company based in Slovenia and Croatia. i-Vent designs, manufactures and supplies residential ventilation systems, primarily focused on decentralised heat recovery. The acquisition of i-Vent is in line with the Group's strategy to grow by selectively acquiring value-adding businesses in new and existing markets and geographies.

Total consideration for the purchase of the entire issued share capital was £21.7 million (€25.2 million), net of cash acquired, with a further contingent cash consideration of up to €15.0 million. 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 three years of: year 1 range from €0 to €3,000,000, based on EBITDA performance from €3,600,000 to €4,080,000 for year ended 31/12/23, year 2 range from €0 to €5,000,000, based on EBITDA performance from €4,080,000 to €5,280,000 for year ended 31/12/24, and year 3 range from €0 to €7,000,000, based on EBITDA performance from €5,280,000 to €7,5000,000 for year ended 31/12/25. 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.

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 Group has adjusted prior period balances for contingent consideration liability and goodwill due to the fair value of the contingent consideration liability and goodwill recognised on acquisition of i-Vent in 2023 being determined only provisionally. During the 12-month re-measurement period since acquisition a re-measurement period adjustment was identified, and adjustments to the contingent consideration liability and goodwill have been recognised by revising comparative information for the prior period presented in the statement of financial position as if the accounting for the business combination had been finalised at the acquisition date. Contingent consideration liabilities in the prior period have been increased by €4,800,000 (£4,115,000) and goodwill on acquisition of i-Vent has been increased by €4,800,000 (£4,115,000).

i-Vent generated revenue of £621,000 and profit after tax of £31,000 in the period from the business combination to 31 July 2023 that are included in the consolidated statement of comprehensive income in the prior year.

If the combination had taken place at 1 August 2022, the Group's revenue would have been £8,143,000 higher and the profit after tax from continuing operations would have been £2,198,000 higher than reported in the year to 31 July 2023.

12. Business combinations (continued)

Cash outflows arising from business combinations are as follows:

	2024 £000	2023 £000
DVS		
Cash consideration	**8,498**	—
I-Vent		
Contingent consideration	**2,566**	—
ERI		
Deferred payment	**1,874**	—
VMI		
Cash consideration	—	9,291
Less: cash acquired with the business	—	(1,371)
I-Vent		
Cash consideration	—	24,749
Less: cash acquired with the business	—	(3,099)
ClimaRad		
Cash consideration[1]	—	126
Total	**12,938**	29,696

Note:

1. During the prior year Volution Group plc purchased a small proportion of shares capital of ClimaRad for £126,000.

Operating cash flows – cost of business combinations:

	2024 £000	2023 £000
VMI	**35**	532
I-Vent	**45**	98
DVS	**31**	207
Other potential or aborted business combinations	**95**	195
Total	**206**	1,032

13. Inventories

	2024 £000	2023 £000
Raw materials and consumables	**25,231**	27,566
Work in progress	**2,257**	3,242
Finished goods and goods for resale	**25,624**	28,172
	53,112	58,980

During 2024, £1,320,000 (2023: £970,000) was recognised as cost of sales for inventories written off in the year.

Inventories are stated net of an allowance for excess, obsolete or slow-moving items which totalled £5,855,000 (2023: £5,634,000). This provision was split amongst the three categories: £3,363,000 (2023: £3,187,000) for raw materials and consumables; £195,000 (2023: £111,000) for work in progress; and £2,297,000 (2023: £2,336,000) for finished goods and goods for resale.

14. Trade and other receivables

	2024 £000	2023 £000
Trade receivables	**45,694**	44,968
Allowance for expected credit loss	**(514)**	(521)
	45,180	44,447
Other debtors	**5,532**	4,323
Prepayments	**4,527**	3,566
Total	**55,239**	52,336

Movement in the allowance for expected credit losses is set out below:

	2024 £000	2023 £000
At the start of the year	**(521)**	(772)
Charge for the year	**(22)**	(39)
Amounts utilised	**32**	292
Foreign currency adjustment	**(3)**	(2)
At the end of the year	**(514)**	(521)

Gross trade receivables are denominated in the following currencies:

	2024 £000	2023 £000
Sterling	**24,466**	25,361
US Dollar	**926**	723
Euro	**9,216**	8,165
Swedish Krona	**2,830**	2,713
New Zealand Dollar	**2,720**	2,946
Australian Dollar	**4,029**	3,914
Other	**1,507**	1,146
Total	**45,694**	44,968

Net trade receivables are aged as follows:

	2024 £000	2023 £000
Current	**41,711**	40,547
Past due		
Overdue 0–30 days	**2,123**	2,500
Overdue 31–60 days	**465**	598
Overdue 61–90 days	**74**	349
Overdue more than 90 days	**807**	453
Total	**45,180**	44,447

The credit quality of trade receivables that are neither past due nor impaired is assessed by reference to external credit ratings where available; otherwise, historical information relating to counterparty default rates are used. The Group continually assesses the recoverability of trade receivables and the level of provisioning required.

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

15. Trade and other payables

	2024 £000	2023 £000
Trade payables	**21,224**	23,059
Social security and staff welfare costs	**2,030**	1,929
Accrued expenses	**23,399**	22,120
Total	**46,653**	47,108

Trade payables are non-interest bearing and are normally settled on 60-day terms.

16. Leases

Group as a lessee

Set out below are the carrying amounts of right-of-use assets recognised and movements during the year:

Right-of-use assets 2024	Land and buildings £000	Plant and machinery £000	Fixtures, fittings, tools, equipment and vehicles £000	Total £000
Cost				
At 1 August 2023	**36,741**	**66**	**4,683**	**41,490**
Additions	**897**	**—**	**776**	**1,673**
Modifications and other	**(790)**	**—**	**—**	**(790)**
Expiration of leases	**(869)**	**(29)**	**(535)**	**(1,433)**
Net foreign currency exchange differences	**(893)**	**(6)**	**(259)**	**(1,158)**
At 31 July 2024	**35,086**	**31**	**4,665**	**39,782**
Accumulated depreciation				
At 1 August 2023	**9,737**	**31**	**1,820**	**11,588**
Charge for the period	**3,881**	**13**	**844**	**4,738**
Expiration of leases	**(869)**	**(29)**	**(535)**	**(1,433)**
Net foreign currency exchange differences	**(33)**	**(2)**	**30**	**(5)**
At 31 July 2024	**12,716**	**13**	**2,159**	**14,888**
Net book value				
At 31 July 2024	**22,370**	**18**	**2,506**	**24,894**

Right-of-use assets 2023	Land and buildings £000	Plant and machinery £000	Fixtures, fittings, tools, equipment and vehicles £000	Total £000
Cost				
At 1 August 2022	29,069	327	3,289	32,685
Additions	2,003	38	1,376	3,417
Remeasurement	4,223	—	—	4,223
Disposals	—	—	(65)	(65)
Expiration of leases	(156)	(93)	(110)	(359)
Net foreign currency exchange differences	1,602	(206)	193	1,589
At 31 July 2023	36,741	66	4,683	41,490
Accumulated depreciation				
At 1 August 2022	7,320	271	1,527	9,118
Charge for the period	3,286	33	576	3,895
Disposals	—	—	(15)	(15)
Expiration of leases	(156)	(93)	(110)	(359)
Net foreign currency exchange differences	(713)	(180)	(158)	(1,051)
At 31 July 2023	9,737	31	1,820	11,588
Net book value				
At 31 July 2023	27,004	35	2,863	29,902

16. Leases (continued)

Set out below are the carrying amounts of lease liabilities (included under interest-bearing loans and borrowings) and the movements during the year:

Lease liabilities **2024**	**Land and buildings** **£000**	**Plant and machinery** **£000**	**Fixtures, fittings, tools, equipment and vehicles** **£000**	**Total** **£000**
At 1 August 2023	**29,174**	**33**	**2,001**	**31,208**
Additions	**897**	**—**	**776**	**1,673**
Modifications and other	**(790)**	**—**	**—**	**(790)**
Interest expense	**721**	**2**	**40**	**763**
Lease payments	**(4,516)**	**(15)**	**(1,141)**	**(5,672)**
Foreign exchange movements	**(859)**	**(4)**	**(290)**	**(1,153)**
At 31 July 2024	**24,627**	**16**	**1,386**	**26,029**
Analysis				
Current	**3,522**	**8**	**1,228**	**4,758**
Non-current	**21,105**	**8**	**158**	**21,271**
At 31 July 2024	**24,627**	**16**	**1,386**	**26,029**

Lease liabilities **2023**	Land and buildings £000	Plant and machinery £000	Fixtures, fittings, tools, equipment and vehicles £000	Total £000
At 1 August 2022	23,775	36	1,156	24,967
Additions and remeasurement	6,226	38	1,376	7,640
Early termination	—	—	(65)	(65)
Interest expense	599	3	33	635
Lease payments	(3,778)	(41)	(663)	(4,482)
Foreign exchange movements	2,352	(3)	164	2,513
At 31 July 2023	29,174	33	2,001	31,208
Analysis				
Current	3,599	14	141	3,754
Non-current	25,575	19	1,860	27,454
At 31 July 2023	29,174	33	2,001	31,208

The following are amounts recognised in the statement of comprehensive income:

	2024 **£000**	2023 £000
Depreciation expense of right-of-use assets (cost of sales)	**2,904**	2,507
Depreciation expense of right-of-use assets (administrative expenses)	**1,834**	1,388
Interest expense	**763**	635

17. Other financial liabilities

2024	Foreign exchange forward contracts £000	ClimaRad BV £000	I-Vent £000	ERI £000	Total £000
Contingent consideration					
At 1 August 2023	**330**	**8,877**	**4,115**	**7,720**	**21,042**
Re-measurement of financial liabilities	**—**	**870**	**—**	**—**	**870**
Re-measurement of contingent consideration	**—**	**6,599**	**(1,529)**	**(316)**	**4,754**
Consideration paid	**—**	**—**	**(2,566)**	**(1,874)**	**(4,440)**
Foreign exchange	**(138)**	**—**	**(20)**	**—**	**(158)**
At 31 July 2024	**192**	**16,346**	**—**	**5,530**	**22,068**
Analysis					
Current	**192**	**16,346**	**—**	**5,530**	**22,068**
Non-current	**—**	**—**	**—**	**—**	**—**
Total	**192**	**16,346**	**—**	**5,530**	**22,068**

2023	Foreign exchange forward contracts £000	ClimaRad BV £000	I-Vent £000	ERI £000	Total £000
Contingent consideration					
At 1 August 2022	—	7,052		7,080	14,132
Further consideration recognised	—	—	4,131	—	4,131
Re-measurement of financial liabilities	—	(54)	—	—	(54)
Re-measurement of contingent consideration	—	1,879		640	2,519
Foreign exchange movements	330	—	(16)	—	314
At 31 July 2023	330	8,877	4,115	7,720	21,042
Analysis					
Current	330	—	2,571	—	2,901
Non-current	—	8,877	1,544	7,720	18,141
At 31 July 2023	330	8,877	4,115	7,720	21,042

The fair value of contingent consideration is calculated by estimating the future cash flows for the acquired company These estimates are based on management's knowledge of the business and how the current economic environment is likely to impact performance. The relevant future cash flows are dependent on the specific terms of the sale and purchase agreement. For non-current liabilities due more than one year from the balance sheet date, the assessed contingent liability is discounted using the discount rates for the relevant CGU (note 10).

Notes to the Consolidated Financial Statements (continued)

For the year ended 31 July 2024

17. Other financial liabilities (continued)

Current

On 17 December 2020, Volution Group plc acquired 75% of the issued share capital of ClimaRad Holding B.V. and subsidiaries (ClimaRad), a company based in the Netherlands. Total consideration for the purchase of 75% of the issued share capital was €41,100,000 (£37,100,000) with a commitment to purchase the remaining 25% on or before 28 February 2025. The future consideration for the purchase of the remaining 25% is set at 25% of 13 times the EBITDA of ClimaRad for the financial year ended 31 December 2024, plus the non-controlling interest share of profits earned in the periods up to and including 31 December 2024, less interest and principal on the Vendor loan already paid, and is subject to a cap of €100 million. The expected value of the future consideration is partially in the form of a vendor loan of €11,600,000 (£9,605,000) payable to certain individuals including the co-founder and management team of ClimaRad on completion of the purchase of the remaining 25% on or before 28 February 2025, and an additional element of contingent consideration. The contingent consideration at 31 July 2024 was assessed based on the current estimate of the future performance of the business as £16,346,000, discounted to present value (2023: £8,877,000).

The liability has increased significantly, largely as a result of increasing the estimate of expected EBITDA performance for the year ended 31 December 2024 (as well as the impact of unwinding the discounted amount by one year). At 31 July 2023, a sensitivity analysis concluded that the valuation of this contingent consideration was not a major source of estimation uncertainty at that date. However, EBITDA performance for the current period was beyond the sensitivities considered reasonable at 31 July 2023. Given the short period of time remaining in the assessment year to 31 December 2024, the Group considers a 10% EBITDA variance sensitivity appropriate at 31 July 2024. If actual EBITDA for the year ended 31 December 2024 varies by 10% from the estimate, the contingent consideration would vary by approximately £2,400,000.

On 9 September 2021, Volution Group plc acquired 100% of the issued share capital of ERI Corporation DOO Bitola (North Macedonia), ERI Corporation S.R.L. (Italy) and Energy Recovery Industries Trading SLU (Spain) and 51% of the issued share capital of Energy Recovery Industries Corporation Ltd (UK). On 14 October 2022, Volution Group plc acquired the remaining 49% of the issued share capital of Energy Recovery Industries Corporation Ltd (UK). The contingent consideration at 31 July 2024 was assessed based on the current estimate of the future performance of the business as £5,530,000 (2023: £7,720,000), with a range from €0 to €12,400,000, based on EBITDA performance from €4,500,000 to €8,500,000 for year ended 31 December 2024. If actual EBITDA for the year ended 31 December 2024 varies by 10% from the estimate, the contingent consideration would vary by approximately £1,700,000.

The contingent consideration at 31 July 2024 related to the acquisition of I-Vent was assessed as £Nil (2023:£4,115,000), the reduction being the result of the €3,000,000 related to year 1 performance being paid in March 2024 and the €2,000,000 related to year 2 performance being reduced to £Nil as a result of a change in the estimate of performance for year 2 (the year ended 31 December 2024). The strong finish to calendar year 2023 was followed by a more difficult trading period in spring/summer 2024 as a result of the introduction of local competition from April 2024 which caused some disruption in the local market. Although performance has since improved, the Group estimate that the previously expected performance for the year 2 and year 3 measurement years will not be achieved.

If the forecast EBITDA for year 2 and year 3 were 10% higher, the contingent consideration would remain Nil. The forecast EBITDA for year 2 and 3 would need to increase by c60% for the contingent consideration threshold to be met.

The foreign exchange forward contracts are carried at their fair value with the gain or loss being recognised in the Group's consolidated statement of comprehensive income.

18. Interest-bearing loans and borrowings

	2024		2023	
	Current £000	**Non-current £000**	Current £000	Non-current £000
Unsecured – at amortised cost				
Borrowings under the revolving credit facility (maturing 2025)	**—**	**49,794**	—	79,369
Cost of arranging bank loan	**—**	**—**	—	(692)
	—	**49,794**	—	78,677
Lease liabilities (note 20)	**4,758**	**21,271**	3,754	27,454
Other loans	**—**	**565**	—	802
ClimaRad vendor loan	**9,605**	**—**	—	9,771
Total	**14,363**	**71,630**	3,754	116,704

Revolving credit facility – at 31 July 2024

Currency	**Amount outstanding £000**	**Termination date**	**Repayment frequency**	**Rate %**
GBP	**—**	**2 December 2025**	**One payment**	**SONIA + margin%**
Euro	**49,794**	**2 December 2025**	**One payment**	**EURIBOR + margin%**
Swedish Krona	**—**	**2 December 2025**	**One payment**	**STIBOR + margin%**
Total	**49,794**			

Revolving credit facility – at 31 July 2023

Currency	Amount outstanding £000	Termination date	Repayment frequency	Rate %
GBP	—	2 December 2025	One payment	SONIA + margin%
Euro	79,369	2 December 2025	One payment	EURIBOR + margin%
Swedish Krona	—	2 December 2025	One payment	STIBOR + margin%
Total	79,369			

On 9 September 2024, the Group refinanced its bank debt. The Group now has in place a £230 million multicurrency 'Sustainability Linked Revolving Credit Facility', together with an accordion of up to £70 million. The facility matures in September 2027, with the option to extend for up to two additional years. The old facility was repaid in full early, on 11 September 2024, and a new multicurrency 'Sustainability Linked Revolving Credit Facility' was entered into.

The interest rate on borrowings includes a margin that is dependent on the consolidated leverage level of the Group in respect of the most recently completed reporting period. For the year ended 31 July 2024, Group leverage was below 1.0:1 and therefore the margin will remain at 1.25%. (31 July 2023: Group leverage was below 1.0:1 with the margin at 1.25%).

At 31 July 2024, the Group had £100,200,000 (2023: £70,631,000) of its multicurrency revolving credit facility unutilised, plus an unutilised accordion of up to £30,000,000.

18. Interest-bearing loans and borrowings (continued)

Changes in liabilities arising from financing activities

	1 August 2023 £000	Cash flows £000	Foreign exchange movement £000	New/ other £000	Interest £000	31 July 2024 £000
Non-current interest-bearing loans and borrowings (excluding lease liabilities)	**79,369**	**(28,451)**	**(1,124)**	**—**	**—**	**49,794**
Debt related to the business combination of VMI (see note 15)	**802**	**(237)**	**—**	**—**	**—**	**565**
Lease liabilities	**31,208**	**(5,672)**	**(1,153)**	**883**	**763**	**26,029**
ClimaRad vendor loan	**9,771**	**—**	**(166)**	**—**	**—**	**9,605**
Total liabilities from financing activities	**121,150**	**(34,360)**	**(2,443)**	**883**	**763**	**85,993**

The ClimaRad vendor loan is at a 5.0% fixed rate of interest.

	1 August 2022 £000	Cash flows £000	Foreign exchange movement £000	New leases £000	Changes due to business combination £000	Interest/ other £000	31 July 2023 £000
Non-current interest-bearing loans and borrowings (excluding lease liabilities)	74,351	3,710	1,308	—	—	—	79,369
Debt related to the business combination of VMI (see note 15)	—	(92)	—	—	894	—	802
Lease liabilities	24,967	(4,482)	2,513	7,640	—	570	31,208
ClimaRad vendor loan	9,557	—	214	—	—	—	9,771
Total liabilities from financing activities	108,875	(864)	4,035	7,640	894	570	121,150

19. Provisions

2024	Product warranties £000	Property dilapidations £000	Total £000
At 1 August 2023	**1,625**	**467**	**2,092**
Arising during the year	**1,869**	**6**	**1,875**
Utilised	**(1,674)**	**—**	**(1,674)**
Foreign currency adjustment	**(24)**	**—**	**(24)**
At 31 July 2024	**1,796**	**473**	**2,269**
Analysis			
Current	**1,400**	**50**	**1,450**
Non-current	**396**	**423**	**819**
Total	**1,796**	**473**	**2,269**

2023	Product warranties £000	Property dilapidations £000	Total £000
At 1 August 2022	1,540	463	2,003
Arising during the year	1,873	15	1,888
Utilised	(1,811)	—	(1,811)
Foreign currency adjustment	23	(11)	12
At 31 July 2023	1,625	467	2,092
Analysis			
Current	1,381	410	1,791
Non-current	244	57	301
Total	1,625	467	2,092

19. Provisions (continued)

Product warranties

A provision is recognised for warranty costs expected to be incurred in the following 12 months on products sold during the year and in prior years. Product warranties are typically one to two years; however, based on management's knowledge of the products, claims in relation to warranties after more than 12 months are rare and highly immaterial.

Property dilapidations

A provision has been recognised for dilapidations relating to obligations under leases for leasehold buildings and will be payable at the end of the lease term.

20. Authorised and issued share capital and reserves

	Number of ordinary shares issued and fully paid	Ordinary shares £000	Share premium £000
At 31 July 2023 and 31 July 2024	**200,000,000**	**2,000**	**11,527**

The 200,000,000 authorised ordinary shares of £0.01p each.

At 31 July 2024, a total of 2,151,214 (2023: 2,471,100) ordinary shares in the Company were held by the Volution EBT, all of which were unallocated and available for transfer to participants of the Long Term Incentive Plan, Deferred Share Bonus Plan and Sharesave Plan on exercise. During the year, 700,000 ordinary shares in the Company were purchased by the trustees (2023: 550,000) and 1,019,886 (2023: 262,565) were released by the trustees at £3,942,724 (2023: £973,960). The market value of the shares at 31 July 2024 was £11,767,140 (2023: £9,923,938).

The Volution EBT has agreed to waive its rights to dividends.

21. Deferred tax liabilities

Deferred tax liabilities

2024	**1 August 2023 £000**	**(Charged)/ credited to income £000**	**Credited to equity £000**	**Translation difference £000**	**On business combinations £000**	**31 July 2024 £000**
Temporary differences						
Depreciation in advance of capital allowances	**(2,896)**	**64**	—	—	—	**(2,832)**
Fair value movements of derivative financial instruments	**123**	**(52)**	—	—	—	**71**
Development costs, customer base, trademark and patents	**(15,147)**	**1,816**	—	**216**	**(1,113)**	**(14,228)**
Unutilised tax losses	**1**	**27**	—	—	—	**28**
Other temporary differences	**1,275**	**45**	—	**(4)**	—	**1,316**
Share-based payments	**3,307**	**96**	**(380)**	—	—	**3,023**
Deferred tax assets	**(13,337)**	**1,996**	**(380)**	**212**	**(1,113)**	**(12,622)**

2023	1 August 2022 £000	(Charged)/ credited to income £000	Credited to equity £000	Translation difference £000	On business combinations £000	31 July 2023 £000
Temporary differences						
Depreciation in advance of capital allowances	(1,714)	(1,180)	—	(2)	—	(2,896)
Fair value movements of derivative financial instruments	(182)	305	—	—	—	123
Development costs, customer base, trademark and patents	(16,464)	2,142	—	139	(964)	(15,147)
Unutilised tax losses	63	(62)	—	—	—	1
Other temporary differences	1,125	208	—	(58)	—	1,275
Share-based payments	2,950	93	264	—	—	3,307
Deferred tax liability	(14,222)	1,506	264	79	(964)	(13,337)

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For the year ended 31 July 2024

22. Dividends paid and proposed

	2024 £000	2023 £000
Cash dividends on ordinary shares declared and paid		
Interim dividend for 2024: 2.80 pence per share (2023: 2.50 pence)	**5,538**	4,942

Proposed dividends on ordinary shares		
Final dividend for 2024: 6.2 pence per share (2023: 5.50 pence)	**12,267**	10,879

An interim dividend payment of £5,538,000 is included in the consolidated statement of cash flows (2023: £4,942,000).

A final dividend payment of £10,879,000 is included in the consolidated statement of cash flows relating to 2023 (2023: £9,891,000).

The proposed final dividend on ordinary shares is subject to approval at the Annual General Meeting and is not recognised as a liability at 31 July 2024.

There are no income tax consequences attached to the payment of dividends in either 2024 or 2023 by the Group to its shareholders.

23. Related party transactions

Transactions between Volution Group plc and its subsidiaries, and transactions between subsidiaries, are eliminated on consolidation and are not disclosed in this note. A breakdown of transactions between the Group and its related parties is disclosed below.

No related party loan note balances exist at 31 July 2024 or 31 July 2023.

There were no material transactions or balances between the Company and its key management personnel or members of their close family other than the compensation shown below. At the end of the period, key management personnel did not owe the Company any amounts.

The Companies Act 2006 and the Directors' Remuneration Report Regulations 2013 require certain disclosures of Directors' remuneration. The details of the Directors' total remuneration are provided in the Directors' Remuneration Report.

Compensation of key management personnel

	2024 £000	2023 £000
Short-term employee benefits	**4,888**	3,886
Share-based payment charge	**904**	1,003
Total	**5,792**	4,889

Key management personnel is defined as the CEO, the CFO and the 15 (2023: 14) individuals who report directly to the CEO.

The Group also incurred fees and expenses of £414,000 (2023: £400,000) in respect of Claire Tiney, Amanda Mellor, Nigel Lingwood, Margaret Amos and Jonathan Davis for their services as Non-Executive Directors.

24. Events after the reporting period

After the year end, on 10 September 2024, the Group refinanced its bank debt. The Group now has in place a £230 million multicurrency "Sustainability Linked Revolving Credit Facility", together with an accordion of up to £70 million. The facility matures in September 2027, with the option to extend for up to two additional years. The old facility was repaid in full early, on 11 September 2024, and a new multicurrency "Sustainability Linked Revolving Credit Facility" was entered into.

After the year-end, on 20 September 2024, the Group signed an agreement to acquire Fantech for an initial consideration of AUD$220 million (£113.4 million[2]) on a debt free cash free basis, with further non contingent consideration of AUD$60 million (£30.9 million[2]) payable twelve months after the completion date. Conditions to completion of the transaction include anti-trust approvals which we are optimistic will be satisfied within approximately two to three months of signing.

Notes to the Consolidated Financial Statements (continued)
For the year ended 31 July 2024

25. Glossary of terms

Adjusted basic and diluted EPS: calculated by dividing the adjusted profit/(loss) for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share amounts are calculated by dividing the adjusted net profit/(loss) attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of any dilutive potential ordinary shares into ordinary shares. There are 2,143,783 dilutive potential ordinary shares at 31 July 2024 (2023: 3,365,875).

Adjusted EBITA: adjusted operating profit before amortisation.

Adjusted EBITDA: adjusted operating profit before depreciation and amortisation.

Adjusted finance costs: finance costs before net gains or losses on financial instruments at fair value and the exceptional write-off of unamortised loan issue costs upon refinancing.

Adjusted operating cash flow: adjusted EBITDA plus or minus movements in operating working capital, less net investments in property, plant and equipment and intangible assets.

Adjusted operating profit: operating profit before exceptional operating costs, release of contingent consideration and amortisation of assets acquired through business combinations.

Adjusted profit after tax: profit after tax before exceptional operating costs, release of contingent consideration, exceptional write-off of unamortised loan issue costs upon refinancing, net gains, or losses on financial instruments at fair value, amortisation of assets acquired through business combinations and the tax effect on these items.

Adjusted profit before tax: profit before tax before exceptional operating costs, release of contingent consideration, exceptional write-off of unamortised loan issue costs upon refinancing, net gains, or losses on financial instruments at fair value and amortisation of assets acquired through business combinations.

Adjusted tax charge: the reported tax charge less the tax effect on the adjusted items.

CAGR: compound annual growth rate.

Cash conversion: calculated by dividing adjusted operating cash flow by adjusted EBITA.

Constant currency: to determine values expressed as being at constant currency we have converted the income statement of our foreign operating companies for the year ended 31 July 2024 at the average exchange rate for the year ended 31 July 2023. In addition, we have converted the UK operating companies' sale and purchase transactions in the year ended 31 July 2024, which were denominated in foreign currencies, at the average exchange rates for the year ended 31 July 2023.

EBITA: profit before net finance costs, tax, and amortisation.

EBITDA: profit before net finance costs, tax, depreciation, and amortisation.

Net debt: bank borrowings and lease liabilities less cash and cash equivalents.

Operating cash flow: EBITDA plus or minus movements in operating working capital, less share-based payment expense, less net investments in property, plant and equipment and intangible assets.

ROIC: measured as adjusted operating profit for the year divided by average net assets adding back net debt, acquisition-related liabilities, and historic goodwill and acquisition-related amortisation charges (net of the associated deferred tax).