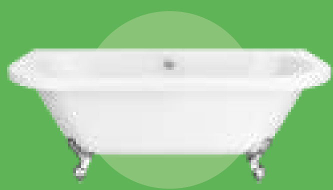

victorian plumbing plc

Annual Report and Financial Statements 2021

Victorian Plumbing is the UK's leading online retailer of bathroom products and accessories, offering a one-stop-shop solution for the entire bathroom. The business has grown rapidly in recent years and is now the UK's leading online specialist bathroom brand.

Victorian Plumbing offers its customers a choice of over 24,000 products spanning the entire bathroom with more than 125 own and third-party brands across a wide spectrum of price points.

08

CEO's statement
Mark Radcliffe,
Chief Executive Officer

Find out more on our website

victorianplumbingplc.com

What's inside

06
Chairman's statement
Philip Bowcock, Chairman

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Our strategy

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Investment case

30
ESG: Making a splash

Contents

At a glance

Our purpose

Our purpose is to improve the quality of home life.

We do this by providing affordable bathrooms to every door through sustainably investing in a broad range of products, advanced logistics and a values-driven, customer-focused and data-oriented culture.

Our strategy

Our strategy focuses on three horizons:

Core B2C
(see pages 18–19)

Trade
(see page 20)

Adjacent products
(see page 21)

Our values

Everything we do is driven by a set of shared values:

- **We take responsibility**
- **We innovate**
- **We respect people**
- **We develop and grow**
- **We're humble**
- **We celebrate success**

All of which is underpinned by our way of working, based on an unwavering commitment to:

- **Our stakeholders**
- **Our people and culture**
- **Risk management**
- **Governance**

Our history

2000 – Victorian Plumbing begins in Mark's garden shed

2004 – Hudson Reed; victorian plumbing.co.uk

2009 – First showroom opens in Formby

2011 – Burlington

2013 – Operations move to Skelmersdale; MILAN

2014 – First TV advert aired

Key

- Milestone events
- Notable own brand launches
- Notable third-party partnerships

Our performance

Financial highlights

Revenue (£m)

£268.8m
+29%

2021	£268.8m
2020	£208.7m
2019	£151.4m

Adjusted EBITDA (£m)

£40.1m
+53%

2021	£40.1m
2020	£26.2m
2019	£11.5m

Gross profit margin (%)

49%
+5%pts

2021	49%
2020	44%
2019	41%

Profit before tax (£m)

£19.7m
-17%

2021	£19.7m
2020	£23.7m
2019	£9.6m

Operational highlights

Total orders ('000)

906
+17%

2021	906
2020	776
2019	573

Marketing as % revenue

26%
+1%pt

2021	26%
2020	25%
2019	27%

Average order value (£)

£297
+10%

2021	£297
2020	£269
2019	£264

Trustpilot score

4.3
+00

2021	4.3
2020	4.3
2019	4.6

2016
Listed 16th in The Sunday Times Fast Track 100 – fastest growing companies

GROHE, CHATSWORTH, AURORA, KESWICK

2017
Digital Growth Hub opened in Birmingham

1 million orders

2018
Tech Hub opened in Manchester

hansgrohe, AREZZO

2020
New HQ opened and launch of recruitment drive

>500 employees

2021
Listed 24th in The Sunday Times Fast Track 100 – fastest growing private companies

3 million orders

Admission to AIM – June 2021

DURAVIT, Villeroy & Boch

Why invest in us?

1

Digitally native leading brand

We are the leading digital retailer of bathroom products and accessories in a market that is seeing consumer behaviour shift to online channels. We have developed a highly recognisable brand with a reputation for quality products and great service.

2

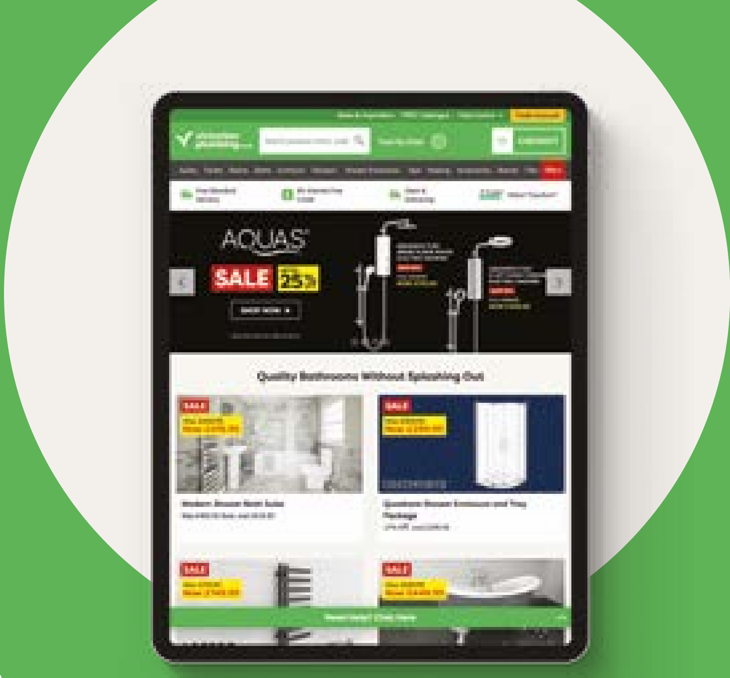
Significant product range

Customers can complete their entire basket of bathroom purchases through the extensive selection of products we offer through both our own and third-party brands. We offer more than 24,000 products from over 125 brands to provide a one-stop solution for our customers.

3

Agile supply chain

Our long-standing relationships with our global supplier base which we have built up over many years allows us to effectively manage our supply chain.



4

Seamless customer journey

Our convenient and intuitive website provides a seamless, fully digital journey from homepage to payment and beyond. The website is optimised across multiple devices and tracks each customer's behaviour to intelligently provide visitors with complementary products to maximise conversion and customer satisfaction.

5

Proprietary platform

Our bespoke, scalable e-commerce platform comprises built-for-purpose inventory, enterprise resource planning and customer relationship management systems to provide real-time data to various teams and functions within the business.

6

Entrepreneurial approach

Our leadership team continues to be led by the Group's founder, Mark Radcliffe. Mark, together with his brother, Neil Radcliffe, the Product Director, and other long-standing members of the Victorian Plumbing leadership team, have worked together to grow the business into the leading online operator in the sector.

"These results are our strongest yet. We grew revenue by 29% year on year to £268.8 million."

Philip Bowcock
Chairman

29%

Revenue growth year on year in 2021

£40.1m

Adjusted EBITDA for 2021

Introduction

I am delighted to have taken on the role of Chairman from the point at which the shares of Victorian Plumbing Group plc were admitted to AIM on 22 June 2021 ('Admission'). Over the past decade, the Victorian Plumbing brand has become one of the most recognisable in the home-improvement market and I am excited to be joining the business as it looks to embark on its next phase of growth.

The last 12 months have been ones of considerable success for Victorian Plumbing. These results are our strongest yet. We grew revenue by 29% year on year to £268.8 million (2020*: £208.7 million). Adjusted EBITDA[1] was £40.1 million, representing an increase of 53% over the previous year (2020*: £26.2 million).

Becoming a public company

The first observation is that the process has been immensely time-consuming for Victorian Plumbing employees, especially senior management and the finance team. Therefore, to deliver such outstanding operational performance at the same time is a tribute to everyone in the business and to the quality of the business itself.

The second observation relates to the benefits of the different ownership structure. For 20 years Victorian Plumbing was developed under the guidance of our Chief Executive Officer, Mark Radcliffe, who always ensured the business invested prudently and responsibly to achieve growth. Our strategy does not envisage a change to this philosophy now that we are a public company. However, with significant growth opportunities available to the business, the access to capital markets in future years is likely to be of great value.

Our Board and corporate governance

The IPO in June 2021 was a catalyst for us to develop the Board. As I mentioned in my introduction, I was appointed Chairman on Admission.

At the same time, we welcomed two independent Non-Executive Directors to the Board in Damian Sanders and Kath Smith. Damian, formerly a senior audit partner at Deloitte, has taken on the roles of Senior Independent Director and Audit Committee Chair. Kath, formerly the vice president of North Face EMEA, will take on the role of Remuneration Committee Chair. The Board will undoubtedly benefit in the coming months and years from the wealth of experience both Damian and Kath bring.

Prior to the IPO, in December 2020, Paul Meehan joined the Board as Chief Financial Officer, with his first goal being to help the business with the transaction. Paul joined Victorian Plumbing with significant experience, having previously been CFO at On The Beach Group plc and prior to that Finance Director at Gala Coral Group.

The Board is committed to upholding the highest level of corporate governance, and this has already been demonstrated by our commitment to adopt the UK Corporate Governance Code from Admission. Although this is not required for companies on AIM, we believe that it is important to hold ourselves to high standards in all areas of our business, and governance is no different.

The appointment of two independent Non-Executive Directors along with myself, who was independent on appointment, means that the Board composition was compliant with this area of the Code on Admission.

We recognise that only 20% of our Board members are women, which is below the target of 33% set by the Hampton-Alexander review. Diversity, whether it be gender or ethnicity, is important to us at all levels. As the current Board becomes established, we will review the composition of the Board with the ultimate objective to be in line with codes set out for good corporate governance.

Dividend

A final dividend has not been declared for the 2021 financial year. Our current intention is to commence our dividend programme in the 2022 financial year.

I would like to take this opportunity to express my thanks to all the employees of Victorian Plumbing, and particularly to the senior executives for what has been an extremely busy, as well as successful, year.

Philip Bowcock
Chairman
9 December 2021

* Adjustments made to comparative figures previously reported are detailed in note 2 to the consolidated financial statements and are as stated within the IPO Admission document.

1. Adjusted EBITDA is a non-GAAP measure. A reconciliation to operating profit can be found within note 4 to the consolidated financial statements.

Governance

At 30 September 2021 and to the date of this report, the Board composition is fully compliant with the UK Corporate Governance Code:

Philip Bowcock
Chairman

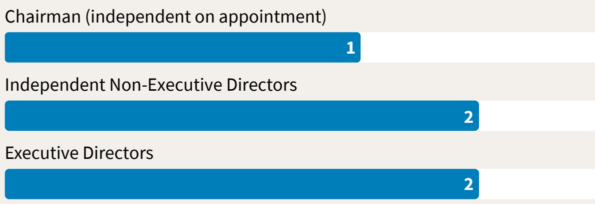
Mark Radcliffe
Chief Executive Officer

Paul Meehan
Chief Financial Officer

Damian Sanders
Senior Independent Non-Executive Director and Audit Committee Chairman

Kath Smith
Independent Non-Executive Director and Remuneration Committee Chair

Board composition



"We have strengthened our position as the UK's largest online bathroom specialist"

Mark Radcliffe
Chief Executive Officer

Overview
The last year has been the most significant year in our history. We have been able to take advantage of an accelerated change in consumer behaviour towards online retail to become the clear market leader in online bathroom products within the UK. As we move forward, our commitment to provide the most extensive choice of high quality bathroom products and the best customer experience sets us up well for the next phase of our growth.

Summary of operating performance
Our operating results reflect another excellent year for the business. Revenue grew by 29% to £268.8m (2020*: £208.7 million) as both total orders and the average order value increased. Adjusted EBITDA[1] increased by 53% to £40.1 million (2020*: £26.2 million) and adjusted EBITDA margin increased to 15% (2020*: 13%).

Strengthening our competitive position
We have strengthened our position as the UK's largest online bathroom specialist and we have deepened our competitive moat over the past year.

The bold, distinctive and quirky Victorian Plumbing brand continues to be well received by consumers. We have complemented our creative offline content by investing in more focused digital performance-based marketing. This ongoing and relentless marketing strategy has led to an increase in brand awareness, which reached 64% in the year[2], up from 58% in 2020.

As an e-commerce retailer, we have undoubtedly benefitted during the pandemic from an acceleration in the ongoing structural shift in consumer buying behaviour from offline to online. Despite this, online sales of bathroom products and accessories remains at only 29% of the total UK market according to Mintel. We expect our addressable market to grow even further in the coming years.

Audience, defined as the number of unique visitors visiting our platform measured through Google Analytics, increased by 15% to 2.59 million on average each month (2020: 2.26 million) which was 1.9 times larger than our nearest competitor[3] (2020: 2.0 times).

Total orders increased by 17% to 906,000 in the year (2020: 776,000) as customers continue to appreciate the quality of our products and our brand. Active customers increased by 13% to 638,000 (2020: 565,000).

64%

Brand awareness

A one-stop shop for bathroom products and accessories
Customers can use our platform to browse an extensive choice of quality products across a wide range of price points, meaning Victorian Plumbing offers customers a one-stop solution for bathrooms.

During the year, we increased consumer choice to more than 24,000 products from over 125 brands, including strategic additions of two well-known third-party brands: Duravit and Villeroy & Boch. This unrivalled product range increases the likelihood that consumers can find the product which is right for them and also reduces the impact of any stock-outs as popular products can be easily substituted.

The Victorian Plumbing website is the only place that customers can purchase products from our stable of own brands. We have now developed over 20 brands using our in-house development team and these continue to be extremely popular with consumers. In the year ended 30 September 2021, 76% of revenue (2020: 75%) was generated from own brand products.

Agile supply chain
We have not been exempt from disruption caused by Covid-19. Global supply chains have been challenged throughout the year, causing many retailers across every industry to experience slow deliveries, stock shortages and increased costs.

Over the past 20 years, we have developed long-standing relationships with our global supplier base. This reliable and agile supply chain has been invaluable in providing our product team with the necessary transparency and flexibility over the past 12 months. At various points in the year, including the latter few months of the financial year, we increased our stock holding to ensure that when supply chains were at their most disrupted we could service consumer demand. By taking this approach, we were able to be bold in attracting consumers when our competitors were experiencing stock shortages, therefore increasing our market share.

Seamless customer journey
The experience that customers have with us is always front of mind. We continue to be ranked 'Excellent' by Trustpilot, with an average score of 4.3 (2020: 4.3) across over 27,500 reviews received from consumers over the past year.

Our convenient and intuitive website provides a seamless, fully digital journey from homepage to payment. In the year we have enhanced our product pages with realistic CGI imagery and 360 degree product views whilst simultaneously improving product information. We also upgraded our integration with our consumer finance partner to provide consumers with near real-time decisions on whether they can obtain credit for their purchases.

* Adjustments made to figures previously reported are detailed in note 2 to the consolidated financial statements and are as stated within the IPO Admission document.

1. Adjusted EBITDA is a non-GAAP measure. A reconciliation to operating profit can be found within note 4 to the consolidated financial statements.
2. YouGov prompted brand awareness – February 2021; comparative as of February 2020.
3. SimilarWeb – average unique visitors per month.

"The experience that customers have with us is always front of mind."

Bathroom upgrades are often considered important decisions for consumers, and we know from customer feedback that many appreciate guidance through their purchasing journey. We therefore increased the level of assistance offered to customers as they browse by improving our AI-powered chatbot, or where necessary, linking consumers through to a member of our customer services team.

Our data-driven approach

Our bespoke, scalable e-commerce platform comprises built-for-purpose inventory, enterprise resource planning and customer relationship management systems to provide real-time data to various teams and functions within the business.

We have continued to develop our platform in the year and have grown our technology and infrastructure team to facilitate this. We recognise that to remain best in class there is a need to continually develop. It is because of this need to evolve that we are in the process of developing a new platform which will allow for further enhancements to the customer experience.

Our strategic focus

Our strategy has been developed with reference to three commercial growth horizons covering: core B2C, trade, and adjacent products.

Our core market is retailing bathroom products and accessories to consumers in the UK through our online platform. The Covid-19 pandemic has shifted consumers' buying behaviour online for bathroom products and accessories, and we believe that there is still some way to go before this transition reaches maturity. We are well placed to continue to gain market share in the short term through both

these structural tailwinds and by taking share from traditional physical retailers and other online competitors by leveraging our market and brand position.

In the medium term we remain encouraged that, with strategic planning and execution, there is a valuable further opportunity to translate our domestic success into carefully selected international market expansions.

Our second horizon focuses on the opportunity to retail bathroom products and accessories to the trade, an area in which we are currently underpenetrated. In the year ended 30 September 2021, just 16% of our revenue came from trade accounts, compared with an estimated 30-40% of the market. The Victorian Plumbing brand has largely been consumer-focused, with the trade element of the market being secondary in any of our marketing or initiatives. By broadening our marketing approach, expanding our focus to provide relevant products to trade customers and providing the best platform on which to browse and order, we believe we can make meaningful gains in this area.

Finally, our third horizon focuses on adjacent products that consumers look for when renovating a bathroom. Given our position in the bathroom product and accessories market, we have an exciting opportunity to expand our reach into products that often come later in the buying journey, such as tiles and lighting. Expanding these adjacent product ranges and increasing their prominence on our website will allow consumers to use Victorian Plumbing for everything they need to complete their bathrooms.

ESG

Taking 'responsibility' is one of our core values, and every one of us has a role to play in making a difference to the environment and the communities in which we operate. However, we have lacked structure in this area, and so during the year we established our ESG strategy, which is centred around three focus areas: governance and ethics, diversity and inclusion, and environmental sustainability.

We recognise that we have a lot of work to do against each of these areas in the months and years to come.

Our people

We are proud of the values-led, principles-driven culture that we have and it is this culture that underpins our ability to adapt to change in all circumstances. The past year has presented challenges for many colleagues, but we are immensely proud of how everyone in the business has supported each other throughout this period. It is a testament to the hard work, dedication and ability of the people we work with every day that our business has been able to navigate the past 12 months with such success.

Finally, I would like to thank our people, our customers, our suppliers and other stakeholders for their support this year and in the year ahead. These are still challenging times for all, but we feel well placed to carry on pursuing the multiple opportunities ahead of us in a way that is both ambitious and responsible.

Mark Radcliffe
Chief Executive Officer
9 December 2021

Our Arezzo brand

Revenue
£29.6m
(2020: £11.3m)

Number of products
1,215
(2020: 649)

The importance of our own brand design, development and scaling capabilities is illustrated by the success of the Arezzo product range. In 2018, we identified an increase in consumer demand for a range of black finished taps, shower heads and other bathroom accessories.

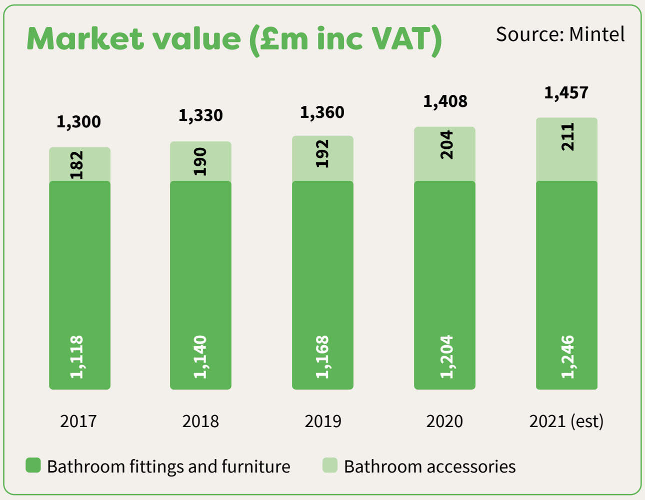
Within approximately seven months, we had designed and launched the Arezzo range with 29 different product lines. We have continued to expand the Arezzo range ever since. By the end of our 2020 financial year there were 649 separate Arezzo product lines and the range generated revenues of approximately £11.3 million. This increased further in 2021, with the number of products rising to 1,215 and revenue increasing by 262% to £29.6 million.

While we typically target product margins of approximately 60% on own brand products, the success of Arezzo means we have been able to achieve product margins of approximately 73% for the brand.

A growing online market

Overview

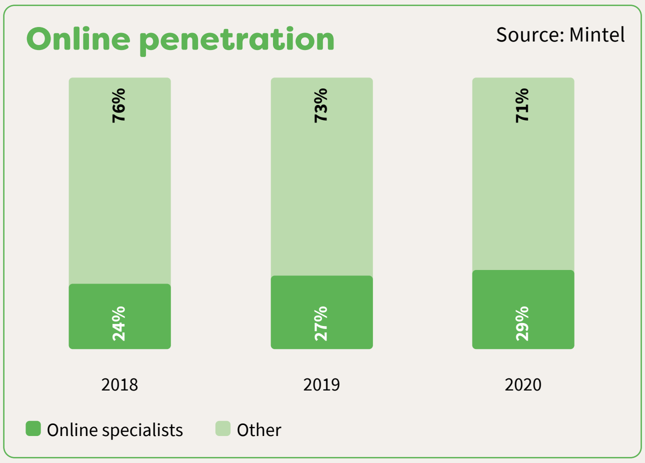
The UK bathroom and bathroom accessories market was estimated by Mintel to be worth £1.4 billion (including VAT) in 2020, having grown at a relatively steady rate from 2015, when it was estimated to be worth approximately £1.2 billion. The majority of this spend is still offline, with just 29% of sales being generated from online specialists, of which Victorian Plumbing is the largest individual retailer.



Covid-19

The bathroom and bathroom accessories sector recovered well after the initial shock in April 2020. As people spent more time in their homes, and with reduced opportunities to spend elsewhere, consumers decided to invest in home improvement projects.

Although many store-based retailers remained open throughout the pandemic, consumers decided to spend more time researching and purchasing products for their bathrooms online. The online specialist sector was already growing rapidly before the pandemic and this changing consumer behaviour accelerated this transition. Almost a third (29%) of bathroom furniture, fittings and accessories were purchased from online specialists in 2020, an increase from 26.5% in 2019. This share is for online specialists only and does not include online sales made from store-based retailers or general e-commerce sites.



Importantly, the pandemic affected consumer buying behaviour of all demographics, most notably older consumers who previously were more likely to visit traditional store-based retailers. As the risk caused by Covid-19 was greater for these consumers, they largely turned to e-commerce retailers to reduce their chance of infection.

As the pandemic becomes less impactful to daily life, it is still unknown to what extent consumers will elect to return to physical stores. It is our belief that the pandemic has only accelerated a shift that was already occurring. Although it is likely the growth in online sales will moderate, we know that relative to other industries total sales made through digital channels have the opportunity to grow in the coming years.

Market drivers

The performance of the housing market is a significant factor in the performance of the bathroom sector. Our research shows that moving home is the most likely key life event to drive a bathroom renovation. Government incentives such as the recent stamp duty holiday and help to buy schemes, coupled with an improvement in personal finances as many increased savings through lockdowns, have led to a strong housing market. In turn, this has led to an increase in the number of people renovating their newly purchased homes.

Over the past two years there has been a renewed focus on physical and mental wellbeing. In addition, the Covid-19 pandemic and the associated national lockdowns have led to many people spending more time than ever before inside their own homes. For many this included an increase in working from home, a trend that is unlikely to reverse completely.

A study conducted by Mintel showed that many adults turned to new hobbies during lockdowns, with 60% doing so to improve their mental wellbeing. One of the most popular hobbies was DIY/home improvement, with 54% of adults surveyed conducting at least one project in the preceding 12 months.

Bathrooms are also seen as an important room in the house for positive wellbeing. Mintel reports that 64% of UK consumers believe that well-designed bathrooms are important for their health and wellbeing, and 41% of people said their bathrooms are important for relaxation and self-care. This may be a driving reason for the average number of bathrooms per household increasing. A study performed in June 2021 showed 57% of households had just one bathroom compared with 61% in 2020; 30% had two bathrooms (2020: 28%) and 12% had three or more bathrooms (2020: 11%).

Changing consumer priorities

Home fashion is becoming increasingly important to consumers, particularly as they spend more time at home. As a result, updating the appearance of the bathroom is the most popular reason for undergoing a bathroom project, with 51% of consumers giving this as a priority. This desire for the latest fashion is showing in the changing product mix, with taps, showers and bathroom furniture sales growing at quicker rates than the average over the last four years.

Consumers have increased their awareness of environmental issues in recent years and more people than ever before are putting a focus on sustainability. As a result, 48% of people prioritise saving water and 46% prioritise saving energy when they embark on a bathroom project. In addition, 20% of consumers focus on using recycled or sustainable materials.

Making it easier to shop online

In general, considered purchases, such as bathroom products, are more likely to be purchased at physical locations than online when compared with other items. As technology advances, we will be able to help consumers overcome some of their concerns about buying online. For example, 3D room design plans or augmented reality may help some consumers visualise their room and remove the need for physical showrooms.

Priorities when planning a bathroom project, 2021

'Which of the following would you prioritise when planning a project for a bathroom, shower room or separate toilet? Please select all that apply.'

Updating the appearance	51%
Saving water	48%
Saving energy	46%
Making my home a more enjoyable place	44%
Adding value to my home	37%
More storage	34%
Use of recycled/sustainable materials	20%
Accessibility features (e.g. for less mobile members of the household)	16%
Environmental policies of manufacturers and retailers	14%
None of these	8%

Supply chains and operations

Over the past 12 months there have been several challenges that have disrupted supply chains both in the UK and across the world. Disruption caused by Covid-19, energy prices and availability, and a shortage of HGV drivers have all put strain on supply chains, no matter what the industry.

In the UK, further strain has been put on operations by isolation requirements relating to Covid-19. For the majority of 2021, workforces were put under pressure by the number of employees being forced to isolate, with the 'pingdemic' being at its worst over July and August. In addition, the demand for staff across most areas, most notably warehouse personnel and developers, has increased, meaning that many businesses have struggled to bring in the appropriate amount of resource.

How we create value

Our resources

Trusted consumer brand

Our bold and distinctive brand is a trusted platform to shop for bathroom products.

64%

Prompted brand awareness

Product range

Our extensive range of products offers a one-stop shop for consumers.

>24,000

Products available

Scalable technology platform

We operate a technology platform that serves our core business and is capable of supporting new growth opportunities.

100%

Website uptime

People and culture

Our values-led culture underpins a collaborative environment which allows us to react quickly to market changes.

532

Number of full-time equivalent employees on average in 2021

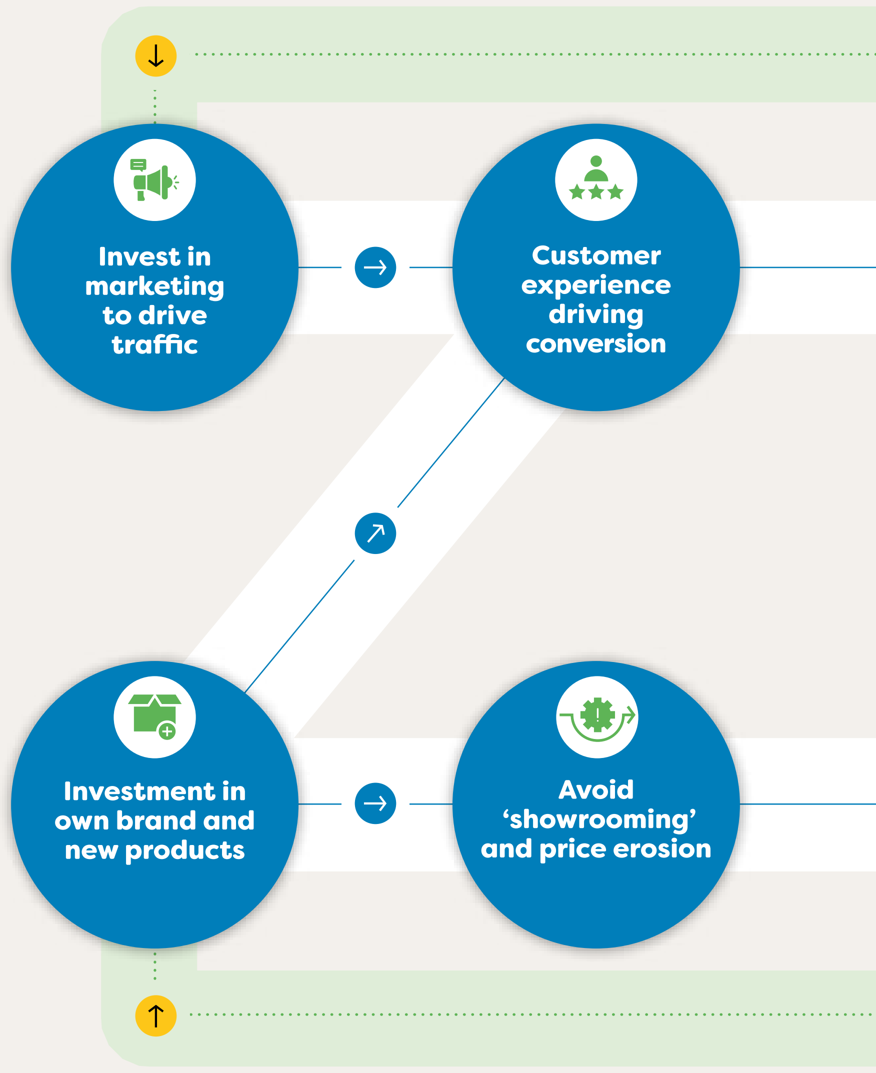
Cash generation

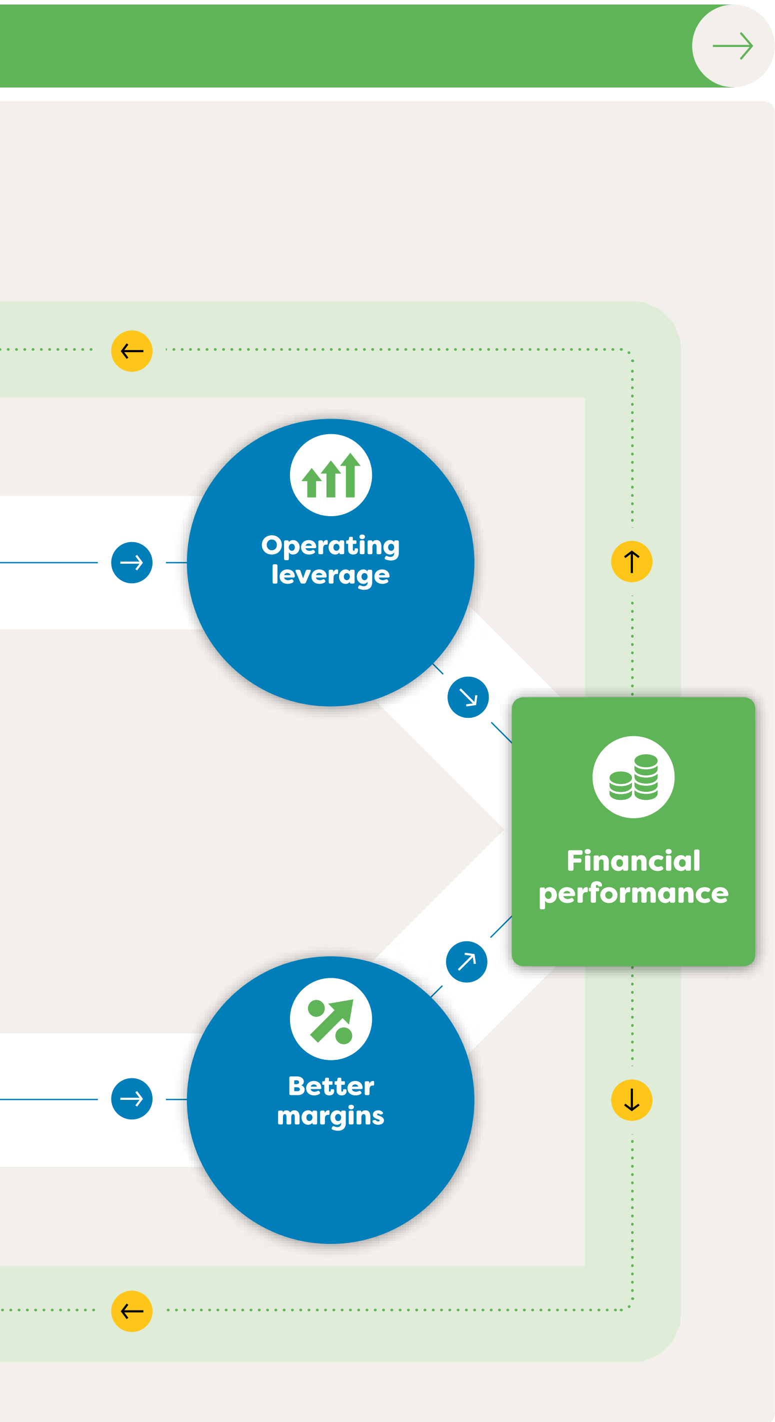
The highly cash generative nature of the business allows us to invest in long-term growth drivers of the business.

£32.6m

Operating cash flow

What we do





Value we create

Employees

We care about our employees and have installed a values-led culture that encourages our people to develop their careers.

58%

Of employees are proud to work at Victorian Plumbing

Customers

We provide customers with an extensive range of quality bathroom products and accessories.

906,000

Total orders in 2021

Suppliers

We operate in a transparent way with our suppliers, who are able to participate in our success as we grow.

>100

Third-party brands

Community & environment

We support our wider community and are putting an increasing focus on our environmental impact.

1.22

Carbon intensity measured as absolute carbon emissions divided by revenue in millions

Investors

We continually invest in our marketing, platform and people to create a long-term sustainable business.

£32.7m

Net cash at 30 September 2021

Our strategy

Core B2C

Our extensive product range coupled with our creative and bold marketing strategy has enabled the Group to rapidly gain market share and become the number one online bathroom brand in the UK.

Whilst proud of this achievement, our core focus is to ensure that we continue to grow, which means evolving our marketing, growing our product range and improving our efficiency.

Focus areas

1. **Grow our brand by providing the best customer journey, great customer service and investing in bold campaigns**
2. **Provide the largest choice of bathroom products**
3. **Improve warehouse and supply chain efficiency**

Trade

A small but growing proportion of our revenue is derived from trade customers, who will typically have a higher repeat rate, order frequency and average order value.

By taking a proactive approach to the trade segment, the Group believes that it can continue to penetrate this segment of the market.

Focus areas

4. **Adapt our customer journey to better serve the trade segment**
5. **Extend our product offering for trade customers**

Adjacent products

We specialise in bathroom products but have never invested in products adjacent to our core, such as tiles and lighting.

Becoming a true one-stop solution for all bathroom spend will allow us to capture a greater share of the customer wallet as well as attracting new customers who are shopping exclusively for these adjacent products.

Focus areas

6. **Increase our product range in tiles and lighting**

2021 progress

We have invested in our brand and supplemented this with targeted performance spend to attract more visitors than ever before to our platform.

Our Trustpilot score continues to average at 4.3/5 .

We have expanded our range of SKUs to over 24,000 and introduced five additional brands to our range, including key brands such as Duravit and Villeroy & Boch.

We dispatched 17% more orders from our warehouse.

How we measure

- Revenue
- Gross profit and gross profit margin
- Adjusted EBITDA and adjusted EBITDA margin
- Profit before tax
- Cash conversion
- Total orders
- Average order value
- Marketing as a % of revenue
- Trustpilot rating
- Active customers

Key performance indicators are detailed on pages 26-29.

Risks

- Macroeconomic trends
- Failure to innovate and changes in consumer buying behaviour
- Pandemic
- Brand and reputation
- Cyber security and data protection
- Supply chain
- Increase in competition
- Sustainability and climate change

For details on the Group’s principal risks and uncertainties see pages 48-52.

2021 progress

We have grown trade revenue to 16% of total revenue (2020: 14%).

We have widened our supply chain so that we can source the products needed by the trade.

How we measure

- Trade revenue
- Gross profit and gross profit margin
- Adjusted EBITDA and adjusted EBITDA margin
- Profit before tax
- Cash conversion
- Total orders
- Average order value
- Marketing as a % of revenue

Key performance indicators are detailed on pages 26-29.

Risks

- Macroeconomic trends
- Pandemic
- Brand and reputation
- Cyber security and data protection
- Supply chain
- Increase in competition
- Sustainability and climate change

For details on the Group’s principal risks and uncertainties see pages 48-52.

2021 progress

We have grown our range of tiles to 570 SKUs and increased revenue from tiles by 17% to £3.4 million (2020: £2.9 million).

We have established the start of our lighting range, securing key suppliers and stocking over 500 products.

How we measure

- Revenue
- Gross profit and gross profit margin
- Adjusted EBITDA and adjusted EBITDA margin
- Profit before tax
- Cash conversion
- Total orders
- Average order value
- Marketing as a % of revenue
- Trustpilot rating
- Active customers

Key performance indicators are detailed on pages 26-29.

Risks

- Macroeconomic trends
- Failure to innovate and changes in consumer buying behaviour
- Pandemic
- Brand and reputation
- Supply chain
- Increase in competition
- Sustainability and climate change

For details on the Group’s principal risks and uncertainties see pages 48-52.

Core B2C

Our core B2C market continues to offer a strong runway for growth, underpinned by continuous improvement of the customer journey and the steady ongoing transition of consumers to online channels.

1

Grow our brand by providing the best customer journey, great customer service and investing in bold campaigns

What have we done

Chatbot and customer service
We improved our chatbot to answer more queries automatically. We have also invested in our customer service team to improve our service level given the increased order volume. Our average Trustpilot score was maintained at 4.3 across 27,500 reviews (2020: 4.3) and our overall rating remained 'Excellent'.

Payment options
We have evolved our 'pay later' proposition with our partner Klarna. We now offer consumers a convenient finance option with a real-time response on their application.

Data-driven performance marketing
We utilised our data from our large active customer base to focus our performance-based marketing spend. This relentless approach to pay-per-click advertising complemented our bold and quirky offline marketing, which was fronted by Laurence Llewelyn-Bowen.

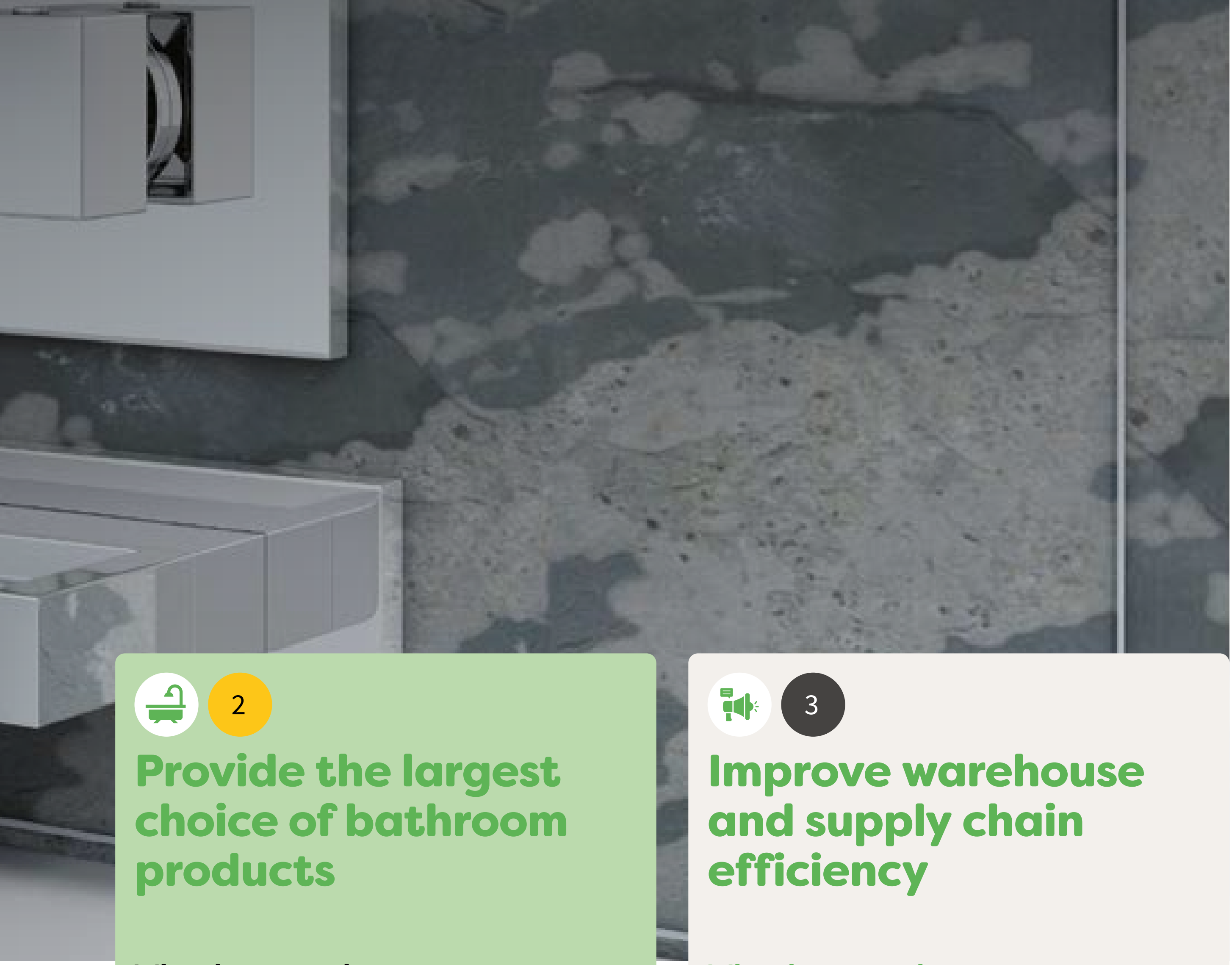
Opportunities

Website replatforming
We are developing our new website, which we anticipate will go live during the coming year. This website will allow us to release updates more frequently and test how those updates perform.

Further penetration in the UK and overseas
Our brand awareness continues to grow and we believe we have a good opportunity for growth in our UK core market. In the medium term we are confident that the model we have honed in the UK can be just as successful in overseas markets that are further behind in their transition to online.

4.3

Average Trustpilot star rating (score out of 5)



2

Provide the largest choice of bathroom products

What have we done

Expanded the number of products we offer
We continue to expand our product range. We now offer over 24,000 SKUs, providing customers with a one-stop shop regardless of their budget.

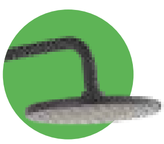
Provide a wide choice of brands
Partnerships with third-party brands continue to be strengthened as well as the introduction of five new brands to our site in the year. These additions included two premium brands: Duravit and Villeroy & Boch.

Opportunities

Furniture fashion
Now more than ever before the bathroom is becoming a 'statement' room for consumers. Our continued product research and innovation ensures we remain on the pulse with consumer trends.

Eco-products
Consumers are increasingly looking for sustainable products. In a recent Mintel survey, 'saving water' ranked second in consumers' priorities when planning a bathroom project. We have increased the number of products we hold with water saving technology but opportunity exists to expand this range further.

>24,000
Products available



3

Improve warehouse and supply chain efficiency

What have we done

Resource in China
We have established a local presence in the far east to allow us to proactively manage our key supplier relations in those regions. Having local resource has also been key in introducing rigorous audit checks of suppliers' factories and quality checks over the products they produce.

Warehouse semi-automation
During the year our new warehouse in Skelmersdale became operational to service small parcels. This warehouse was our first with semi-automation which has increased our efficiency.

Opportunities

Warehouse optimisation
Our multi-site warehouse operation has served us well as the business has grown, but there is room for efficiency. This may mean more automation or consolidation to fewer sites so that we can further increase efficiency.

906k
Orders dispatched during 2021

Trade

Our proposition has traditionally been targeted to the end consumer, and so we are underpenetrated in the trade segment. We estimate that trade accounts for c.30-40% of the total market, giving us opportunity in this area.

4

Adapt our customer journey to better serve the trade segment

What have we done

Improving navigation
We increased the prominence of our trade proposition on our site. It is now easier than ever for trade customers to sign up to a trade account.

Trade account management
We have expanded our trade team to provide additional support to our growing trade segment. Trade revenue increased to be 16% of total revenue (2020: 14%).

Opportunities

On-the-go convenience
Trade customers often need to place orders on the move. A more efficient mobile experience, through an app or improved mobile site, would allow us to more efficiently help our trade customers find what they need in less time.

Repeat orders
Trade customers often make repeat orders. We have an opportunity to ensure that making a repeat order is as easy as it possibly could be, allowing our trade customers to save time.

16%
Trade revenue as a proportion of total revenue

5

Extend our product offering for trade customers

What have we done

Established supplier networks
During the year we have expanded our supplier base to give us the capability to stock smaller parts used by the trade for installations.

Opportunities

One-stop shop for the trade
To become a one-stop shop for the trade, we will be required to provide the smaller 'plumbing' parts that they use frequently. Over the next year we will look to increase our offerings of these products on site.

Trade vs consumer needs
Our trade platform is in the most part identical to the consumer site. Trade customers have different priorities and so we have an opportunity to improve the prominence of products that take priority for the trade. Once completed, our replatformed website will allow us greater flexibility to make these changes.

29k
Trade accounts active in 2021

Adjacent products

Consumers often require adjacent products such as tiles or lighting to complete their bathroom renovation. These are areas in which we can grow our ranges in order to give consumers everything they require for their project.

6

Increase our product range in tiles and lighting

What have we done

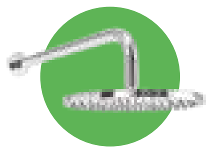
We have increased our tile range to 570 designs and grown revenue by 17% to £3.4 million (2020: £2.9 million). We also increased the prominence of tiles on our site so consumers can find our offering more easily.

Our lighting range has also increased as we build trusted relationships with new suppliers. At 30 September 2021 we had over 500 different lighting SKUs available for customers to purchase.

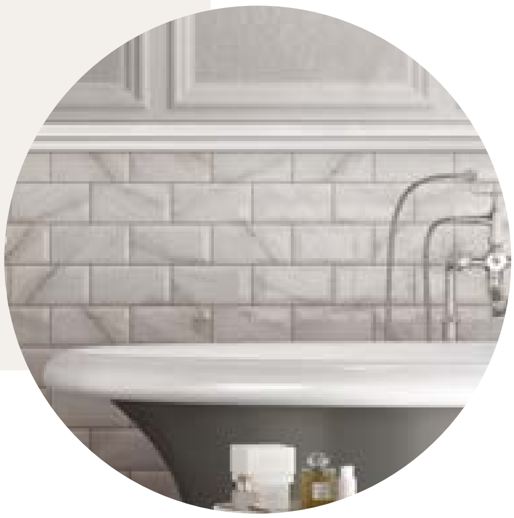
Opportunities

Expanding our ranges further
We still have room to grow our tile and lighting ranges and will be working to do this over the next year.

Leveraging our existing customer base
Consumers often think about purchasing adjacent products such as tiles and lighting after they have decided on their core bathroom. By improving the customer journey, we have the opportunity to leverage our additional customer base to increase sales of adjacent products.



570
Tile SKUs at
30 September 2021



Stakeholder engagement

Directors are required to act in the way they consider, in good faith, would most likely promote the success of the Company for the benefit of its members as a whole, whilst also having regard to the factors listed in Section 172 of the Companies Act 2006.

As a leading e-commerce retailer, we have a diverse set of stakeholders and aim to balance their needs and outcomes. We acknowledge that not every decision we make will necessarily result in a positive outcome for all of our stakeholders. By understanding our stakeholders, and by considering their diverse needs, we can factor into boardroom discussions the potential impact of our decisions on each stakeholder group. The content on these pages sets out how we engage with our key stakeholders.

Customers

Their needs

- Extensive choice of quality products
- Ease of buying through our platform
- Clear and accurate information
- Fair and transparent pricing
- Timely delivery

How we engage

- We have dedicated customer service teams for each of our consumer and trade customer groups
- We ask customers to leave product reviews on our website
- We proactively ask for consumers to leave a Trustpilot review and we respond to instances in which the customer feels we could have done better
- We conduct an annual brand health survey with a panel of homeowners to understand awareness, consideration and how our brand is perceived
- We measure consumer brand awareness
- We use Viewers Logic, a TV response system, to understand how our advertising is received by consumers
- We use third parties to conduct consumer research which is shared with the Board

Outcomes of engagements

- Adapting the levels of prominence that products have on our website
- Customer feedback drives our new product development
- Engagement with customers influences the keywords we bid on to drive traffic
- We have adapted our customer service flows to ensure we can quickly respond to incoming requests
- We are expanding the number of trade product lines we carry

Employees

Their needs

- Working conditions, environment and wellbeing
- Career development and training opportunities
- Diversity and inclusion
- Reward and benefits

How we engage

- Regular interaction from the CEO and other members of the Senior Leadership Team across all departments
- Launched our first annual employee engagement survey in September 2021
- Regular feedback sought through anonymous online forms
- Department feedback sessions
- Dedicated company news section on our intranet site
- Health and safety assessments

Outcomes of engagements

- We have increased the level of communication to our people and plan on doing more on this in the coming year
- We have increased the number of people on our leadership team and ensured our people know that senior management is always available to help
- We launched an all-employee share scheme in July 2021, awarding all eligible employees up to £3,600 in free shares
- We opened our fitness studio at our head office to promote physical wellbeing and provided on-site catering for our staff in Skelmersdale

Suppliers

Their needs

- Fair trading terms and conditions
- Increasing revenue from increased volumes sold
- Preservation of brand value

How we engage

- Regular engagement with suppliers which includes regular contact with members of the Senior Leadership Team and with the Board
- Supplier procurement processes engage at the time of the appointment and during the relationship
- Early involvement from suppliers in the design and prototypes of new products
- Factory audits across our Chinese suppliers and feedback on how they can improve
- Regular review of product quality and feedback on faulty items

Outcomes of engagements

- Our auditing programme in China has helped our suppliers identify areas in which they could improve and we have helped suppliers resolve these issues in most cases
- We give our suppliers insight on product performance so they can further develop their products
- Data from suppliers has contributed to our own product development

The community & environment

Their needs

- Energy usage and carbon emissions
- Giving back to the community
- Environmental, social and governance ('ESG') factors

How we engage

- We support a number of local and national charities by performing fundraising activities
- Make a difference strategy with focus on Diversity and inclusion, and Environmental Sustainability
- Third-party consumer research as to how important sustainable products are to consumers

Outcomes of engagements

- We have held a number of fundraisers over the year to help support local charities
- We have established an internal focus area on sustainability and the environment
- We have reported our scope 1 and 2 emissions and will look to establish our scope 3 footprint in the coming year
- More prominence has been given to products that are sustainable

Investors

Their needs

- A balanced and fair representation of financial results and future prospects
- Responsible remuneration practices
- High governance standards
- Share price performance and return

How we engage

- Open, honest and balanced communication available to all shareholders
- Developing investor relations programme including results presentations and subsequent roadshows plus one-to-one meetings with management when requested
- Private shareholders are encouraged to communicate with the Board through ir@victorianplumbing.co.uk
- Announcements available through our website
- We share industry-related data with analysts

Outcomes of engagements

- On 22 June 2021 Victorian Plumbing Group plc was admitted to AIM
- Feedback from investors through the IPO process and since has helped us build and develop on our strategy

Section 172 (1) Statement

Our stakeholder engagement processes enable our Board to carefully consider the relevant s.172 factors and resulting impacts on our key stakeholders when making decisions so that they can select the course of action that best leads to the high standards of business conduct and success of Victorian Plumbing in the long term.

Our s.172 approach

Stakeholder engagement is central to the formulation and execution of our strategy and is critical in achieving long-term sustainable success.

The needs of our different stakeholders as well as the consequences of any decision in the long term are well considered by the Board. This includes those decisions which involve the competing interests and priorities of our key stakeholders.

We remain clear on the overriding duty to promote the success of the Company placed on the Board and other senior managers within the Group and acknowledge that conflicts between differing interests will often arise.

The following strategic decisions taken during the year are intended to provide some insight into the decision-making process at Victorian Plumbing.

Key

- ▲ Likely consequences of decisions in the long term
- ▲ The interests of the Company's workforce
- ▲ The need to foster relationships with suppliers, customers and others
- ▲ Impact of operations on the community and environment
- ▲ High standards of business conduct
- ▲ The need to act fairly between members of the Company

Increasing the amount of stock held in our warehouses

Section 172 considerations

What was the decision?

The disruption caused both by Covid-19 and other unforeseen macro events has put pressure on global supply chains. For many industries, including our own, these challenges have resulted in the sourcing of stock being unpredictable. As transparency over stock supply reduces, the chance of 'stock-outs' increases.

During 2021 we took the decision to increase the amount of stock that we held on site in our warehouses. By holding more stock on site we are able to minimise the risk of stock-outs and therefore have a higher degree of confidence of supplying customers with their orders just days after they have made a purchase. This increases customer satisfaction.

How the Board's engagement with stakeholders influenced the decision

Customers
Our customer surveys show that product choice and availability is key for our customers. Having an increased number of items out of stock would likely impact our reputation.

Our interaction with customers shows that delivering an item late can be extremely frustrating. By holding more stock we reduced the likelihood that we fail to fulfil an order.

Suppliers
Our transparent relationships with our suppliers allowed us to determine quickly if there was unpredictability in the delivery of products to the UK.

We used our extensive networks to determine how we could procure additional product from our partner factories and how these could be shipped to the UK efficiently if required.

Replatforming our website

Section 172 considerations

What was the decision?

Customers find it easy to navigate and use our website. Our user experience does, however, need to be continuously developed to fully optimise our proposition. Although we can currently make improvements, the technology takes time to update and doesn't allow us to test changes in the most efficient manner. As we grow, we also need to increase the scalability of the platform so that users continue to get a best in class experience.

After consideration we therefore made a decision to replatform our site to make it easier to update and test new features as well as making it even more secure.

How the Board's engagement with stakeholders influenced the decision

Customers
Through our customer engagement we know that our customers expect to be able to navigate our site easily and find what they are looking for with little hassle. Replatforming our site will allow us to test and release features to increase engagement more frequently.

Employees
Engagement with our employees who have experience of other businesses has helped us understand what 'great' looks like and what the possibilities are when replatforming.

Investors
The feedback we receive from investors gives us confidence that investing in our technology and platform will result in future growth for the business.

Listing on AIM

Section 172 considerations

What was the decision?

The Group was previously under private ownership with the largest two shareholders, Mark and Neil Radcliffe, being Directors of the parent Company.

In June 2021 the Victorian Plumbing Group plc joined the AIM market of the London Stock Exchange. The decision to move from a privately owned business to the public markets was considered carefully, with particular focus on how the change could impact employees, customers and suppliers.

How the Board's engagement with stakeholders influenced the decision

Employees
The impact that decisions have on employees is always front of mind. When making the decision to transition to a public company, the Directors evaluated the impacts that operating in a public environment would have on employees, including the likelihood of harmful changes to the culture of the business or the strategy being followed. Employee feedback helped with this process.

Investors
Feedback provided by investors and advisors through the IPO process has been invaluable for honing the strategy of the Group.

Stakeholder groups

Customers | Employees | Suppliers | The community & environment | Investors

Key performance indicators

We measure performance through a defined set of financial and operational KPIs

Key

1. Grow our brand by providing the best customer journey, great customer service and investing in bold campaigns
2. Provide the largest choice of bathroom products
3. Improve warehouse and supply chain efficiency
4. Adapt our customer journey to better serve the trade segment
5. Extend our product offering for trade customers
6. Increase our product range in tiles and lighting

See pages 16 – 21 for more detail on the Group's strategy.

The Group's principal risks and uncertainties are detailed on pages 48 to 52.

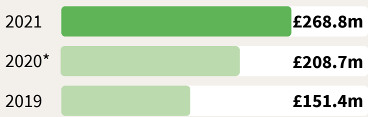
* Adjustments made to comparative figures previously reported are detailed in note 2 and are as stated within the IPO Admission document.

Financial

1. Revenue (£m)

£268.8m

+29%



Relevant focus areas

1 2 3 4 5 6

Definition

The Group generates revenue from the sale of bathroom products and accessories to both consumers and trade customers. Revenue is recognised when we have delivered the product.

Progress

Revenue has increased in the year as we attracted more visitors to our platform and increased the average value of each order. Revenue increased across both our consumer and trade channels.

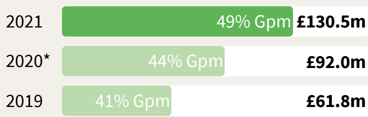
Relevant risks

- Macroeconomic trends
- Failure to innovate and changes in consumer buying behaviour
- Pandemic
- Brand and reputation
- Cyber security and data protection
- Supply chain
- Increase in competition
- Sustainability and climate change

2. Gross profit (£m) and gross profit margin (%)

£130.5m

+42%



Relevant focus areas

1 2 3 4 5 6

Definition

Gross profit is defined to be revenue less all direct costs incurred in purchasing products for resale along with packaging, distribution and transaction costs. Gross profit margin is gross profit as a percentage of revenue.

Progress

Gross profit margin increased by five percentage points in the year to 49%. Strong demand for our products, particularly those within our own brands, supported price increases, which helped to protect gross profit margin.

Relevant risks

- Macroeconomic trends
- Pandemic
- Supply chain
- Increase in competition
- Sustainability and climate change

3. Adjusted EBITDA (£m) and adjusted EBITDA margin (%)

£40.1m

+53%

2021	15%	**£40.1m**
2020*	13%	**£26.2m**
2019	8%	**£11.5m**

Relevant focus areas

1 2 3 4 5 6

Definition

Adjusted EBITDA is non-GAAP measure defined as operating profit before depreciation, amortisation, exceptional items and IFRS 2 share-based payments charges along with associated national insurance. Adjusted EBITDA margin is adjusted EBITDA as a percentage of revenue.

Progress

Adjusted EBITDA and adjusted EBITDA margin both increased as a result of the increase in gross profit. We invested more in marketing spend, which is the largest element of administrative expenses. Marketing spend as a percentage of revenue was 26% for the year (2020: 25%).

Relevant risks

- Macroeconomic trends
- Failure to innovate and changes in consumer buying behaviour
- Pandemic
- Brand and reputation
- Cyber security and data protection
- Supply chain
- Increase in competition
- Sustainability and climate change

4. Profit before tax (£m)

£19.7m

-17%

2021	**£19.7m**
2020*	**£23.7m**
2019	**£9.6m**

Relevant focus areas

1 2 3 4 5 6

Definition

Profit before taxation is defined as the profit attributable to equity holders of the parent before taxation.

Progress

The decrease in profit before tax year on year was primarily as a result of IPO fees (£9.4 million) and share-based payment charges (£7.7 million). The majority of share-based payment charges related to pre-IPO schemes.

Relevant risks

- Macroeconomic trends
- Failure to innovate and changes in consumer buying behaviour
- Pandemic
- Brand and reputation
- Cyber security and data protection
- Supply chain
- Increase in competition
- Sustainability and climate change

5. Operating cash conversion

81%

-24%pts

2021	**81%**
2020*	**105%**
2019	**68%**

Relevant focus areas

1 2 4 5 6

Definition

Operating cash conversion is defined as cash generated from operations before taxation and exceptional items less capital expenditure and cash outflows in relation to leases as a percentage of adjusted EBITDA.

Progress

Over the year we have increased the level of stock held in order to ensure high levels of availability despite supply side disruption. This investment in working capital, along with some normalisation of supplier payments, has resulted in a decrease in cash conversion in the year.

Relevant risks

- Macroeconomic trends
- Failure to innovate and changes in consumer buying behaviour
- Pandemic
- Brand and reputation
- Cyber security and data protection
- Supply chain
- Increase in competition
- Sustainability and climate change

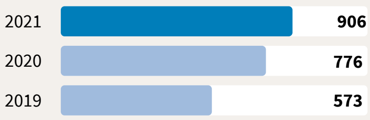
Key performance indicators continued

Operational

1. Total orders ('000)

906

+17%



Relevant focus areas

1 4 5 6

Definition
Total orders are defined as the total number of orders dispatched to customers in the year.

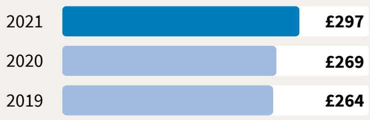
Progress
The total number of orders increased year on year as we attracted more visitors to our platform. The addition of further product ranges and improvements to the customer journey also helped us grow order volumes.

Relevant risks
- Macroeconomic trends
- Failure to innovate and changes in consumer buying behaviour
- Pandemic
- Brand and reputation
- Cyber security and data protection
- Supply chain
- Increase in competition
- Sustainability and climate change

2. Average order value (£)

£297

+10%



Relevant focus areas

1 4 5 6

Definition
Average order value is defined as total revenue divided by total orders in the year.

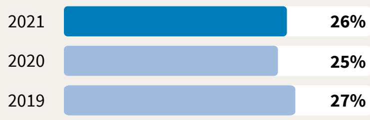
Progress
Average order value increased in the year, predominantly due to an increase in retail prices of products. These price increases were supported by strong demand for bathroom products, particularly those within our own brand.

Relevant risks
- Macroeconomic trends
- Pandemic
- Brand and reputation
- Reliance of third parties
- Increase in competition
- Sustainability and climate change

3. Marketing as a % of revenue

26%

+1%pt



Relevant focus areas

1

Definition
Marketing spend as a percentage of total revenue.

Progress
Marketing spend as a percentage of revenue increased marginally to 26% in the year as we invested in both our brand and performance-based spend to attract visitors to the platform.

Relevant risks
- Macroeconomic trends
- Failure to innovate and changes in consumer buying behaviour
- Pandemic
- Brand and reputation
- Cyber security and data protection
- Increase in competition

4. Trustpilot score

4.3

+00%

2021	**4.3**
2020	**4.3**
2019	**4.6**

Relevant focus areas

1 2

Definition

The monthly average star rating achieved through Trustpilot in the year.

Progress

Increased order volumes and disruption caused by Covid-19 restrictions have challenged our customer service team over the year. Despite this, our customer service teams have maintained our 'Excellent' Trustpilot score with an average score across the year of 4.3 out of 5.

Relevant risks

- Macroeconomic trends
- Failure to innovate and changes in consumer buying behaviour
- Pandemic
- Brand and reputation
- Cyber security and data protection
- Increase in competition

5. Active customers ('000)

638

+13%

2021	**638**
2020	**565**
2019	**422**

Relevant focus areas

1 2 3 4 5 6

Definition

Active customers are defined as the number of unique customers who made a purchase in the year.

Progress

The total number of active customers increased year on year as our bold brand and data-led marketing attracted more new visitors to our site.

Relevant risks

- Macroeconomic trends
- Failure to innovate and changes in consumer buying behaviour
- Pandemic
- Brand and reputation
- Cyber security and data protection
- Supply chain
- Increase in competition
- Sustainability and climate change

Key

1 Grow our brand by providing the best customer journey, great customer service and investing in bold campaigns

2 Provide the largest choice of bathroom products

3 Improve warehouse and supply chain efficiency

4 Adapt our customer journey to better serve the trade segment

5 Extend our product offering for trade customers

6 Increase our product range in tiles and lighting

See pages 16 - 21 for more detail on the Group's strategy.

The Group's principal risks and uncertainties are detailed on pages 48 to 52.

ESG: Making a splash

Introduction

We take our environmental, social and governance responsibilities seriously and are constantly looking at what we can improve on; we aim to make a difference to our people, our communities and the wider environment.

We have always tried to do the 'right' thing, but recognise that as a business that has grown rapidly over the past decade, we have never formalised our approach for sustainable development. Over the past year we have taken time to develop our strategy, and although there is still work to do, we are delighted to be able to outline how we plan to make a difference over the coming years.

Developing our strategy

As we developed our strategy we took a number of key considerations into account:

Engaging with our stakeholders

We sought feedback from our stakeholder groups, including our people and our investor base.

Linking to business priorities

Our making a difference strategy is to be part of our overall strategy and so the business goals need to be considered.

Supporting global goals

We have also considered our alignment with UN Sustainability Development Goals, particularly goal 5 on gender equality, goal 12 on responsible consumption and goal 13 on climate action.

Current and emerging trends

We have considered current and emerging trends in the media and our industry.

Our purpose

Our purpose is to improve the quality of home life.

We do this by providing affordable bathrooms to every door by sustainably investing in a broad range of products, advanced logistics and a values-driven, customer-focused and data-oriented culture.

Our strategy for the coming year falls within three distinct pillars:

Governance and ethics

Trust and transparency are integral to our business. We have always strived to do the right thing, and everyone in our business understands our expectation of behaving professionally, ethically and legally.

Read more: 32–33

Diversity and inclusion

We understand the value of having a diverse and inclusive workforce to fuel innovation, drive engagement and attract talent.

There is a lot more we could do to improve diversity and inclusion within our organisation and particularly in leadership positions.

Read more: 34–35

Environmental sustainability

As we become more environmentally aware, we are looking to cut our carbon emissions. We have reported our scope 1 and 2 emissions and will look to develop a strategy to become net zero.

We will also look to help consumers understand the environmental impact of our products.

Read more: 36–37

Governance and ethics

Operating ethically

At Victorian Plumbing we are committed to carrying out all business activities in an honest and open manner, and strive to apply high ethical standards in all our business dealings.

This year we developed an Ethical Procurement Policy and Supplier Code of Conduct. We proactively seek supplier relationships with those who equally share our passion for making a difference, and we encourage our suppliers and partners to drive their own ESG efforts in line with their principles.

During the year we commenced a programme of auditing our supplier base to ensure that they are acting to the standards that we expect. In the year we audited 34 suppliers ,all of which were in the Far East. The audits we perform cover areas such as employment conditions, health and safety, and terms of employee engagement. If suppliers fail to comply to our standards we will work with them to improve, or if we do not believe that can be done we will terminate our relationship with them.

We have zero tolerance to any aspect of bribery and corruption, both within our business and in respect of any third parties with whom we have dealings. We have an established anti-bribery and corruption policy and procedures in place for reporting on gifts and hospitality.

We actively cultivate a transparent and open culture, encouraging our employees to speak up whenever they have any concerns or experience any serious malpractice or wrongdoing in our business. Our whistleblowing policy provides employees with details on how they can provide confidential feedback. Reports obtained through the whistleblowing process are directed to the Audit Committee Chair.

Health and safety

We recognise our responsibility for the health and safety of our workforce and others who could be affected by our activities. We assess the hazards and risks faced by our workforce in the course of their work and take action to control those risks to an acceptable, tolerable level.

We meet our legal obligations by providing and maintaining a safe and healthy working environment so far as is reasonably practicable. We do this through:

- providing leadership and adequate control of identified health and safety risks;
- consulting with our employees on matters affecting their health and safety;
- providing and maintaining safe plant and equipment;
- ensuring the safe handling and use of substances;

Treating people fairly

We are committed to acting ethically and with integrity in all our business dealings and relationships, and to implementing and enforcing effective systems and controls to ensure modern slavery is not taking place anywhere in our own business or in any of our supply chains. For our full Modern Slavery Statement, please see our plc website (victorianplumbingplc.com). We have a zero-tolerance approach to modern slavery and expect the same high standards from all our contractors, suppliers and other business partners.

Our focus on diversity and inclusion extends to treating all our employees and job applicants fairly and equally. It is our policy not to discriminate based on gender or gender identity, sexual orientation, marital or civil partner status, gender reassignment, race, religion or belief, colour, nationality, ethnic or national origin, disability or age, pregnancy, or trade union membership or the fact that they are a part-time worker or a fixed-term employee.

- providing information, instruction and training where necessary for our workforce, taking account of any who do not have English as a first language;
- actively managing and supervising health and safety at work; and
- aiming for continuous improvement in our health and safety performance and management through regular reviews of our policies.

Data security

To mitigate the risk of cyber crime, we continuously monitor the availability and resilience of our platform and systems, as well as investing in security infrastructure. Our development teams use tools provided by Microsoft to implement effective security over our cloud applications. These tools allow regular reporting to detail how the infrastructure is protected against the CIS and NIST frameworks. Annual penetration testing is also performed and during 2021 no significant issues were found.

During the year we used a third party, Intechnica, to perform an independent audit of our procedures and processes over data security. There were no significant areas of weakness identified during that audit.

Data privacy

Data is at the heart of everything we do, and for that reason we take the protection of it very seriously. When it comes to collecting and storing personal data, be that for customers, suppliers or our employees, we abide by a clear set of principles. We are committed to ensuring that the personal information we collect and use is appropriate for the purpose, does not constitute an invasion of privacy and is held securely, responsibly and transparently in accordance with our privacy policy.

Explicit consent is obtained to contact consumers for marketing purposes. We may pass personal data to third-party service providers contracted to Victorian Plumbing in the course of dealing with customers or employees. We carefully vet any third parties that we share data with, and they are obliged to keep it securely, and to use it only to fulfil the service they provide on our behalf.

We record all instances of data loss and have a rigorous data breach process in the unlikely event one occurs. This includes reporting notifiable breaches to the relevant regulatory authorities, including the Information Commissioner's Office ('ICO'), without undue delay and within stipulated deadlines. Where required, we take corrective action as soon as possible.

Tax transparency

Victorian Plumbing is committed to being a responsible taxpayer acting in a transparent manner at all times. Our detailed tax policy includes further transparency on our approach to risk management and governance, and our attitude towards tax planning. In 2021, our total tax contribution was £35.8 million (2020: £25.1 million). Taxes borne by the Group totalled £8.8 million (2020: £6.7 million) and consist of corporation tax, employer's national insurance contributions, import duty and stamp duty. Taxes collected by the Group totalled £27.0 million (2020: £18.4 million) and consist of PAYE deductions, employees' national insurance contributions and net VAT collected.

Diversity and inclusion

At Victorian Plumbing we understand the value of having a diverse and inclusive organisation. Building a diverse and inclusive workforce will fuel innovation, drive engagement and attract talent. It is only with a mix of different ideas and perspectives that we can come up with the most exciting new ideas and create the best experience for our customers.

Diversity for everyone at Victorian Plumbing means respect for and appreciation of differences in: gender identity and expression, age, sexual orientation, disability, race and ethnic origin, religion and faith, marital status, social, educational background, and way of thinking. We believe inclusion is a state of being valued, respected and supported for who you are and having the same career opportunities as others.

We recognise that there is a lot more that we could do to improve diversity and inclusion in our organisation and particularly in leadership positions. We have therefore made increasing the level of diversity and inclusion at Victorian Plumbing a key pillar of our strategy.

How we will take action:

- We will ensure that we are interviewing a diverse range of individuals for each role. Having a diverse pool of applicants reaching interview should ultimately result in greater diversity amongst those who we recruit.
- We will educate our people about why diversity and inclusion is important. We will also raise awareness amongst our people around the pitfalls of unconscious bias and how it may be impacting our progress.
- We will improve the employee experience, remove barriers and reduce the gender pay gap.

How we will measure impact:

- We will monitor the make up of our people with specific focus on gender and those in leadership roles.
- We will analyse and act on employee feedback.
- We will calculate and report on our gender pay gap.

Diversity

We are committed to improving diversity and inclusion within our organisation as we believe this improves individual and team performance and allows us to identify and attract talent that we may not otherwise access. Like many organisations that have seen rapid growth, particularly those in e-commerce retail, we have significant room for improvement and so this is an area of focus for us.

Gender

Following the expansion of the Board on Admission in June 2021, the ratio of men to women on the Board was 4:1 (2020: 2:0) while the proportion of women in leadership positions, as defined by the Hampton-Alexander review, was 12% (2020: 19%).

We recognise that this level of diversity in leadership positions falls below the target of the Hampton-Alexander review. We are committed to driving long-term change to reach gender parity across these positions in our business.

During 2021 we published Gender Pay Gap reports for the March 2020 and March 2021 reporting dates, supporting the Government's initiative to promote transparency on gender pay.

Our values

We take responsibility

Each team member is responsible for the success of their place within our business. No matter the role, it's important that we understand the importance of taking responsibility for our work.

We innovate

We don't allow tired thinking and the normal way of doing things to get in the way of innovation. All ideas are respected, welcomed and given the access to make a difference to our performance.

We respect people

Whether it's customers, our team members or our business partners, we recognise that our success is a product of people, collaborative work and respect for each other.

We develop and grow

We recognise and reward hard work. At Victorian Plumbing, eagerness to self-develop and better ourselves is rewarded with the tools and investment needed to grow our team and our business.

We're humble

We don't take our success for granted, and we remain competitive, aware and agile no matter our size.

We celebrate success

We take time to acknowledge and celebrate our achievements, and we reward successes driven by our team.

Gender diversity

As at 30 September 2021

	Men	Women	Men as % of total	Women as % of total
Board	4	1	80%	20%
Senior Leadership Team ('SLT')	6	1	86%	14%
SLT direct reports	16	2	89%	11%
Total	**407**	**152**	**73%**	**27%**

As at 30 September 2020

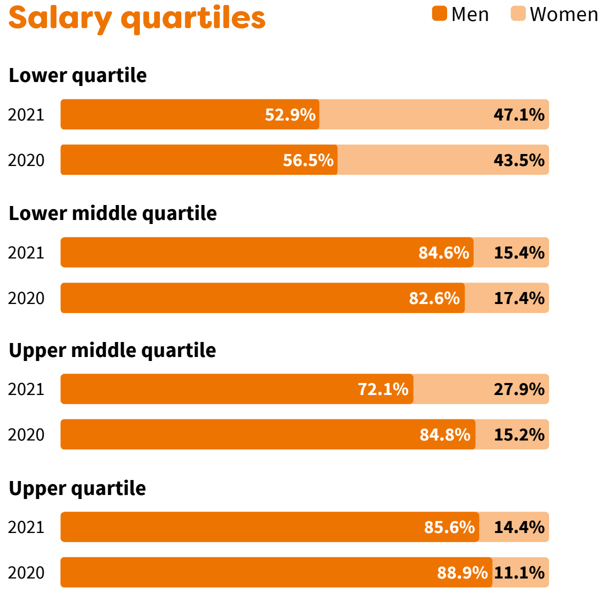
	Men	Women	Men as % of total	Women as % of total
Board	2	0	100%	0%
SLT	5	1	83%	17%
SLT direct reports	17	4	81%	19%
Total	**349**	**106**	**77%**	**23%**

Gender pay gap

Hourly pay gap between men and women

2021	2020	2021	2020
Mean	Mean	Median	Median
13.7%	11.2%	3.7%	3.7%

Salary quartiles



Our median hourly pay gap has remained constant; however, our mean hourly pay gap has increased, albeit remaining under the industry average. This increase was partly due to the fact that we have increased the proportion of women in lower-level roles, which has increased the proportion of women in the lower quartile.

As long as a gender pay gap exists at Victorian Plumbing, we will continue to work hard to address the issues we believe are relevant to reduce this gap.

Ethnicity, LGBT+, age and disability

Diversity to us means having respect for and appreciation of differences. As well as gender, this can include race and ethnic origin, age, sexual orientation and disability. As with gender diversity, we have more to do in these areas. For example, only 8% of people in leadership roles identify as being from a minority ethnic background. Over the year ahead we will look to make progress on understanding the diversity of our current people across these areas so that we can identify focus areas in which we should improve.

Our business is committed to becoming more inclusive and welcoming – and just as importantly, retaining – a diverse workforce.

Employee engagement

Our employees are key to helping us fulfil our purpose and so at Victorian Plumbing we promote a culture of open feedback. During the year we launched our first employee engagement survey, a tool that we believe can help us assess the engagement and satisfaction levels across the business. We listen to the feedback and, with the support of our senior leaders, we review and develop action plans. We also look to Indeed and Glassdoor reviews for feedback.

We launched the all-employee share incentive plan ('SIP') in July 2021, shortly after our IPO. The implementation of this scheme not only recognises and rewards employees but also promotes a culture of shared ownership as we embark on the next phase of our growth.

Investing in and supporting our talent

One of our core values is to 'Develop and grow' and so our ambition is to ensure we do everything we can to support our people with learning opportunities. We offer our employees opportunities to learn new skills through both internal and external training along with 'on-the-job' coaching.

Wellbeing of our employees

The physical and mental wellbeing of our employees is always front of mind. During the year we opened our new fitness studio at our head office. This new facility gives our employees a place where they can exercise either independently or by using our virtual class capability.

Through the year we have looked to increase the awareness of mental health across our employee base. Initiatives included supporting Mental Health Awareness Week in May 2021 and partnering with Health Assured, the UK's largest Employee Assistance Programme provider to give our employees an outlet to seek information or advice on a range of mental health topics.

Ethnic diversity

As at 30 September 2021

	White	Other	Not disclosed	White as % of disclosed	Other % of disclosed
Board	5	–	–	100%	–
SLT	7	–	–	100%	–
SLT direct reports	16	2	–	89%	11%
Total	**253**	**27**	**279**	**90%**	**10%**

Environmental sustainability

As the world transitions to a low carbon economy, we expect that regulatory change and changes in consumer behaviour will have an impact on our market, which will mean we need to develop and adapt our business.

We are early in our discovery into what this will mean for our business, but it is already clear that in order to make a difference in this area we will have to drive change across our operations and our supply chain. Given our share of consumer voice, we should also use our capabilities to help consumers purchase more sustainable products. We believe we need to give back more to the planet than we take out of it and protect our business from the impact of climate change.

How we will take action:

- **Net zero carbon emissions** – As we become more environmentally aware, we are looking to cut our carbon emissions, with a goal of doing no harm to the planet through net zero carbon emissions. The first step to doing this is to understand our carbon emissions and that is what we will be working on over the next 12 months.

- **Supporting consumers** – Our customers care about the environment and so we have the responsibility to help them understand the environmental impact of our products. We will continue to increase the visibility of sustainable products on our platform.

Methodology

The Group is required to measure and report its direct and indirect greenhouse gas ('GHG') emissions by the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. The GHG reporting period is aligned to the financial reporting year. The methodology used to calculate emissions is based on the financial consolidation approach, as defined in the Greenhouse Gas Protocol, A Corporate Accounting and Reporting Standard (Revised Edition). Emissions factors used are from UK Government conversion guidance for the year reported.

We choose to present a revenue intensity ratio as a measure of our GHGs, as this is a relevant indicator of our growth and is aligned with our business strategy.

Total CO_2 emissions[1]

Year ended 30 September

	2021	2020
Scope 1	19	47
Scope 2	309	235
Total (scopes 1 and 2)	**328**	**282**
Revenue (£m)	268.8	208.7
Carbon intensity[2]	**1.22**	**1.35**

1. Scopes 1 and 2 are reported in tonnes of CO_2 equivalent.
2. Absolute carbon emissions divided by revenue in millions.

Our desire to reach net zero carbon

We are at the very start of our carbon net zero journey, but we are committed to making progress over the coming years.

We currently understand and report our ‘scope 1’ (combustion of fuel) and ‘scope 2’ (purchased electricity and gas, and fuel associated with leased cars) emissions. As an online retailer with no manufacturing or logistics capability, we have a relatively low carbon footprint across these two areas. However, we do not yet fully understand the extent of our ‘scope 3’ emissions, which are likely to be substantial.

Over the next year we will undertake work to understand the extent of our ‘scope 3’ emissions so that we can then look to establish a plan to reach net zero carbon.

Helping consumers to make sustainable choices

Our success comes from a breadth of expertise and we want to combine that with our voice in the industry to increase awareness of products that are more sustainable and environmentally friendly.

During the year we added ‘Eco’ flags to products that either use sustainable materials or use water saving technology to help consumers when they are making choices over which products to purchase. From almost zero at the start of the year, we now have over 60 products that carry this attribute.

Partnerships

GWM
OLDSTON WASTE MANAGEMENT

Environmental impact

We have agreed a partnership with GWM, a waste management provider. GWM assist us in disposing of unwanted items in the most environmentally conscious manner. All items collected from our sites are reused, recycled or remanufactured to extend the lifespan of unwanted items and to prevent usable materials from ending up in landfill. Since January 2021 this partnership has helped us send no waste to landfill.

In the financial year we have evaluated our electricity contracts to ensure we will use renewable energy sources where possible. All of our offices and warehouses will use greener energy suppliers when our existing contracts terminate through 2022.

Reporting frameworks

Over the past year we have made great progress on ESG factors. We are, however, still early on in our ESG corporate reporting journey and there is more that we can do to evidence how ESG is embedded into our strategy; how we assess and manage risks and opportunities; and what metrics and targets we are using. We aim to report comprehensively and transparently about ESG topics and we are developing our disclosures in line with both the Task Force on Climate-related Financial Disclosures ('TCFD') recommendations and Sustainability Accounting Standards Board ('SASB') standards to provide our investors and other stakeholders with information about our approach.

TCFD: Task Force on Climate-related Financial Disclosures

The TCFD has published recommendations to encourage businesses to increase disclosure of climate-related information. These recommendations focus on: governance; risk management; strategy; and metrics and targets.

We are committed to transparency in this area. The disclosure included below outlines the work we have started to align our climate risk disclosure with the TCFD recommendations. It is expected that these disclosures will continue to evolve as the Company looks to move closer to full alignment over the coming year.

As our response to the TCFD guidelines evolves, we will be reviewing our internal governance structures and to ensure climate change risks are included in our strategic group risk mechanisms, ensuring they are appropriately managed and opportunities are seized.

TCFD alignment at a glance

The Group Risk Register incorporates risks relating to the impact of climate change on our business, and this is now disclosed as a principal risk. The disclosure below outlines the work we have started to align our climate risk disclosure with the TCFD recommendations.

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

TCFD recommendation	Progress
Governance Disclose the organisation's governance around climate-related risks and opportunities.	Since Admission, the Board has taken responsibility for the oversight of sustainability. Climate-related risks and opportunities will be monitored by the Board on an ongoing basis and ESG matters will be included on the Board agenda at least three times per year.
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.	In the short time from Admission to the year end, we were able to make substantial progress in defining the areas which will be of focus to us. Over the next financial year we plan to develop our strategy to manage the potential impact of climate change risk.
Risk management Disclose how the organisation identifies, assesses and manages climate-related risks.	We have established a risk management framework that separates responsibilities into three lines of defence – our Senior Leadership Team, oversight functions and Committees, and independent assurance. Our Group risk register now includes risk of climate change as a principal risk.
Metrics and targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	We have reported our scope 1 and scope 2 emissions, see page 36. Over the coming year we will work on determining our scope 3 emissions with a view to disclosing these in our 2022 Annual Report.

SASB disclosure topics and accounting metrics

During the year we took the decision to align our ESG reporting to SASB standards. We have set out below our progress against the e-commerce SASB standards – we have reported progress against 9 of the 13 relevant standards. We acknowledge that we have not fully disclosed against all metrics. We will undertake work in the current year and plan to report additional progress and metrics in our next Annual Report.

Topic	Disclosure required	Progress
Hardware, infrastructure, energy and water management	(1) Total energy consumed (2) Percentage grid electricity (3) Percentage renewable	Scope 1 and scope 2 emissions are disclosed. See page 36 for details. Grid electricity accounted for 92% of total energy usage. Of energy used, 52% was from renewable sources.
	(1) Total water withdrawn (2) Total water consumed (3) Percentage of each in regions with high or extremely high baseline water stress	The Group consumed 1,570 cubic metres of water in the year. No water was consumed in regions with high or extremely high baseline water stress. There was no water withdrawn by the Group in the year.
	Discussion of the integration of environmental considerations into strategic planning for data centre needs	The Group primarily uses cloud-based services with some supplementary on-site servers. The Microsoft Azure platform has a focus on sustainability.
Data privacy and advertising standards	Description of policies and practices relating to behavioural advertising and user privacy	See page 33 for details on our data privacy policy.
Data security	Description of approach to identifying and addressing data security risks	See page 33 for further information on our approach to data security and privacy.
	(1) Number of data breaches (2) Percentage involving personally identifiable information ('PII') (3) Number of users affected	The Group had one reportable data breach in the year. This incident impacted one user and contained PII. The breach was reported to the ICO and steps taken to resolve it.

Topic	Disclosure required	Progress
Employee recruitment, inclusion and performance	Employee engagement as a percentage	The Group performed its first annual all-employee engagement survey during the year. Of the responses received, 58% of people said they were proud to work at Victorian Plumbing.
	(1) Voluntary turnover rate for all employees (2) Involuntary turnover rate for all employees	The Group had a voluntary turnover rate for employees of 61% and an involuntary turnover rate of 11%.
	Percentage of gender and racial/ethnic group representation for: (1) management; (2) technical staff; and (3) all other employees.	Gender representation for management and the workforce as a whole as at 30 September is reported on page 35. In addition, as at 30 September 2021, 88% of technical staff identify as male and 12% as female (2020: 86% male, 14% female). The ethnic diversity of management and the workforce as a whole as at 30 September is reported on page 35. Of technical staff who disclose their ethnicity, 72% identify as white with 28% identifying as from an ethnic minority. The Group will work over the coming year to capture data over the ethnic group of the entire workforce.

Non-financial information

We aim to comply with all areas of the UK's Non-Financial Reporting Directive. The table below sets out where stakeholders can find further information for each area within this Annual Report:

Non-financial risk	Policies, procedures and employee guilds	Section within this Annual Report	KPIs
Environmental		Environmental sustainability (pages 36 to 37) Reporting framework (pages 38 and 39)	• Scope 1 and 2 emissions • Total energy consumed • Percentage grid electricity • Percentage renewable • Total water consumed
Our people	• Code of conduct • Engagement survey • Whistleblowing	Diversity and inclusion (pages 34 and 35) Section 172 statement (pages 24 and 25)	• Gender diversity • Women in leadership roles • Ethnic representation • People who are proud to work at Victorian Plumbing
Social and community	• Ethical procurement policy • Supplier audits	Governance and ethics (pages 32 and 33)	• Gender diversity • Women in leadership roles • Suppliers audited
Human rights	• Modern slavery policy • Privacy policy • Supplier audits	Governance and ethics (pages 32 and 33)	
Anti-bribery and corruption	• Anti-bribery, gifts and hospitality policy	Governance and ethics (pages 32 and 33)	
Business model		Strategic report (pages 14 and 15)	
Principal risks		Principal risks and uncertainties (pages 48 to 52)	
Non-financial key performance indicators		Operational KPIs (pages 28 and 29)	

"We are pleased to report a successful year, growing revenue, gross margin and adjusted EBITDA margin"

Paul Meehan
Chief Financial Officer

Introduction

We are pleased to report a successful year, growing revenue, gross margin and adjusted EBITDA margin whilst also increasing net cash. This has been achieved in a year of rapid change for the Group and through a time when we have had to overcome the challenges presented by Covid-19.

	2021 £m	2020* (restated) £m	Change
Revenue	268.8	208.7	29%
Cost of sale	(138.3)	(116.7)	(19%)
Gross profit	130.5	92.0	42%
Underlying costs	(90.4)	(66.0)	(37%)
Other operating income	–	0.2	(100%)
Adjusted EBITDA	40.1	26.2	53%
Depreciation and amortisation	(3.0)	(2.2)	(36%)
Share-based payments	(7.7)	–	n.m
Exceptional items	(9.4)	–	n.m
Operating profit	20.0	24.0	(17%)

* Adjustments made to comparative figures previously reported are detailed in note 2 to the consolidated financial statements and are as stated within the IPO Admission document.

Revenue

In 2021, revenue grew by 29% to £268.8 million (2020*: £208.7 million) through an increase in both total orders and average order value.

The change in consumer buying behaviour towards online channels has accelerated during the Covid-19 pandemic and the Group has capitalised on the opportunity to serve customers through this structural long-term shift. Total orders in the year increased by 17% to 906,000 (2020: 776,000) as we grew our active customer base by 13% to 638,000 (2020: 565,000).

Average order value ('AOV') increased by 10% to £297 (2020: £269). The majority of this increase resulted from an uplift in prices. As the popularity of our own brand products has grown, the Group has been able to increase the prices of these products to reflect customers' perception of value. These price increases were further supported by high demand for bathroom products overall, coupled with tightened supply resulting from disruption in global supply chains. The Group generated 76% of revenue from own brand products in the year (2020: 75%).

Gross profit

Gross profit increased by 42% to £130.5 million (2020*: £92.0 million) and gross profit margin increased by five percentage points to 49% (2020*: 44%).

We define gross profit as revenue less cost of sales. Cost of sales includes all direct costs incurred in purchasing products for resale along with packaging, distribution and transaction costs.

Cost of sales increased by 19% to £138.3 million (2020*: £116.7 million) primarily as sales volumes increased. The disruption caused by Covid-19 impacted our supply chain throughout the year, causing increases in the cost of raw materials, transport and packaging. The strength of the Group's supplier relationships and the agility of our team ensured robust sourcing processes for good product availability. Furthermore, the pricing power of the Group, particularly on own brand products, allowed us to increase prices to protect gross margin.

Gross margin from own brand products increased to 53% (2020: 49%), whilst gross margin from third-party products increased to 33% for the year (2020: 30%).

Underlying costs

Underlying costs, which we define as administrative expenses before depreciation and amortisation, exceptional items and share-based payments, increased by 37% to £90.4 million (2020*: £66.0 million).

	2021 £m	2020* (restated) £m	Change
Marketing	69.7	52.2	34%
People costs exc share-based payments	13.8	9.4	47%
Property costs	4.1	2.6	58%
Other overheads	2.8	1.8	56%
Underlying costs	90.4	66.0	37%

Growing our brand awareness and increasing traffic to our site remains a focus for the Group. Marketing costs increased by 34% to £69.7 million (2020*: £52.2 million), which resulted in a marginal increase in marketing costs as a percentage of revenue to 26% (2020: 25%).

People costs, excluding share-based payments but including costs relating to agency staff and contractors, increased by 47% to £13.8 million (2020*: £9.4 million). This was mostly as a result of an increased number of full-time equivalent employees ('FTEs') in demand-based roles relating to customer service and warehouse operations. Total FTEs increased by 44% year on year to 532 (2020: 369).

Property costs increased by 58% to £4.1 million (2020: £2.6 million). The majority of this increase was as a result of the Group increasing its warehouse capacity on a short-term basis. Other overheads increased by 56% to £2.8 million (2020*: £1.8 million).

Financial Review continued

Other operating income
Other operating income for the year was £nil (2020*: £0.2 million). During the 2021 financial year the Group repaid £0.1 million of amounts claimed under the Coronavirus Job Retention Scheme. This amount was originally recognised within other operating income in 2020.

Adjusted EBITDA
Significant items of income and expense that do not relate to the trading of the Group are disclosed separately. Examples of such items are exceptional items and share-based payment charges, as these primarily relate to the changing ownership of the Group.

The table below provides a reconciliation from operating profit to adjusted EBITDA, which is a non-GAAP metric used by the Group to assess the operating performance.

	2021 £m	2020* (restated) £m	Change
Operating profit	**20.0**	24.0	(17%)
Share-based payments	**7.7**	–	n.m
Exceptional items	**9.4**	–	n.m
Adjusted operating profit	**37.1**	24.0	55%
Depreciation and amortisation	**3.0**	2.2	(36%)
Adjusted EBITDA	**40.1**	26.2	53%

Adjusted EBITDA increased by 53% to £40.1 million (2020*: £26.2 million) and adjusted EBITDA margin increased by two percentage points to 15% (2020*: 13%).

Exceptional items
Total fees incurred in relation to the IPO were £9.8 million, of which £9.4 million has been expensed through the income statement as an exceptional item, with the balance of £0.4 million being charged to the share premium account.

Share-based payments
The Group incurred share-based payment charges (including associated NI) of £7.7 million (2020: £nil). The majority of the charge recognised relates to shares awarded to management to incentivise a change in ownership such as the IPO that occurred in June 2021.

Depreciation and amortisation
Depreciation and amortisation increased by £0.8 million to £3.0 million (2020: £2.2 million). The Group continues to invest in its platform and bespoke inventory management systems, with £1.8 million of internal salaries capitalised during the 2021 financial year (2020: £2.0 million). The increased investment in this area over the last two years has resulted in an increase in the amortisation charge.

Operating profit
Operating profit decreased by 17% to £20.0 million (2020*: £24.0 million). Operating profit margin decreased by four percentage points to 7% (2020: 11%).

Profit before taxation
Profit before taxation decreased by 17% to £19.7 million (2020*: £23.7 million). This decrease results from the operating profit performance while net finance costs remained flat at £0.3 million (2020: £0.3 million).

Interest charged on the Group's lease arrangements under IFRS 16 increased to £0.3 million (2020: £0.2 million).

In June 2021 the Group signed into a new revolving credit facility (the 'RCF') with HSBC. The RCF has a total commitment of £10.0 million and a termination date of June 2024. The facility remained undrawn throughout the financial year.

Taxation
The Group tax charge of £5.4m (2020: £4.0m) represents an effective tax rate of 27% (2020: 18%), which is higher than the standard rate of tax primarily due to the level of non-deductible exceptional items relating to the IPO.

Earnings per share
Basic earnings per share ('EPS') from continuing operations, which is calculated for both the current and comparative year based upon the weighted average number of shares in issue immediately prior to the IPO, was 5.3 pence per share (2020*: 7.4 pence per share).

The adjusted basic earnings per share from continuing operations increased by 49% to 11.0 pence per share (2020*: 7.4 pence per share). The table shows the effect on the Group's basic earnings per share of the exceptional items and share-based payments.

	2021 £m	2020* (restated) £m	Change
Profit for EPS	**14.3**	19.7	(27%)
Share-based payments	**7.7**	–	n.m
Exceptional items	**9.4**	–	n.m
Tax effect	**(1.9)**	–	n.m
Adjusted profit for EPS	**29.5**	19.7	50%
Weighted average number of ordinary shares for basic EPS (millions)	**267.8**	265.6	1%
Adjusted earnings per share	**11.0**	7.4	49%

Cash flow and net cash

The Group continues to see strong cash generation with operating cash 18% higher at £32.6 million (2020*: £27.6 million), resulting in cash conversion of 81%.

	2021 £m	2020* (restated) £m
Adjusted EBITDA	**40.1**	26.2
Movement in working capital	**(3.2)**	4.7
Capital expenditure	**(3.2)**	(2.6)
Lease payments – principal	**(0.8)**	(0.5)
Lease payments – interest	**(0.3)**	(0.2)
Operating cash flow	**32.6**	27.6
Cash conversion	**81%**	105%

Changes in working capital resulted in a cash outflow of £3.2 million in the year. Global supply chains were disrupted for a number of months in the year for a combination of reasons, most notably the pandemic. As a result, we made the decision to increase our stock holding to decrease the risk of stock-outs, therefore providing a better and more dependable experience for customers. This increase in stock holding across the year end resulted in a working capital outflow of £9.4 million. This was offset partially by an increase in creditors, which resulted in a net cash inflow of £7.3 million.

Capital expenditure of £3.2 million (2020: £2.6 million) included £1.2 million of capitalised salaries relating to development of the Group's platform and bespoke inventory management systems (2020: £0.6 million).

At the year end the Group had net cash of £32.7 million (2020: £10.5 million).

Events after the reporting period

There have been no material events to report after the end of the reporting period.

Prior year adjustments

As detailed in note 2, following a review of the Group's historical financial information for the Group's IPO in June 2021, a number of adjustments have been made to correct previously reported figures within the Group's statutory consolidated financial statements. These adjustments have been corrected by restating each of the affected financial statement line items for the prior period. These adjustments were detailed within the Admission document.

Dividend

No final dividend for the year ended 30 September 2021 has been declared. The current intention of the Board is to pay a dividend in relation to the financial year ending 30 September 2022.

Paul Meehan
Chief Financial Officer
9 December 2021

Risk management

The Board is collectively responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives.

Risk management and internal control
The Company does not have a separate Risk Committee; the Board is collectively responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives.

The Board is also responsible for establishing and maintaining the Group's system of risk management and internal controls. It receives regular reports from management identifying, evaluating and managing the risks within the business. The risk management framework is described below.

Our risk management framework
Risks are reviewed on an ongoing basis and are captured in a risk register, identifying the risk area, the likelihood of the risk occurring, the impact if it does occur and the actions being taken to manage the risk to the desired level. The Board's role is to consider whether, given the risk appetite of the Group, the level of risk is acceptable within its strategy.

Responsibilities

Board
- Overall responsibility for overseeing the Group's risk management and internal control process
- Determines the Group's risk appetite
- Ensures appropriate and robust systems of risk management and internal controls are in place to identify, manage and mitigate risks to the overall viability of the Group

Audit Committee
- Assesses the scope and effectiveness of the Group's internal controls and risk management systems
- Agrees the scope of the internal audit and external audit functions, and reviews their work

Senior Leadership Team
- Identifies, assesses, monitors, manages and mitigates risks, and exploits opportunities
- Embeds risk management and internal controls as business as usual
- Ensures corrective actions to mitigate risks and addresses control deficiencies

Lines of defence

First line: Senior Leadership Team

- Primary responsibility for day-to-day risk management
- Identify, assess, monitor, manage and mitigate risks, and exploit opportunities
- Embed risk management and internal controls as business as usual
- Design and execution of appropriate mitigations and internal controls
- Ensure corrective actions to mitigate risks are implemented
- Must be satisfied that control or mitigation procedures are working

Second line: Oversight functions

- Functions: Human Resources, Finance (internal controls)
- Groups: Health and Safety, IT steering group, Data security
- Establish appropriate policies, provide guidance, advice and direction on implementation
- Monitor the first line of defence

Third line: Independent assurance

- Provide independent assurance that risk is being appropriately managed
- Carried out by parties such as external auditors
- Identify process improvements and efficiencies.

Our risk management process

We recognise that effective risk management is critical to enable us to meet our strategic objectives and to achieve sustainable long-term growth. A four-step process has been adopted to identify, monitor and manage the risks to which the Group is exposed:

Explanation of the risk management process

A top-down and bottom-up approach is used to identify principal risks across the business.

Whilst the Board has overall responsibility for the effectiveness of internal control and risk management, the detailed work is delegated to the SLT.

Risks and controls are analysed and evaluated to establish the impact and likelihood of occurrence.

The Group categorises risks into eight areas: economy, market and business environment risk; financial risk; asset risk; operational risk; competitive risk; technology infrastructure risk; regulatory risk and non-BAU risk.

The SLT is responsible for monitoring progress against principal risks in a continual process. The Board reviews the Group's risk register and assesses the adequacy of the principal risks identified and the mitigating controls and procedures adopted.

The effectiveness and adequacy of controls in place is assessed.

If additional controls are required to mitigate identified risks then these are implemented and responsibilities assigned.

Identifying, monitoring and managing the Group's principal risks

The Board has carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. This included an assessment of the likelihood and impact of each risk identified, and the mitigating actions being taken. Risk levels were modified to reflect the current view of the relative significance of each risk.

The principal risks and uncertainties identified are detailed in this section. Additional risks and uncertainties to the Group, including those that are not currently known or that the Group currently deems immaterial, may individually or cumulatively also have a material effect on the Group's business, results of operations and/or financial condition.

1. Macroeconomic trends

Potential impact
Specific macroeconomic factors and changes due to geopolitical uncertainty can have an impact on how customers behave and can also have an impact on our operations and the operations of our supply chain. In turn, this could impact our overall financial performance.

Changes in the year
Over the past 12 months Brexit and the Covid-19 pandemic have provided challenges to both our operations and those of our supply chain. Although both issues have evolved from 12 months ago, there is no increased risk to the Group.

How do we manage the risk?
We continue to monitor shifts in all relevant macroeconomic risks, with particular focus on challenges caused by Brexit and Covid-19. Mitigations put in place to help prepare the Group for any potential volatility include the following:

- We have a strong supply chain consisting of multiple suppliers across multiple locations. This helps minimise over-reliance on any individual country or supplier.
- We have relationships with multiple carriers and logistics providers so we can spread our carriage if required.
- We continually review stocking levels and increase our investment in stock when uncertainties arise. This helps us to reduce stock-outs and strengthen our competitive position.

Key: Risk movements in year

No change | Slight increase

2. Failure to innovate and changes in consumer buying behaviour

Potential impact

Failure to innovate new desirable products may impact our ability to attract new customers or retain our existing customers.

A failure to maintain and enhance our customer journey in a manner that responds to our customers' evolving needs could also have a material adverse effect on our financial performance.

Changes in the year

We remain at the forefront of innovation in the sector and we have strengthened our position through partnerships with additional well-known bathroom product brands.

Through the year we have innovated and launched several new products across a number of our brands with good levels of success.

We have adapted the consumer experience to make purchasing easier and evolved our 'pay later' proposition with our partner Klarna to give consumers a near real-time response to their application for credit.

How do we manage the risk?

Our product and marketing teams continuously research the latest consumer trends and buying behaviours using a range of platforms for the deepest insight.

We use our agile approach to product development to bring products to market quickly once we identify a consumer need or latest trend. This approach allows us to bring a product to market at scale within six months of inception.

We develop most of our technology platform in-house, meaning we can make bespoke changes quickly when a need is identified.

3. Pandemic

Potential impact

The Covid-19 pandemic has caused unprecedented levels of disruption to every aspect of the economy, our customers, our suppliers and the way that we operate our business. There is a risk that further restrictions or a stricter and more prolonged lockdown could adversely impact the ability for our business and our supply chain to operate efficiently.

As an e-commerce business we benefitted from the acceleration of consumers towards online retail. As restrictions lift there remains a risk that consumer buying behaviour reverts to offline, or that demand for home improvement products is subdued, and the size of the online market reduces.

Changes in the year

Our business was able to operate fully throughout the year, although at times this was at reduced capacity due to isolation requirements relating to Covid-19.
Our suppliers were also impacted from time to time by these restrictions.

The overall situation has improved from a year ago but there are still a significant number of infections in the UK. There is a chance that additional measures could be brought in through the winter months and so we have determined there to be no change in the level of risk.

How do we manage the risk?

We continue to monitor the situation across functions so that we can respond rapidly to developments as they occur.

We increased the level of scrutiny of our ongoing supplier base, with a focus on its ability to continue to operate and its financial viability.

We already had a robust business continuity plan, but we have evolved this through the crisis, making sure that it is safe for our staff to work at our premises. We have reviewed and addressed all key person dependencies in the event of high staff absences if another wave hits.

Principal risks and uncertainties continued

4. Brand and reputation

Potential impact

Our brand is one of our biggest assets. Failure to maintain and protect our brand, or negative publicity that affects our reputation, could diminish the confidence that customers have in our products and the service we provide, resulting in a reduction in revenue and profit.

Changes in the year

Our prompted brand awareness has consistently increased over the last three years, according to YouGov, and was at 64% in February 2021 when measured as part of our annual brand health check. Our bold, differentiated and quirky marketing content alongside our data-driven pay-per-click strategy helps us to stay front of mind with consumers.

During the year we have maintained our high Trustpilot score at 4.3/5 despite the increase in order volumes.

How do we manage the risk?

We invest in new and innovative marketing campaigns that are bold and quirky to help us grow our brand awareness.

We have an open culture with our values at the core and we promote transparency across the business.

We perform quality checks on products to ensure that items we deliver to customers are to the standard we expect. We hold all of our suppliers to high quality standards and address any failure to meet expectations.

Our customer service teams do everything they can to help customers who do have queries resolve those queries quickly.

5. Cyber security and data protection

Potential impact

As an e-commerce business, we are reliant on our IT infrastructure to continue to operate. Any significant downtime of our systems would result in an interruption to the services we provide.

A significant data breach, whether as a result of our own failures or a cyber attack, would lead to a loss in confidence by both customers and suppliers. This could result in reputational damage, loss of audience, loss of revenue and potential financial losses in the form of penalties.

Changes in the year

We continue to invest in our technology and infrastructure team. We have made substantial progress in replatforming our website which, once completed, will increase our resilience and allow us to implement updates more easily.

We have migrated a number of our applications to the cloud, which increases the resilience of our systems and the security of our data.

During the year we carried out a review of our IT infrastructure and implemented new solutions to mitigate risks identified.

How do we manage the risk?

We have a disaster recovery plan in place, and this has been reviewed in the year.

We performed an independent review of our IT infrastructure in the year and implemented solutions for any risks that were identified. We monitor our resilience and susceptibility to attack through Microsoft Azure and address risks as they emerge.

We hold low levels of customer data and use facilities offered by our payment providers so that we do not have to store customer card details within our systems.

Key: Risk movements in year

No change   Slight increase

6. Supply chain

Potential impact

We are reliant on multiple third-party suppliers and service providers throughout the customer journey, from website to fulfilment, to the product itself. This means that if there is a failure on their part, we may suffer from a disruption to our operations and overall business.

Any failure in day-to-day operations risks negatively impacting our ability to process or fulfil customer orders, resulting in reduced customer proposition, lost opportunity and a loss of customer confidence.

Our customers expect us to provide quality products without compromising on the integrity of how they are produced. They want to feel confident about where their products come from and know that the people who make them are not being exploited. Failure to monitor our supply chain could lead to extensive reputational damage and ultimately financial loss.

Changes in the year

As our business grows, we increase our reliance on third parties, most notably suppliers of our stock and the distribution channels we use to deliver items to customers.

We have invested in our purchasing team in the year, which has increased the level of experience in the team and broadened our relationships with suppliers. We have also invested in a team based in China, which allows us to more readily perform due diligence on suppliers. We implemented an auditing programme in the first half of the year with key Chinese suppliers and have since audited 34 factories.

Different macroeconomic factors, such as Covid-19 and rising energy costs, have put significant pressure on supply chains, and these pressures continue to exist at the date of this report. The Group has mitigated its risk through expanding its supplier base and increasing inventory held, whilst we have increased retail prices to protect gross margin.

Our website relies on third-party cloud infrastructure as well as a number of other third-party providers. Our increasing traffic levels mean that a drop in service from any of these providers would have a greater impact than it would have previously.

Supply chain pressures have increased in the year and as such we recognise an increase in this area.

How do we manage the risk?

Where possible, we limit reliance on a single supplier to reduce potential single points of failure. We have an extensive supply chain that is spread across multiple regions so that we reduce our exposure to localised disruption. Our dedicated purchasing team continuously monitors stock availability.

We hold all of our suppliers to high standard levels and address any failures promptly. We carry out due diligence on suppliers at the onset of our relationship and monitor throughout.

We are making substantial progress in mitigating ethical trade and sourcing risks by developing our expertise around product quality and ethical trading standards.

During the year we implemented an audit programme for our Chinese suppliers and have made substantial progress through the year. Where improvements have been required, we have reiterated the standards we expect and worked with those suppliers to ensure progress is made, and a reaudit is performed after a period of time.

We develop our website platform and key operational systems in-house to reduce exposure from third parties.

Principal risks and uncertainties continued

7. Increase in competition

Potential impact
The UK market for bathroom products and accessories is highly competitive, particularly with respect to customer experience, price, quality, availability, product and delivery options, as well as digital capabilities. Increased competition could lead to an increase in customer acquisition costs.

Competitors could also develop either a customer experience or products that we were unable to replicate. All of these factors could impact our financial performance.

Changes in the year
The competitive landscape continues to develop, particularly as more of the market moves online. The impact of Covid-19 has resulted in some traditional store-based retailers reiterating their focus on providing an omni-channel experience that includes an online element.

Our diversification into adjacent products and a larger focus on trade sales also results in a wider competitor set.

How do we manage the risk?
We have the largest and most engaged audience across any online specialist bathroom retailer. Our investment in our brand and our continued focus on pay-per-click marketing help us protect and grow our audience.

We monitor competitor activity closely through weekly and monthly reporting and review this at SLT and Board level.

We continue to invest in our product offering. We engage consistently with third-party brands and continuously evolve our own brand products to ensure we are addressing the latest consumer trends.

8. Sustainability and climate change

Potential impact
The focus on climate change and sustainability is growing, and is in the spotlight more now than ever before. We recognise that we need to play our part in combating climate change and, if we fail to do this, we risk adversely impacting our brand and reputation.

Changes in the year
The climate change crisis is one of the biggest we have ever faced. The UN's IPCC published a report in August 2021 that reiterated the ever increasing and irreversible impact human activity is having on our climate.

The report warned that time is running out to cut emissions and called on governments, businesses and individuals to do their part in ensuring the goals of the Paris climate change agreement are met.

How do we manage the risk?
Through the year we have placed further focus on how we can make a difference in this area. We have started to define our ESG strategy and our impact on climate change will be a major part of that.

We have set up a working group to focus on environmental matters.

During the year we have made improvements to how we dispose of waste and unwanted items. Through our waste management partner we have increased the rate at which we recycle and we now send 0% of waste to landfill.

We continue to monitor consumer sentiment and demand with regard to sustainable products. We added 'Eco-friendly' flags and filters to our site so consumers can identify these products easily.

Viability statement

In accordance with the UK Corporate Governance Code 2018 (the 'Code'), the Directors have assessed the prospects and viability of the Group over a period to 30 September 2024.

Assessment of prospects

The Directors have assessed the Group's prospects, taking into account its current financial position, its recent historical financial performance, its business model and strategy (pages 14 to 21) and the principal risks and uncertainties (pages 48 to 52).

The Board has determined that a period of three years to September 2024 is the most appropriate period to provide its viability statement due to:

- it being consistent with the Group's rolling three-year strategic planning process;
- it reflecting reasonable expectations in terms of the reliability and accuracy of operational forecasts; and
- projections looking out further than three years becoming significantly less meaningful given the pace of change in the online retail market.

The Directors are mindful, however, of the heightened uncertainty driven by the Covid-19 pandemic and accept that forecasting consumer behaviour across this time frame is more challenging.

The first year of the financial forecast is based on the Group's 2022 annual budget. The second and third years are prepared in detail and are flexed based on the actual results in year one. Progress against financial budgets, forecasts and operational focus areas are reviewed monthly by both the Senior Leadership Team and the Board. The key assumptions in the financial forecasts, reflecting the overall strategy, include:

- Growing our core B2C business and consolidating our position as number one online bathroom retailer in the UK with an increase in the number of unique visitors year on year
- Increasing our proportion of revenue from trade customers
- Increased growth in adjacent products such as tiling and lighting

Assessment of viability

The output of the Group's strategic and financial planning process detailed previously reflects the Board's best estimate of the future prospects of the business. To make the assessment of viability, however, additional scenarios have been modelled over and above those in the ongoing plan, based upon a number of the Group's principal risks and uncertainties, which are documented on pages 48 to 52.

These scenarios were overlaid into the plan to quantify the potential impact of all of these crystallising over the assessment period. Individually each scenario is significant, and whilst the probability of all scenarios applying at once is remote, applying all concurrently gives a hypothetical albeit severe view to assess the Group's viability. The results of this scenario modelling showed that the business would be able to withstand a combination of all scenarios, without recourse to mitigating actions. This reflects the resilient nature of the Group's business model, its profitability and strong operating cash conversion, together with current strong liquidity.

The Group currently meets its day-to-day working capital requirements from its cash balances, owing to its growing profitability and strong cash conversion. Whilst the business has access to a revolving credit facility, this is not required to be drawn down against, even in the severe worst-case scenario used for viability assessment. Equally, with no external debt funding, there are no covenant requirements to be assessed.

Throughout this scenario we have assumed no immediate cost mitigation actions to be taken and the continuation of dividend payments. However, in the event of such a scenario, Management would have a number of options available to maintain the Group's financial position. Management has identified a course of actions that could be undertaken, which include but are not limited to:

- a reduction in headcount across operational departments:
- a reduction in capital investment (e.g. new warehouse and development of bespoke technology);
- reducing discretionary spend (e.g. brand marketing);
- managing stock levels closely to demand; and
- no dividends being declared or paid.

A selection of these measures, which are deemed to be readily available, have been modelled from FY23 onwards to give the Board oversight of profitability and cash options available should such a scenario occur that could further strengthen its financial position and further reinforce the Group's viability.

Stress testing

As an extension of the downside scenario modelled for going concern purposes, a scenario was modelled in which the following factors were assumed for the full period to September 2024:

- a reduction in customer conversion growth rate when compared with the Base Case and 2021 actual results;
- maintenance of average order value at 2021 actual levels, despite seeing average order value grow significantly in recent years;
- significant increased marketing spend as a proportion of revenue;
- increased carriage costs as a percentage of revenue; and
- no growth in unique visitors to the website.

In this scenario, management has not factored in any cost savings or mitigating factors that could be executed, as described in the going concern assessment, nor does it forecast using the available revolving credit facility. This facility expires in June 2024. The Directors assume that the facility will be renewed and have time to make the necessary arrangements based on their recent experience of doing this. In any case, the Directors are satisfied that could continue in operation under the stress case and are not reliant on this facility for the viability period.

Viability statement

Based on their assessment of prospects and viability above, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period ending September 2024.

Going concern

The Directors also considered it appropriate for the Going Concern Review period to December 2022, to prepare the financial statements on the going concern basis, as explained in the Basis of preparation paragraph in note 1 to the consolidated financial statements.

The Company's Strategic report, set out on pages 2 to 53, was approved by the Board on 9 December 2021 and signed on its behalf by:

Mark Radcliffe
Chief Executive Officer
9 December 2021

Governance at a glance

Documents available at: victorianplumbingplc.com

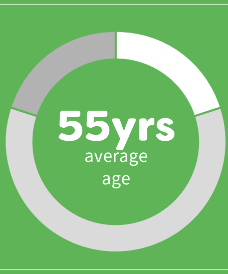
- Victorian Plumbing Articles of Association
- Matters Reserved to the Board
- Terms of Reference for Board Committees
- Modern Slavery Statement
- Tax Strategy 2021
- Gender Pay Gap Report 2021
- Notice of Annual General Meeting 2021
- Whistleblowing statement

Composition of the Board

- 1 – Chairman
- 2 – Executive Directors
- 2 – Non-Executive Directors

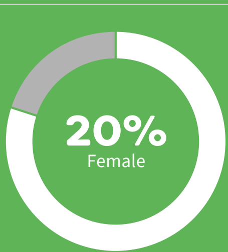
Age

- 1 – 40-49
- 3 – 50-59
- 1 – 60-69



Gender

- 4 – Male
- 1 – Female



The UK Corporate Governance Code: How we comply

The Corporate Governance Report, which includes the principal Committee Reports, Corporate Governance Statement and Directors' Report, explains how the Board has applied the principles and complied with the provisions of the UK Corporate Governance Code 2018. The Code is available to view on the website of the Financial Reporting Council at www.frc.org.uk.

On Admission to AIM in June 2021, the Company agreed to comply with the Code. The Board has applied the principles and complied with the provisions of the Code from Admission to the year end date of 30 September 2021 and to the date of this report, except for those provisions described on page 59. Prior to Admission, there was no requirement for the Company to comply with the Code.

The table below sets out where the key content can be found in this report.

Chairman's introduction to Corporate Governance

Philip Bowcock
Chairman

Welcome to our first Corporate Governance Report. The shares of Victorian Plumbing Group plc were admitted to AIM on 22 June 2021.

Dear shareholders,

The Board recognises the importance of, and is committed to, high standards of plc corporate governance. On Admission to AIM in June 2021, the Company voluntarily committed to complying with the UK Corporate Governance Code 2018. All the Directors are fully aware of their duties and responsibilities under the Code and the AIM rules.

While the Board of Victorian Plumbing is committed to high standards of corporate governance, shareholders will appreciate that as a recently listed company that was previously under predominantly family ownership, it has not been possible, or necessarily relevant, for all of the provisions of the Code to have been complied with during the reporting period.

Governance framework

In preparation for Admission, we carried out a review of the existing governance structure in conjunction with our external advisors, in order to identify any measures that would need to be implemented prior to Admission. The review also enabled the Directors to provide the confirmation that was required on Admission that Victorian Plumbing has established procedures in place which provide a reasonable basis for the Board to make proper judgements on an ongoing basis as to the financial position and prospects of the Group. This Corporate Governance Report discusses the robust framework for controlling and managing the Group in further detail.

Board composition

One area in which we have been able to comply with the Code since Admission is the proportion of independent Non-Executives on the Board. The Board comprises two independent Non-Executive Directors, two Executive Directors and myself as Chairman.

Annual General Meeting

The 2022 AGM will take place at 09:30am on Thursday 24 February 2022 at PwC LLP, No 1 Spinningfields, 1 Hardman square, Manchester, M3 3EB. We currently intend to hold the AGM as a physical meeting; however, we will be closely monitoring restrictions over public gatherings and will communicate any necessary changes. Myself and the other Directors will join the meeting either in person or by telephone. We strongly encourage all shareholders to cast their votes by proxy, and to send any questions in respect of AGM business to ir@victorianplumbing.co.uk.

Philip Bowcock
Chairman
9 December 2021

Our team

Key to Committee membership

- **A** Audit Committee
- **R** Remuneration Committee
- **N** Nomination Committee
- Committee Chair

1. Philip Bowcock
Chairman

Philip Bowcock was appointed as a Director and Chair on 16 June 2021. He has extensive listed company experience, having been CEO of William Hill plc between June 2016 and September 2019 and before that CFO. Prior to joining William Hill, he was CFO of Cineworld Group plc from 2011 until June 2015 and has had a number of other finance-related roles, including finance director at Luminar plc and financial controller and head of corporate development at Barratt Developments plc. Most recently he served as interim CEO of Countrywide Limited between November 2020 and March 2021.

Appointed to plc Board: June 2021
Independent on appointment: Yes
External appointments: NM Money Holdings Limited

N A R

2. Kath Smith
Independent Non-Executive Director

Kath Smith was appointed as an independent Non-Executive Director on 16 June 2021. Kath is a non-executive director of the sports retailer JD Sports Fashion Plc. She was previously the GM/vice president of The North Face EMEA, a VF Corporation company, and has over 30 years of experience helping to build world-leading brands, including Mars and Diageo. She has also served as a co-opted member of the University of Salford's Audit Committee from 2012 to 2014.

Appointed to plc Board: June 2021
Independent on appointment: Yes
External appointments: JD Sports Fashion Plc, Gym King (Holdings) Limited

R N A

3. Mark Radcliffe
Chief Executive Officer

Mark founded Victorian Plumbing in 2000 and has led the business ever since. Prior to that time, Mark had established a number of successful e-commerce businesses, including Coral Phones.

Appointed to plc Board: May 2021 (on incorporation)
Independent on appointment: N/A
External appointments: Radcliffe Property Management Ltd

4. Damian Sanders
Senior Independent Non-Executive Director

Damian Sanders was appointed as the Senior Independent Non-Executive Director on 16 June 2021. Damian is Chair of the Audit Committee and a member of the Nomination Committee. Damian has over 20 years of experience as a senior equity audit partner at Deloitte, acting as advisor and corporate governance specialist for a number of FTSE boards. He is also a non-executive director of Cineworld Group plc and THG Holdings plc.

Appointed to plc Board: June 2021
Independent on appointment: Yes
External appointments: THG Holdings plc, Cineworld Group plc

A N R

5. Paul Meehan
Chief Financial Officer

Paul joined Victorian Plumbing in December 2020. He was previously CFO of On the Beach Group plc from January 2017 until July 2020 and prior to that was finance director at Gala Coral Group between April 2012 and December 2016. He has held a number of other finance director roles in other businesses in the UK and is a chartered certified accountant.

Appointed to plc Board: May 2021 (on incorporation)
Independent on appointment: N/A
External appointments: None

Division of responsibilities

The Board

Main responsibilities include the following:

- Providing the long-term leadership of the Group
- Monitoring delivery of business strategy and objectives; responsibility for any necessary corrective action
- Approval of changes to the capital, corporate and/or management structure of the Group
- Approval of the dividend policy and capital policy
- Overall authority for the management and conduct of the Group's business, strategy, objectives and development
- Oversight of operations including effectiveness of systems of internal control and risk management
- Approval of the Annual Report and Financial Statements, communications with shareholders and the wider investment community

Committees of the Board

The Board has established the following Committees and has delegated certain functions and tasks within their approved Terms of Reference. This allows the Board to operate efficiently and focus on relevant areas of its responsibilities.

The membership of each Committee and a summary of its role is below. The full Terms of Reference of each Committee are published on the Company's website at victorianplumbingplc/investors.

Nomination Committee

Members:
Philip Bowcock (Chair)
Damian Sanders
Kath Smith

Role and Terms of Reference:
Reviews the structure, size and composition of the Board and its Committees, and makes recommendations to the Board. Also covers diversity, talent development and succession planning

Audit Committee

Members:
Damian Sanders (Chair)
Philip Bowcock
Kath Smith

Role and Terms of Reference:
Reviews and reports to the Board on the Group's financial reporting, internal control, whistleblowing, internal audit, and the independence and effectiveness of the external auditor

Remuneration Committee

Members:
Kath Smith (Chair)
Philip Bowcock
Damian Sanders

Role and Terms of Reference:
Responsible for all elements of the remuneration of the Executive Directors, the Chairman and senior management

Corporate Governance Statement

This Corporate Governance Statement explains key features of the Company's governance framework and how it complies with the UK Corporate Governance Code published in 2018 by the Financial Reporting Council.

This statement also includes items required by the AIM rules. The UK Corporate Governance Code is available on the Financial Reporting Council website at frc.org.uk.

Introduction

On Admission to AIM on 22 June 2021, the Board committed to comply with the UK Corporate Governance Code. Prior to 22 June 2021, the Company had no obligation to comply with provisions of the Code and, therefore, given the short time period from the Admission to the year end it has not been possible, or necessarily relevant, for all of the provisions of the Code to be complied with. The Directors consider that the Company has, on Admission and subsequently, complied with the provisions of the Code save as noted below:

Provision	Detail	Explanation of non-compliance
5	For engagement with the workforce, one or a combination of the following methods should be used: • a director appointed from the workforce; • a formal workforce advisory panel; or • a designated non-executive director. If the board has not chosen one or more of these methods, it should explain what alternative arrangements are in place and why it considers that they are effective.	In the short time between Admission and the year end, it has not been practical for the Board to determine and implement how best to engage with the workforce. Following the year end, in November 2021, the Board agreed that it would hold regular meetings in which one or more of the Non-Executive Directors would engage with staff. Meetings will commence in 2022.
21	There should be a formal and rigorous annual evaluation of the performance of the board, its committees, the chair and individual directors. The chair should consider having regular externally facilitated board evaluation.	In the short period of time from Admission to the Company's year end of 30 September 2021, it was impractical and considered too early for the Board to undertake an evaluation of its own performance. During the coming year an internal performance evaluation will be undertaken.
24	The board should establish an audit committee of independent non-executive directors, with a minimum membership of three, or in the case of smaller companies, two. The chair of the board should not be a member.	On Admission, the membership of the Audit Committee was Damian Sanders as Chair (Senior Independent Non-Executive Director); Kath Smith (Independent Non-Executive Director) and Philip Bowcock (Chairman). Given the size of the business on Admission, the Board deemed it preferable for the Audit Committee to have three members, one of which was the Chairman, compared with the alternative option of the Audit Committee comprising only two members. The Nomination Committee will review this position over the course of the next year.

Board leadership and Company purpose

Strategy

The Board is responsible for setting the Group's purpose, for determining the basis on which the Group generates value over the long term and developing a strategy for delivering the objectives of the Group. The Strategic report, which can be found on pages 2 to 53, sets out the Group's purpose, strategy, objectives and business model.

Culture and engagement with the workforce

We have a culture that is values oriented. The Board plays an important role in ensuring that this culture remains aligned with the long-term strategy, in setting values and demonstrating behaviours consistent with these values.

We have a flat structure which allows the Executive Directors to stay actively engaged with the workforce. In addition, since joining the Company in June 2021, the Chairman and Non-Executive Directors have spent time in the business with the leadership team and key employees.

We undertook our first all-employee engagement survey in September 2021 to solicit feedback from employees on a wide range of topics, the outcomes of which are discussed with the Board. In addition, we have designed a Cultural Scorecard. This scorecard will allow the Board to monitor various cultural indicators such as staff retention, diversity, absences, employee engagement and customer feedback. The Board will receive and discuss this on a regular basis during Board meetings.

Engagement with shareholders

Our investor relations programme is still in its infancy. However, we are working hard to ensure that existing and potential investors understand the Company's strategy and performance. As part of this programme, the Executive Directors will give a formal presentation to investors and analysts on the 2021 full-year results in December 2021 and this will be repeated each year. A formal presentation will also occur for the half-year results each May. All formal presentations will be webcast live. The results presentations will be followed by investor roadshows which will cover both UK and overseas shareholders.

Through the IPO process and since Admission we have hosted one-to-one and group meetings with institutional investors, fund managers and analysts. These meetings cover a wide range of topics, including strategy, performance and governance, but care is exercised to ensure that any price-sensitive information is released to all shareholders, institutional and private, at the same time. It has not been practical to attend investor conferences in the short time since Admission; however, such conferences will become part of our ongoing investor relations programme going forwards.

Meetings which relate to governance will be attended by the Chairman or another Non-Executive Director as appropriate. No such meetings were held in the time between Admission and the year end.

Private shareholders are encouraged to give feedback and communicate with the Board through ir@victorianplumbing.co.uk.

The Board receives regular reports on issues relating to share price, trading activity and movements in institutional investor shareholdings. The Board is also provided with current analyst opinions, forecasts and feedback from its joint corporate brokers, Barclays and Numis, on the views of institutional investors on a non-attributed and attributed basis.

Any major shareholders' concerns are communicated to the Board by the Executive Directors. The Chairman, the Senior Independent Director and other Non-Executive Directors are available to meet with shareholders, and arrangements can be made through ir@victorianplumbing.co.uk.

Annual General Meeting

The 2022 AGM will take place at 09:30am on Thursday 24 February 2022 at PwC LLP, No 1 Spinningfields, 1 Hardman square, Manchester, M3 3EB. We currently intend to hold the AGM as a physical meeting. However, we will be closely monitoring restrictions over public gatherings and will communicate any necessary changes. The Chairman and the other Directors will join the meeting either in person or by telephone. We encourage all shareholders to cast their votes by proxy, and to send any questions in respect of AGM business to ir@victorianplumbing.co.uk. All proxy votes received in respect of each resolution at the AGM are counted and the balance for and against, and any votes withheld, are indicated.

At the meeting itself, voting on all the proposed resolutions will be conducted by show of hands, in line with the Articles of Association. Following the meeting, responses to questions will be published on the website at victorianplumbingplc.com.

The Notice of the AGM can be found in a booklet which is being mailed out at the same time as this Annual Report. The Notice of the AGM sets out the business of the meeting and an explanatory note on all resolutions. Separate resolutions are proposed in respect of each substantive issue. Results of resolutions proposed at the AGM will be published on the Company's website victorianplumbingplc.com following the AGM.

Whistleblowing

A whistleblowing policy has been adopted which includes details of how employees should raise appropriate concerns. Concerns raised will be reported to the Audit Committee which will then be advised of the investigations carried out and any actions arising as a result.

Conflicts of interest

In accordance with the Company's Articles of Association, the Board has a formal system in place for Directors to declare conflicts of interest and for such conflicts to be considered for authorisation. Any external appointments or other significant commitments of the Directors require the prior approval of the Board.

At the date of this report, Mark Radcliffe is the only Executive Director to hold an external directorship. Mark Radcliffe is an executive director of Radcliffe Property Management Ltd, a property company from which the Group leases warehouses. As Radcliffe Property Management Ltd is a related party to the Group, transactions with Radcliffe Property Management Ltd are detailed within note 34 to the consolidated financial statements on page 121.

Save as provided in the Articles of Association or by the terms of any authorisation given by the directors, a director shall not vote on, or be counted in the quorum in relation to, any resolution of the Board or of a committee of the Board concerning any contract or arrangement or any other proposal to which the Company is or is to be a party and in which he has an interest which is to his knowledge a material interest. The Directors may authorise a director to be involved in a situation in which the director has or may have a direct or indirect interest which conflicts or may conflict with the interests of the Company and may impose such terms or conditions on the grant of such authorisation as they think fit and in doing so will act in such a way, in good faith, as they consider will be most likely to promote the success of the Company.

The Board is comfortable that external appointments of the Chairman and the Non-Executive Directors do not create any conflict of interest.

Concerns over operation of the Board

All of the Directors have the right to have their opposition to, or concerns over, any Board decision noted in the minutes. Directors are entitled to take independent professional advice at the Company's expense in the furtherance of their duties, where considered necessary.

Division of responsibilities

Board roles

To ensure a clear division of responsibility at the head of the Company, the positions of Chairman and Chief Executive Officer are separate and not held by the same person.

The division of roles and responsibilities between the Chairman and the Chief Executive Officer is set out in writing and has been approved by the Board. Damian Sanders is the Senior Independent Director.

Board and Committee responsibilities

The Board has adopted a formal schedule of matters reserved for its approval and has delegated other specific responsibilities to its Committees. The schedule sets out key aspects of the affairs of the Company which the Board does not delegate and is reviewed at least annually.

Each Committee has formally approved Terms of Reference which are reviewed and approved at least annually, or more frequently as circumstances require.

Details are published on our website at victorianplumbingplc.com/investors.

Chairman

- Leadership and governance of the Board
- Creates and manages constructive relationships between the Executive and Non-Executive Directors
- Ensures ongoing and effective communication between the Board and its key shareholders
- Sets the Board's agenda and ensures that adequate time is available for discussions
- Ensures the Board receives sufficient, pertinent, timely and clear information

Chief Executive Officer

- Responsible for the day-to-day operations and results of the Group
- Develops the Group's objectives, strategy and successful execution of strategy
- Responsible for the effective and ongoing communication with shareholders
- Delegates authority for the day-to-day management of the business to the Senior Leadership Team (comprising the Executive Directors and senior management) who have responsibility for all areas of the business

Non-Executive Directors

- Scrutinise and monitor the performance of management
- Constructively challenge the Executive Directors
- Monitor the integrity of financial information, financial controls and systems of risk management

Senior Independent Director

- Acts as a sounding board for the Chairman
- Available to shareholders if they have concerns which the normal channels through the Chairman, Chief Executive Officer or other Directors have failed to resolve
- Meets with the other Non-Executive Directors without Executive Directors present
- Leads the evaluation of the Chairman's performance

Company Secretary

- The Company outsources the role of Company Secretary to Almond+Co
- Available to all Directors to provide advice and assistance
- Responsible for providing governance advice
- Ensures compliance with the Board's procedures, and with applicable rules and regulations
- Acts as secretary to the Board and its Committees

Composition, succession and evaluation

At the date of this report, the Board consists of the Non-Executive Chairman, two independent Non-Executive Directors and two Executive Directors.

The Chairman (Philip Bowcock) and the two Non-Executive Directors (Damian Sanders and Kath Smith) were appointed prior to Admission and were external appointments. A search brief was agreed, including the industry and public company skills, knowledge and experience required for the roles. External recruitment consultants, with whom the Group had no other relationship, were used throughout the process. The Company also used references from advisors to search for appropriate candidates.

Short-listed candidates met with the CEO, CFO and members of the Senior Leadership Team. As all three appointments were being made in preparation for Admission, each of the final candidates also met with each other prior to their appointment.

The Chairman (Philip Bowcock) was considered to be independent on appointment. In considering the independence of Philip Bowcock, the Board took into account the terms of his restricted share award granted at the time of the IPO, particularly the absence of any performance conditions and the circumstances in which the restriction on all or some of the ordinary shares to be issued to him on Admission may be removed. The Board determined that he remained independent for the purposes of the UK Corporate Governance Code.

The two Non-Executive Directors (Damian Sanders and Kath Smith) are considered to be independent in character and judgement, and free of any business or other relationship which could materially influence their judgement.

Therefore, at 30 September 2021 and to the date of this report, the Company is compliant with the Code provision that at least half the Board, excluding the Chairman, should comprise independent Non-Executive Directors.

The Chairman's fees and the Non-Executive Directors' fees are disclosed on page 77. In addition, the Chairman (Philip Bowcock) was issued 1,526,718 ordinary shares on Admission, equating to £4.0 million at the placing price, at a price of £0.001 per share. The shares are subject to a restriction that if Philip Bowcock ceases to serve as the Non-Executive Chair of the Company for any reason other than (i) death, (ii) injury, ill-health or disability (subject to certain exceptions) evidenced to the satisfaction of the Board of Directors of the Company, (iii) retirement by agreement with the Company, (iv) Mr Mark Radcliffe becoming Chair of the Board, (v) Mark Radcliffe and other Radcliffe family members or any persons acting in concert with them exercising their voting rights to remove Philip Bowcock as a director or requesting his resignation or removal, or (vi) otherwise in the Board's absolute discretion, then he will forfeit and surrender to the Company for no value any such shares over which such restriction remains. The restriction will be removed in four equal tranches on each anniversary of Admission. If (v) above applies, the restriction over the relevant number of shares that would have been removed on the next anniversary of Admission will be removed if the event occurs after six months of the preceding anniversary. If the event occurs on or within six months after that preceding anniversary, the shares will be forfeited.

Board and Committee activity

The Board makes decisions in order to ensure the long-term success of the Company whilst taking into consideration the interests of wider stakeholders, such as employees, customers and suppliers, and other factors as required of it under s.172 of the Companies Act 2006. Board meetings are one of the mechanisms through which the Board discharges this duty. Further information about engagement with the Company's stakeholders is included on pages 22 to 25.

The Board's activities are to be structured through the year to develop and monitor the delivery of the Group's strategy and financial results; to receive feedback from and engage with stakeholder groups such as employees, customers and suppliers; and to maintain a robust governance and risk management framework. In the short period between Admission and the year end the Board held two meetings, the key activities of which are described in the table below.

	Regular reports	July	September
Strategy			Operating plan and strategic focus areas.
Operational	Monthly operational report with key achievements and issues in the month; view of the industry, competitors and customers.		
Financial	Monthly financial report with results, KPIs, current forecast and external analyst consensus.	Financial Position and Prospects Procedures ('FPPP') update.	
People and culture		Share incentive plan review and approval Initial consideration of the Remuneration Policy.	Further review of the Remuneration Policy. Gender pay gap reporting.
Shareholders and other stakeholders	Regular feedback from investor and analyst meetings.	Review of market feedback since IPO.	
Risk and governance		Board agenda planning for the year ahead.	Review and approval of the risk register.

Attendance at meetings

	Board	Nomination Committee	Audit Committee	Remuneration Committee
Number of scheduled meetings held	**2**	**0**	**2**	**2**
Director				
Philip Bowcock	2/2	N/A	2/2	2/2
Mark Radcliffe	2/2	N/A	N/A	N/A
Paul Meehan	2/2	N/A	N/A	N/A
Damian Sanders	2/2	N/A	2/2	2/2
Kath Smith	2/2	N/A	2/2	2/2

Time commitment

Any external appointments or other significant commitments of the Directors require the prior approval of the Board. At the date of this report, Mark Radcliffe is the only Executive Director to hold an external directorship. Mark Radcliffe (Chief Executive Officer) is an executive director of Radcliffe Property Management Ltd, a property company from which the Group leases warehouses. The Board is comfortable that external appointments of the Chief Executive, Chairman and the Non-Executive Directors do not impact on the time that any Director devotes to the Company.

Induction and development

In preparation for Admission, all Directors received an induction briefing from the Company's legal advisors on its duties and responsibilities as Directors of a publicly listed company.

In addition, the new Chairman and Non-Executive Directors have met key members of senior management in order to familiarise themselves with the Group.

Information and support available to Directors

Full and timely access to all relevant information is given to the Board. For Board meetings, this consists of a formal agenda, minutes of previous meetings and a comprehensive set of papers including regular operational and financial reports, provided to Directors in a timely manner in advance of meetings.

All Directors have access to the advice and services of the Company Secretary, Almond+Co. The appointment or removal of the Company Secretary is a matter for the whole Board.

Appointments to the Board

On Admission the Board established a Nomination Committee, chaired by Philip Bowcock, with all other members comprising independent Non-Executive Directors. The main responsibilities of this Committee are to keep under review the structure, size and composition of the Board and its Committees; to identify and nominate candidates for appointment to the Board; and to ensure that there are formal and orderly succession plans in place.

The work of the Committee is described on pages 65 and 66. The Board and its Committees have an appropriate balance of skills, experience and knowledge of the Group to enable them to discharge their respective duties and responsibilities effectively in accordance with main principle K of the Code. Biographies of all members of the Board appear on pages 56 and 57.

Election of Directors

The Board can appoint any person to be a Director, either to fill a vacancy or as an addition to the existing Board. Any Director so appointed by the Board shall hold office only until the next AGM and shall then be eligible for election by the shareholders. The AGM Notice sets out the specific reasons for reappointing each Director.

Tenure of Chair

The 2018 UK Corporate Governance Code contains a provision that the Chairman should not remain in post beyond nine years from the date of their first appointment to the Board. Philip Bowcock joined the Victorian Plumbing Group plc Board on 16 June 2021, the same month in which the Company listed on AIM. Prior to this Philip Bowcock had no involvement with the Company.

Letters of appointment

The Chairman and the Non-Executive Directors have letters of appointment which are available for inspection at the registered office of the Company during normal business hours and at the place of the AGM from at least 15 minutes before and until the end of the meeting; or on request from ir@victorianplumbing.co.uk. These letters set out the expected time commitment from each Director. Non-Executive appointments to the Board are for an initial term of up to three years. Non-Executive Directors are typically expected to serve two three-year terms, although the Board may invite the Director to serve for an additional period.

Board evaluation and effectiveness

The current Board has been in post for only a short period of time and so a formal evaluation of the performance of the Board, its principal Committees and the individual Directors would be of limited value. During the coming year it is intended that an internal performance evaluation will be undertaken.

Audit, risk and internal control

The Board has established an Audit Committee, chaired by Damian Sanders and with Kath Smith (independent Non-Executive Director) and Philip Bowcock (Chairman) as members. Given the size of the business on Admission, the Board deemed it preferable for the Audit Committee to have three members, one of which was the Chairman, compared with the alternative option of the Audit Committee comprising just two members. The Nomination Committee will review this position over the course of the next year.

The Committee has defined Terms of Reference which include assisting the Board in discharging many of its responsibilities with respect to financial and business reporting, risk management, internal control, internal audit and external audit. The work of the Committee is described on pages 67 to 72.

Financial and business reporting

Assisted by the Audit Committee, the Board has carried out a review of the 2021 Annual Report and considers that, in its opinion, the report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. Refer to the Report of the Audit Committee on pages 67 to 72 for details of the review process.

See page 53 for the Board's statement on going concern and the viability statement.

Risk management and internal control

The Company does not have a separate Risk Committee; the Board is collectively responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives.

The Board acknowledges its responsibility for establishing and maintaining the Group's system of risk management and internal controls and it receives regular reports from management identifying, evaluating and managing the risks within the business. The system of internal controls is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The processes in place for assessment, management and monitoring of risks are described in Principal risks and uncertainties on pages 48 to 52.

The Board acknowledged that a number of prior year adjustments have been made as a result of work performed on the historical financial information. These are described in note 2 to the consolidated financial statements. These adjustments resulted from a lack of resource, experience and the technical knowledge necessary to prepare accurate financial information under International Financial Reporting Standards ('IFRS').

A number of improvements to the internal control environment were made to reduce the risk of recurrence. In addition, the finance team was strengthened substantially by recruiting a number of qualified finance professionals, which included the CFO, Paul Meehan, who was appointed in December 2020.

During the IPO process, the Board reviewed the effectiveness of the system of risk management and internal controls, and this was supplemented by work performed through the FPPP work stream.

At the time of Admission, the Board considered the weaknesses identified during the year and reviewed the improvements already made along with developing actions, plans and programmes that were still considered necessary. The Board confirms that no significant weaknesses or failings were identified as remaining at the time of Admission as a result of this review.

Since its formation in June 2021, the Audit Committee has taken responsibility for monitoring the system of risk management and internal controls through reports received from management, along with those from external auditors. Management continues to focus on how internal controls and risk management can be further embedded into the operations of the business and on how to deal with areas of improvement which come to the attention of management and the Board.

Remuneration

The Board has established a Remuneration Committee, chaired by Kath Smith and composed of Philip Bowcock (Chairman), who was independent on appointment, and Damian Sanders (Senior Independent Non-Executive Director). On appointment as Chair of the Remuneration Committee, Kath Smith had served on a remuneration committee for longer than 12 months.

The Remuneration Committee is responsible for determining the Remuneration Policy, and for setting remuneration for the Executive Directors, the Chairman and senior employees; for monitoring the remuneration policies for the wider organisation; and for ensuring the alignment of reward with the culture of the organisation.

The work of the Committee is described on pages 73 to 77.

Nomination Committee Report

Philip Bowcock
Chairman

"Effective succession planning is critical to the Company's long-term success."

Dear shareholders,

I am pleased to introduce the Report of the Nomination Committee (the 'Committee') for 2021.

The members of the Committee are myself, Damian Sanders and Kath Smith, all of whom have been members since the Committee was formed in June 2021.

The Code recommends that the Committee is composed of a majority of independent Non-Executive Directors. Damian Sanders and Kath Smith are independent, and whilst I was considered to be independent on appointment, the Code provides that thereafter the test of independence is not appropriate in relation to the Chairman.

Almond+Co, the Company Secretary, acts as Secretary to the Committee, and by invitation, the meetings of the Committee may be attended by the Chief Executive Officer and Chief Financial Officer.

Role of the Committee

The Committee reviews the structure, size and composition of the Board and its Committees, and makes recommendations to the Board for appointments to the Board. The Committee is responsible for ensuring that there are formal and orderly succession plans in place for the members of the Board.

Activities of the Nomination Committee

The Committee did not meet formally between its formation in June 2021 and the year end. Prior to the creation of the Nomination Committee, as part of the preparation for the IPO, the Board considered the industry and public company skills, knowledge and experience required for a new Chairman and new Non-Executive Directors. External recruitment consultants, with whom the Group had no other relationship, were engaged as part of the recruitment process along with introductions from the Company's advisors. The individuals each met the members of the Board on a one-on-one basis.

How the Committee will operate

The Chairman of the Board will chair all meetings of the Committee unless they relate to the appointment of his successor or such other matters in which he may have a potential conflict of interest. For those meetings, the Senior Independent Director ('SID') will be invited to take the Chair, unless the SID is in contention for the role or also has a potential conflict of interest.

The Committee will meet at least once a year, and on an ad-hoc basis as required. Only members of the Committee have the right to attend meetings; however, the Chief Executive Officer and Chief Financial officer can attend by invitation so that the Committee can understand their views, particularly on key talent within the business.

Succession planning

The Committee believes that effective succession planning is critical to the Company's long-term success. Prior to Admission and the formation of the Committee in June 2021, the Company formalised its succession plan to ensure orderly succession for the Board and senior management.

In the coming year, the Committee will review and develop our formal succession plan, taking into account future skills required in the context of the Group's strategy, as well as recognising the importance of growing and developing our internal talent.

Policy on appointments to the Board

A priority for the Committee is to ensure that members of the Board collectively possess the broad range of skills, expertise and industry knowledge, and business and other experience necessary for the effective oversight of the Group.

Appointments are to be made on merit, against objective criteria and with due regard to the benefits of diversity on the Board. The Committee will take account of a variety of factors before recommending any new appointments to the Board, including relevant skills to perform the role, experience, knowledge and diversity, including gender and ethnic diversity.

At the end of our financial year, 20% of the Board Directors were women. At a leadership level, 14% of the SLT and 11% of the SLT's direct reports were women, which equates to a combined total of 12%. We acknowledge that this is below the Hampton-Alexander review recommendation, but we are committed to improving gender diversity at all levels of the business and we are taking steps to address this imbalance.

In the year we have also taken our first steps to address the level of ethnic diversity across leadership roles. As at 30 September 2021, just 8% of employees in leadership roles identified as being as from an ethnic minority, compared with 92% who identified as white. Of the Board of Directors and SLT, 100% identified as being white. We acknowledge that we have to make improvements in this area.

Board evaluation and re-election of Directors

In accordance with the UK Corporate Governance Code, all Directors will retire at the forthcoming AGM and offer themselves for re-election to the Board.

The current Board has been in post for only a short period of time and so a formal evaluation of the performance of the Board, its principal Committees and the individual Directors would be of limited value.

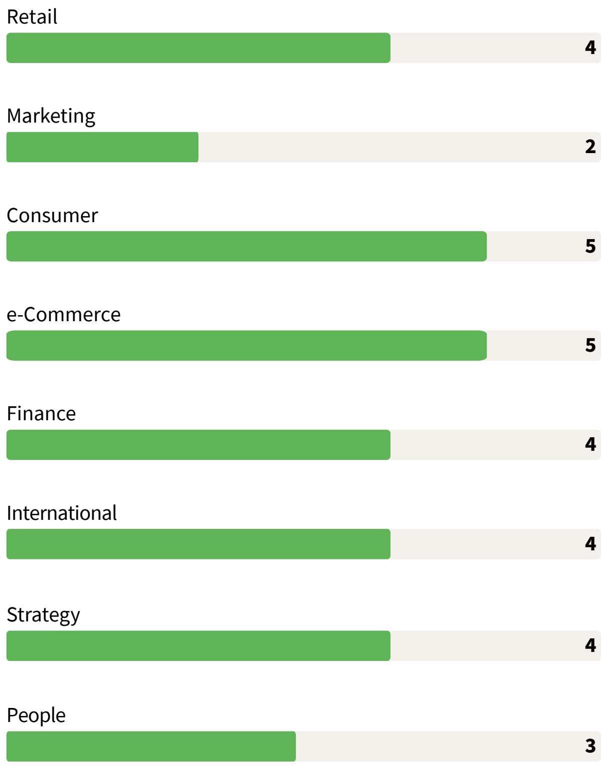
However, pending the development and implementation of a formal evaluation process during 2022, the Committee and the Board are satisfied that all Directors continue to be effective in, and demonstrate commitment to, their respective roles on the Board and that each makes a valuable contribution to the leadership of the Company.

The Board therefore recommends that shareholders approve the resolutions to be proposed at the 2022 AGM relating to the election and re-election of the Directors.

I will be available at the AGM to answer any questions on the work of the Committee.

Philip Bowcock
Chairman, Nomination Committee
9 December 2021

Board composition and skills



Audit Committee Report

Damian Sanders
Chairman, Audit Committee

"I am looking forward to working with and leading the Audit Committee."

Dear shareholders,
I am pleased to have been appointed as Chairman of the Audit Committee of Victorian Plumbing at this exciting time in its development. I am looking forward to working with and leading the Audit Committee as it transitions its focus to its new Terms of Reference adopted by the Board on Admission to AIM.

Due to the relatively short time between Admission in June 2021 and the year end on 30 September 2021, it was not practical for the Audit Committee to cover all of the topics which it would usually in any given year. The Audit Committee met twice in the period between Admission and the year end, with the focus of the meetings being to agree the areas of focus for the next 12 months and to review the external auditor's plan for the year ended 30 September 2021. Following the year end, the Committee has met once more to approve the Group's Annual Report and Financial Statements and to discuss the approach to internal audit.

As a result, this year's Audit Committee Report focuses on the matters considered by the Board and the Committee prior to Admission, the work undertaken to transition from the Group's private company status to a plc, this Annual Report and the focus of the Committee going forward.

Leading up to Admission, the Company identified the need to form an Audit Committee. As a result, I was appointed as Chairman of the Audit Committee at the time of my appointment to the Board in June 2021. The other members of the Audit Committee, Kath Smith and Philip Bowcock, were also appointed to both the Board and the Audit Committee in June 2021. The Committee is therefore now made up of two independent non-executive members and the Chairman.

We acknowledge that the UK Corporate Governance Code advises against the Chairman being a member of the Audit Committee. The Board considered it to be preferable to have three Audit Committee members, one of which was the Chairman, who has been recently appointed and was independent on appointment, compared with the other option of having just two members on the Audit Committee. The Nomination Committee will review this position over the course of the year ahead.

The Board considers that Philip Bowcock and I have recent and relevant financial experience.

The Committee is a sub-committee of the Board and its Terms of Reference were approved in contemplation of Admission and, other than the point on membership mentioned above, are aligned to the Code. The primary function of the Committee is to assist the Board in fulfilling its responsibilities to protect the interest of the shareholders with regard to the integrity of the financial reporting, audit, and internal controls. We aim to provide shareholders with timely communication on significant matters relating to the Company's financial position and prospects, and we are also responsible for monitoring fraud risk. The Committee will meet at least three times a year.

During the IPO process, as part of completing the Group's Financial Position and Prospects Procedures Report, the Directors, supported by EY, undertook a detailed assessment of the following key areas:

- Board governance including the Committee and the procedure for assessing the Group's key risks;
- management accounting process and the information provided to the Board;
- external financial reporting procedures, audit arrangements and reporting standards;
- internal control environment both at high and detailed levels;
- complex transactions, potential exposure and risk;
- information systems; and
- budgeting and forecasting procedures and controls.

The Directors recognise the need to maintain the financial reporting procedures, review them on an ongoing basis and adapt them to changing circumstances. Their continuous review will form part of the Committee's agenda going forward together with its wider role and responsibilities, which are set out in more detail on page 58 of this report.

I look forward to meeting with shareholders at the AGM.

Damian Sanders
Chairman, Audit Committee
9 December 2021

Fair, balanced and understandable

At the request of the Board, the Committee has reviewed the content of the 2021 Annual Report and considered whether, taken as a whole, in its opinion it is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy. The Committee was provided with a draft of the Annual Report and the opportunity to comment where further clarity or information should be added. The final draft was then recommended for approval by the Board. When forming its opinion, the Committee had regard to discussions held with management and reports received from external auditors.

Is the report fair?	• Is a complete picture presented and has any sensitive material been omitted that should have been included? • Are key messages in the narrative aligned with the KPIs and are they reflected in the financial reporting? • Are the revenue streams described in the narrative consistent with those used for financial reporting in the financial statements?
Is the report balanced?	• Is there a good level of consistency between the reports in the front and the reporting in the back of the Annual Report? • Do you get the same messages when reading the front end and the back end independently? • Is there an appropriate balance between statutory and adjusted measures, and are any adjustments explained clearly with appropriate prominence? • Are the key judgements referred to in the narrative reporting and significant issues reported in the Report of the Audit Committee consistent with disclosures of key estimation uncertainties and critical judgements set out in the financial statements? • How do these compare with the risks that EY includes in its report?
Is the report understandable?	• Is there a clear and cohesive framework for the Annual Report? • Are the important messages highlighted and appropriately themed throughout the document? • Is the report written in accessible language and are the messages clearly drawn out?

Following the Committee's review, the Directors confirm that, in their opinion, the 2021 Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Risk management and internal control

The Board acknowledges its responsibility for establishing and maintaining the Group's system of internal controls. The system of internal controls is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Audit Committee will review the system of internal controls through reports received from management, along with others from external auditors. Management continues to focus on how internal control and risk management can be further embedded into the operations of the business and on how to deal with areas of improvement which come to the attention of management and the Board.

As preparation for the IPO in June 2021, the Board carried out a review of the effectiveness of the system of internal controls. The review covered all material controls, including financial, operational and compliance controls, and risk management systems.

The Board confirms that the actions it considers necessary have been, or are being, taken to remedy any significant failings or weaknesses identified from its review of the system of internal control. This has involved considering the matters reported to it and developing plans and programmes that it considers are reasonable in the circumstances.

The Board also confirms that it has not been advised of any material weaknesses in the part of the internal control system that relates to financial reporting.

The key elements of the Group's system of internal controls, which have been in place throughout the year under review and up to the date of this report, include the following:

Element	Approach and basis for assurance
Risk management	Risk management is a matter for the Board as a whole. Risks are highlighted through a number of different reviews and culminate in a risk register, which identifies the risk area, the probability of the risk occurring, the impact if it does occur and the actions being taken to manage the risk to the desired level.
Financial reporting	Group consolidation is performed on a monthly basis with a month-end pack produced that includes an income statement, statement of financial position, cash flow and detailed analysis. The pack also includes KPIs, and these are reviewed by the SLT and the Board. Results are compared against the Plan or re-forecast and a narrative provided by management to explain significant variances.
Budgeting and re-forecasting	Prior to the IPO, a detailed Medium Term Plan was produced using a bottom-up approach to forecast the next three years of trading. The first year of this Plan was used as a forecast for the year ended 30 September 2021 and monthly results reported against this. Going forward, an annual Plan will be formulated and monthly results are reported against this. This Plan is prepared using a bottom-up approach, informed by a high level assessment of market and economic conditions. Reviews are performed by the SLT and the Board. The Plan is also compared with the Medium-Term Plan as a sense check. The Plan is approved by the SLT and the Board.
Delegation of authorities	A documented structure of delegated authorities and approval for transactions is maintained beyond the Board's Terms of Reference. This is reviewed regularly by management to ensure it remains appropriate for the business.
Segregation of duties	Procedures are defined to segregate duties over significant transactions, including procurement, payments to suppliers, payroll and discounts/refunds. Key reconciliations are prepared and reviewed on a monthly basis to ensure accurate reporting.

Significant accounting matters

In reviewing the financial statements with management and the auditor, the Committee has discussed and debated the critical accounting judgements and key sources of estimation uncertainty set out in note 3 to the financial statements. As a result of our review, the Committee has identified the following items that require particular judgement or have significant potential impact on the interpretation of this Annual Report and Financial Statements.

Share-based payments	Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions. The fair value of the awards has been calculated using the Black-Scholes pricing model and is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The Committee has reviewed the judgements made in this area by management and, after due challenge and debate, was content with the assumptions made and the judgements applied. The Audit Committee has also considered the advice provided by PwC in its capacity as advisor and the opinion of EY as to the reasonableness of the assumptions made in estimating the share-based payment charge.
Accounting for IPO costs and disclosure as exceptional items	The Group engaged appropriate legal, accounting and tax advisors to develop a steps plan to facilitate a Group structure commensurate with its new status on AIM. The Group engaged advisors who had been involved in the establishment of the structure at inception and who had maintained a close involvement with the Group and the structure's evolution through to IPO. The steps developed included detailed articulation of the accounting treatment necessary both pre and post the IPO, and we have worked closely with our advisors to ensure the necessary accounting entries have been executed correctly. Subsequent to the IPO we have considered at length the appropriate presentation of our first results as a plc. The key area of technical consideration was the application of the principles of International Accounting Standard 32: Financial Instruments; Presentation ('IAS 32') as to whether the costs incurred in respect of the IPO are directly attributable to the issuing of new shares, in which case it is permissible for them to be deducted from share premium (net of tax). Non-directly attributable costs are required to be expensed directly to the income statement. The quantum of costs incurred regarding the IPO was £9.8 million of which £0.4 million was attributed to share premium. The remaining £9.4m was charged to the income statement and has been classified as an exceptional cost given that it is a significant non-recurring expense. The Committee has reviewed the judgements made in this area by management and, after due challenge and debate, was content with the assumptions made and the judgements applied.
Revenue recognition	Revenue recognition for the Group's revenue streams is not complex. The Group does, however, process a large volume of transactions and places reliance on manual adjustments in relation to cut-off procedures. The Audit Committee has reviewed the estimates and judgements made by management in assessment of revenue cut-off and the refund liability. After due challenge and debate, the Audit Committee was content with the judgements applied for revenue cut-off and the estimate of the refund liability. When considering this along with the procedures applied on the underlying transactional data, the Audit Committee is content with the procedures applied by management to ensure revenue recognition is appropriate and in line with the Group's accounting policy.
Refund liability and right-of-return asset	The Group recognises a refund liability and corresponding right-of-return asset for expected returns after the reporting date. The liability is measured at the amount the Group ultimately expects it will have to return to the customer. The refund liability therefore requires management to estimate the amount expected to be returned to customers after the reporting date. The Committee has reviewed judgements made in this area and is satisfied with the assumptions made and judgements applied.
Warranty provision	The Group provides for the cost expected to be incurred in order to replace damaged or faulty items that existed at the time of sale. The provision related to these assurance-type warranties are recognised when the product is sold. Initial recognition is based on historical experience. The Committee has reviewed judgements made in this area and is satisfied with the assumptions made and judgements applied.

Intangible assets and capitalised development costs	Intangible assets include capitalised internal salaries and third-party costs for computer software development. A certain proportion of the total IT costs incurred are capitalised as they relate to development costs, whilst the remaining costs are deemed to be maintenance costs and are expensed to the statement of comprehensive income. The proportion is calculated using a combination of management's best estimate and information provided by the third party. The Committee has reviewed the estimates made by management and is satisfied with the assumptions made.
Inventory valuation	The Group assesses the valuation of inventory on an ongoing basis and in particular the need for an inventory provision. Historical inventory write-offs, changes in consumer behaviour and likely resale value are evaluated versus the cost of inventory. The Group has deemed that no inventory provision is necessary. The Committee has reviewed the estimates made by management and is satisfied with the assumptions made.
Prior year adjustments	Multiple prior year adjustments were identified as part of work performed on the historical financial information in preparation for Admission to AIM. These are described within note 2 to the consolidated financial statements. Reasons for the identified adjustments were established and additional procedures and controls implemented to reduce the risk of recurrence. In addition, the Group has strengthened its finance team by recruiting a number of qualified finance professionals. The FPPP report produced during the IPO process gave a detailed view on the internal control environment including details of newly established controls, and the Board reviewed this report prior to the IPO. The Board, and subsequently the Audit Committee, are content that control deficiencies have been addressed adequately. Both the Committee and EY have reviewed the disclosures included within the consolidated financial statements. The Committee believes the disclosure to be in line with IAS 8.

Internal audit

The Group did not have an Internal Audit function during the year. As part of its review of financial position and prospects procedures during the IPO, the Committee agreed to consider the need for an internal function in the six-months following IPO and this was subsequently discussed at the November 2021 meeting.

The Committee concluded that at this time it is not necessary for the Group to have a separate Internal Audit function. The Committee would look to management to implement adequate independent procedures to test key financial controls and report the results to the Committee without having a dedicated Internal Audit function. In addition, the Committee would look to specialist advisors to perform specific reviews over specific risk areas when appropriate.

External auditor

One of the Committee's roles is to oversee the relationship with the external auditor, EY, and to evaluate the effectiveness of the service provided. EY was appointed as the Group's external auditor in 2021 prior to Admission, and this has been a year of transition.

The Committee has concluded that the external auditor is effective, based on review and discussion of audit scope and plans, materiality assessments, review of auditor's reports and feedback from management on the effectiveness of the audit process. During the year the Committee reviewed EY's findings in respect of the audit of the financial statements for the year ended 30 September 2021.

The Committee met with representatives from EY without management present and with management without representatives of EY present, to ensure that there were no issues in the relationship between management and the external auditor which it should address. There were none. The Committee has reviewed, and is satisfied with, the independence of EY as the external auditor.

Non-audit services

The Company's external auditor may also be used to provide specialist advice where, as a result of its position as auditor, they either must, or is best placed to, perform the work in question.

A formal policy has been put in place in relation to the provision of non-audit services by the external auditors to ensure that there is adequate protection of its independence and objectivity.

Except in exceptional circumstances related to urgent transactions, the Audit committee must approve the provision of all non-audit services by the external auditors.

During the year, EY charged the Group £0.9 million (2020: £nil) for non-audit related services. These fees related to the Reporting Accountant work on the Group's IPO and accordingly related to non-recurring work.

A breakdown of the fees paid to EY during the year is set out in note 7 to the consolidated financial statements.

Kath Smith
Chair of the Remuneration Committee

"We have been focused on transitioning from a founder-led business into the listed environment."

Dear shareholders,
I am delighted to have been appointed as the Chair of the Remuneration Committee, and I am pleased to present the Company's first Remuneration Report as a listed company which sets out our Remuneration Policy ('Policy'), the remuneration paid to the Directors for the year and how remuneration will operate for the financial year ending 30 September 2022.

The Remuneration Committee understands the emphasis placed on, and the scrutiny of, executive pay, and as a newly listed company we have been focused on transitioning from a founder-led business into the listed environment. This included the development of new incentive plans for implementation in 2022 and evolving the details on remuneration set out in our Admission document into a full policy which aligns all stakeholders' interests, supports the long-term business strategy, enables us to retain and recruit executives in a competitive sector and encourages a high performance culture. Whilst we are not required to seek formal shareholder approval for the Policy as an AIM business, this will be presented to shareholders at the 2022 AGM and be subject to an advisory vote.

The Committee has placed great emphasis on ensuring that the remuneration package for the Executive Directors is fit for purpose in the context of their existing shareholdings, particularly for our founder CEO. This has focused primarily on the incentive arrangements and how they support the strategy of the business following admission to AIM, while seeking to maintain a simple and transparent approach which also aligns with corporate governance best practice. We are aware of the increased shareholder focus on ESG, and in due course, as the broader Company ESG strategy is developed, we will seek to incorporate performance measures into the implementation of the Policy which support this.

I hope that you find the information in this Report helpful and I look forward to your support at the Company's Annual General Meeting. The Remuneration Committee takes the views of its shareholders seriously and intends to maintain an open dialogue to seek their views. I am always happy to hear from the Company's shareholders and you can contact me via the Company Secretary if you have any questions in relation to the Company's remuneration.

Kath Smith
Chair of the Remuneration Committee
9 December 2021

Directors' Remuneration Policy

The following table summarises the key elements of the Directors' Remuneration Policy and how it supports the Company's short- and long-term strategic objectives.

Element and link to strategy	Operation	Maximum potential value	Performance conditions and assessment
Base salary and benefits Supports the recruitment and retention of Executive Directors, reflecting their role, skills and experience.	Salaries are reviewed annually and any changes are normally effective from 1 January in the financial year. The Executive Directors receive benefits which include, but are not limited to, family private health cover, death in service life assurance and travel expenses for business-related travel (including tax, if any).	Base salaries will be set at an appropriate level with a comparator group of comparable sized listed companies and will normally increase with increases made to the wider employee workforce. The value of benefits are not capped.	N/A
Pension Supports the recruitment and retention of Executive Directors.	The Committee retains discretion to provide pension funding in the form of a salary supplement or a direct contribution to a pension scheme. Any salary supplement would not form part of the salary for the purposes of determining the extent of participation in the Company's incentive arrangements.	Pension funding for the Executive Directors is aligned with the wider workforce, currently equal to 3% of base salary.	N/A
Annual bonus Supports the recruitment and retention of Executive Directors. Rewards the Executive Directors for delivering on key strategic and financial goals, encouraging sustainable performance of the business.	Annual bonuses are paid in cash, with no deferral into shares. Malus and clawback provisions will apply.	Maximum opportunity of 100% of base salary.	The majority of the annual bonus will be based on performance against stretching financial targets, with the balance based on non-financial metrics which are aligned to the business strategy.
Long-term incentive plan ('LTIP') Supports the recruitment and retention of Executive Directors. Facilitates the long-term alignment with shareholders based on the outcomes of performance conditions.	LTIP awards are granted annually. LTIP awards will vest at the end of a three-year period subject to the Executive Directors' continued employment and satisfaction of the performance conditions. A further two-year holding period will apply post-vesting. The Remuneration Committee may award dividend equivalents on awards to the extent that these vest. Malus and clawback provisions will apply.	Maximum opportunity equal to 150% of base salary in normal circumstances, with a maximum opportunity of up to 200% of salary in exceptional circumstances.	At least 50% of the LTIP awards will be based on performance against stretching financial targets.

Directors' Remuneration Policy continued

Element and link to strategy	Operation	Maximum potential value	Performance conditions and assessment
Shareholding requirement	200% of base salary to be built up over a five-year period and then subsequently held. Executive Directors will be required to retain 100% of their shareholding requirement (i.e. 200% of base salary) for two years post-cessation (or full actual holding, if lower).	N/A	N/A
All-employee plan	The Company has a Share Incentive Plan in which the Executive Directors are eligible to participate (which is HMRC approved and is open to all eligible staff). The Company also intends to operate a Save As You Earn scheme.	Maximum permitted based on HMRC limits from time to time.	N/A
Chairman and Non-Executive Director fees	Non-Executive Directors are paid a base fee. No additional fees are paid to Non-Executive Directors or the Chairman of the Company for the membership or chairmanship of Committees. Fees are reviewed annually, based on equivalent roles in an appropriate comparator group used to review salaries paid to the Executive Directors. Non-Executive Directors do not participate in any variable remuneration or benefits arrangements. The Company will pay reasonable expenses incurred by the Chairman and Non-Executive Directors.	The base fees for Non-Executive Directors are set with reference to the market rate. In general, the level of fee increase for the Non-Executive Directors will be set taking account of any change in responsibility and will take into account the general rise in salaries across the UK workforce.	N/A

Remuneration Policy on recruitment

The remuneration package for a new Executive Director would be set in accordance with the terms of the Company's Policy as detailed in the table on the previous pages.

The Remuneration Committee's policy is not to provide sign-on compensation. However, in exceptional circumstances where the Remuneration Committee decides to provide this type of compensation, it will endeavour to provide the compensation in equity, subject to a holding period during which cessation of employment will generally result in forfeiture and will be subject to the satisfaction of performance targets.

Annual report on remuneration in FY21 (audited)

The following table summarises the total remuneration of the Directors who served during the year to 30 September 2021.

Executive Directors

	Salary		Benefits[7]		Bonus		Other[3]		Pension[8]		Total	
£'000	FY21	FY20	FY21	FY20	FY21	FY20	FY21	FY20	FY21	FY20	FY21	FY20
Mark Radcliffe[1]	90	24	1	1	–	–	–	–	3	1	94	26
Paul Meehan[2]	205	N/A	2	N/A	105	N/A	8,433	N/A	6	N/A	8,749	N/A

Non-executive Directors

	2021				2020		
£'000	Fees	Other	Benefits[7]	Total	Fees	Benefits[7]	Total
Philip Bowcock[4,9]	44	3,998	–	4,042	N/A	N/A	N/A
Kath Smith[5]	18	–	–	18	N/A	N/A	N/A
Damian Sanders[6]	18	–	–	18	N/A	N/A	N/A

1. Mark Radcliffe was appointed to the Board of the Company on incorporation (6 May 2021). Mark Radcliffe is also a director of VIPSO Ltd, the former ultimate parent company of the Group, and has been a director of VIPSO Ltd throughout the current and comparative year. Amounts disclosed therefore represent the total remuneration as a director of VIPSO Ltd prior to 06 May 2021 and for Victorian Plumbing Group plc since 6 May 2021.
2. Paul Meehan was appointed to the Board of the Company on incorporation (6 May 2021). Paul Meehan was appointed to the Board of VIPSO Ltd, the former ultimate parent company of the Group, on 2 December 2020. Amounts disclosed therefore represent the total remuneration as a director of VIPSO Ltd prior to 6 May 2021 and for Victorian Plumbing Group plc since 6 May 2021.
3. Following the successful admission to AIM, Paul Meehan received 3,219,948 ordinary shares on 22 June 2021 in respect of his support and guidance during the IPO process. Of the total award, 965,984 shares were restricted and will vest in three tranches on the next three anniversaries of admission date. The shares were granted under the terms and conditions stated under Part VII, paragraph 5.2 of the Company's admission document. The remaining 2,253,964 shares vested on admission.
4. Philip Bowcock was appointed to the Board of the Company on 16 June 2021.
5. Kath Smith was appointed to the Board of the Company on 16 June 2021.
6. Damian Sanders was appointed to the Board of the Company on 16 June 2021.
7. Benefits are in respect of private healthcare.
8. Employers pension contributions of 3% of salary were paid in respect of Executive Directors.
9. Following the successful admission to AIM, Philip Bowcock received a one-off award of 1,526,718 restricted shares on 22 June 2021 in respect of his support and guidance during the IPO process. The shares will vest in four equal tranches on each anniversary of the admission date. The shares were granted under the terms and conditions stated under Part VII, paragraph 5.3 of the Company's Admission document. None of the award vested in the year

Payments to past Directors/payments for loss of office

There were no payments in the financial year.

Outstanding share awards

Award	Grant date	Final vesting date	Recipient	Exercise price	Number of shares outstanding	Number of shares lapsed
Philip Bowcock IPO award	22 June 2021	22 June 2025	Philip Bowcock	nil	1,526,718	–
Paul Meehan IPO award	9 March 2021	22 June 2024	Paul Meehan	nil	965,984	–

Following the successful admission to AIM, Paul Meehan received 3,219,948 ordinary shares on 22 June 2021 in respect of his support and guidance during the IPO process. Of the total award, 965,984 shares were restricted and will vest in three tranches on the next three anniversaries of admission date. The shares were granted under the terms and conditions stated under Part VII, paragraph 5.2 of the Company's admission document. The remaining 2,253,964 shares vested on admission.

Following the successful admission to AIM, the Chairman, Philip Bowcock, received a one-off award of 1,526,718 restricted shares on 22 June 2021 in respect of his support and guidance during the IPO process. The shares will vest in four equal tranches on each anniversary of the admission date. The shares were granted under the terms and conditions stated under Part VII, paragraph 5.3 of the Company's admission document.

Statement of Directors' shareholding and share Interests

Director	Shareholding requirement (% of salary)	Current shareholding (% of salary)[1]	Beneficially owned shares	Scheme interests not subject to performance	Shareholding requirements met?
Mark Radcliffe	200%	148,973%	148,379,642	–	Yes
Paul Meehan	200%	1,369%	751,536	965,984	Yes
Philip Bowcock	N/A	N/A	–	1,526,718	N/A
Damian Sanders	N/A	N/A	–	–	N/A
Kath Smith	N/A	N/A	8,274	–	N/A

1. A share price of £2.51 has been used to calculate current shareholding as a % of salary being the closing share price on 30 September 2021.

Implementation of Policy for FY22

We summarise below the Executive Director salaries, pension levels and incentive opportunities for FY22:

Base salary

Mark Radcliffe: £250,000

Paul Meehan: £315,000

Pension funding

3% of base salary

Annual bonus

The maximum bonus opportunity for the Executive Directors will be 100% of salary.

70% of the bonus awards will be determined based on performance against stretching adjusted EBITDA targets, with the balance being based on customer satisfaction targets. The actual performance targets are not disclosed as they are considered to be commercially sensitive.

Bonus awards will be paid in cash.

LTIP

It is intended that the first grant under the LTIP will be made during FY22. The maximum LTIP awards for the Executive Directors will be 150% of salary.

The vesting outcome will be based 75 % on adjusted EPS and 25% based on absolute total shareholder return ('TSR') performance measured over a three year period. A two year post-vesting holding period will apply.

Non-Executive Director fees for FY22

Philip Bowcock: £150,000

Damian Sanders: £60,000

Kath Smith: £60,000

Shareholder approval of the Directors' Remuneration Report

This is the Company's first year as a public company and therefore the 2022 AGM will be the first. This means that there is no historic voting outcome to disclose on the Company's executive remuneration.

Attendance at Remuneration Committee meetings

There were two Remuneration Committee meetings held during the year. The following table sets out individual attendance by members:

Non-Executive Directors	Meetings attended
Kath Smith (Chair)	2/2
Philip Bowcock	2/2
Damian Sanders	2/2

Advisers to the Remuneration Committee

The Committee has engaged the services of PwC LLP as independent remuneration adviser. The Remuneration Committee is satisfied that the advice received was objective and independent. PwC is a member of the Remuneration Consultants Group and a signatory to its Code of Conduct. In addition, the Committee has satisfied itself that the advice it receives is objective and independent as PwC has confirmed there are no conflicts of interest.

Directors' Report

The Directors have pleasure in submitting their report and the audited financial statements of Victorian Plumbing Group plc (the 'Company') and its subsidiaries (together the 'Group') for the financial year to 30 September 2021.

This Directors' report includes the information required to be included under the Companies Act 2006 or, where provided elsewhere, an appropriate cross-reference is given. The Corporate Governance Report approved by the Board is provided on pages 54 to 77 and incorporated by reference into this Directors' Report.

Statutory information

Information required to be part of the Directors' Report can be found elsewhere in this document, as indicated in the table below, and is incorporated into this report by reference:

Section of Annual Report	Page reference
Employee involvement	Strategic report: ESG: Making a splash – page 34
Financial instruments	Financial statements: Note 24 to the consolidated financial statements (page 112)
Future developments of the business	Strategic report: Strategy – pages 16 to 21
Greenhouse gas emissions	Strategic report: ESG: Making a splash page 36
Stakeholder engagement	Strategic report: Stakeholder engagement – pages 22 and 23
Non-financial reporting	Strategic report: ESG: Make a splash – page 41

Business overview

The Company is incorporated and domiciled in the UK, its registered number is 13379554 and the address of its registered office is 22 Grimrod Place, Skelmersdale, Lancashire, WN8 9UU. The Company is a public limited company and has its primary listing on the AIM division of the London Stock Exchange. The Company has three subsidiaries, a complete list of which is provided within note 35 on page 121.

Strategic report

The Strategic report, which can be found on pages 2 to 53, sets out the Group's strategy, objectives and business model; the development, performance and position of the Group's business (including financial and operating key performance indicators); a description of the principal risks and uncertainties; and the main trends and factors likely to affect the future development, performance and position of the Group's business.

UK Corporate Governance Code

The Company elected to adopt the UK Corporate Governance Code on Admission in June 2021. The Company's statement on corporate governance can be found in the Corporate Governance Statement, the Report of the Nomination Committee, the Report of the Audit Committee, and the Directors' Remuneration Report and Policy report on pages 54 to 77; all of which form part of this Directors' report and are incorporated into it by reference.

2022 Annual General Meeting

The 2022 AGM will take place at 09:30am on Thursday 24 February at PwC LLP, No 1 Spinningfields, 1 Hardman square, Manchester, M3 3EB. We currently intend to hold the AGM as a physical meeting, however, we will be closely monitoring the restrictions over public gatherings and will communicate any necessary changes if required. We strongly encourage all shareholders to cast their votes by proxy, and to send any questions in respect of AGM business to ir@victorianplumbing.co.uk.

The Notice of Meeting sets out the resolutions to be proposed and specifies the deadlines for exercising voting rights and appointing a proxy or proxies to vote in relation to resolutions to be passed at the AGM. All proxy votes will be counted and the numbers for, against or withheld in relation to each resolution will be announced at the AGM and published on the Company's website.

Board of Directors

The following individuals were Directors of the Company from the date of incorporation (6 May 2021) until the end of the financial year ended 30 September 2021, and to the date of approving this report unless otherwise stated:

- Mark Radcliffe
- Paul Meehan
- Philip Bowcock (appointed 16 June 2021)
- Damian Sanders (appointed 16 June 2021)
- Kath Smith (appointed 16 June 2021)

All Directors will stand for election or re-election at the 2022 AGM in line with the recommendations of the Code.

Appointment and replacement of Directors

At each AGM each Director then in office shall retire from office with effect from the conclusion of the meeting. When a Director retires at an AGM in accordance with the Articles of Association of the Company, the Company may, by ordinary resolution at the meeting, fill the office being vacated by re-electing the retiring Director. In the absence of such a resolution, the retiring Director shall nevertheless be deemed to have been re-elected, except in the cases identified by the Articles.

Results and dividends

The Group's and Company's audited financial statements for the year are set out on pages 88 to 127.

Prior to the incorporation of the Company and prior to the IPO, dividends of £14.9 million were paid to shareholders of VIPSO Ltd, the former ultimate parent company of the Group (see note 13 of the consolidated financial statements).

The Directors have not recommended a final dividend be declared for 2021.

Amendment of the Articles

The Company's Articles of Association may only be amended by a special resolution at a general meeting of shareholders. No amendments are proposed to be made to the existing Articles of Association at the forthcoming Annual General Meeting.

Share capital and control

The Company's issued share capital comprises ordinary shares of £0.001 each which are listed on the London Stock Exchange (AIM: VIC). The ISIN of the shares is GB00BNVVHD43.

The issued share capital of the Company as at 30 September 2021 and 9 December 2021 comprises 325,062,985 ordinary shares of £0.001 each. Further information regarding the Company's issued share capital can be found within note 28 on page 115 of the consolidated financial statements. Details of the movements in issued share capital during the year are provided in note 28 to the Group's consolidated financial statements contained on page 115. All the information detailed in note 28 on pages 115 and 116 forms part of this Directors' report and is incorporated into it by reference.

Details of employee share schemes are provided in note 30 to the financial statements on page 116.

Authority to allot shares

At the Annual General Meeting of the Company to be held on 24 February 2022 the Directors will seek authority from shareholders to allot ordinary shares in the Company up to a maximum nominal amount of shares (representing approximately two-thirds of the Company's issued ordinary share capital) of which shares (representing approximately one-third of the Company's issued ordinary share capital) can only be allotted pursuant to a rights issue.

Authority to purchase own shares

By resolutions passed at the general meeting of the Company on 16 June 2021, prior to the date of the IPO, the Company was authorised to make market purchases of up to 32,442,748 of its ordinary shares, subject to minimum and maximum price restriction.

This authority will expire at the conclusion of the forthcoming AGM. Since the Admission, the Company has not exercised any powers to purchase the Company's ordinary shares.

The Directors will seek authority from shareholders at the forthcoming Annual General Meeting for the Company to purchase, in the market, up to a maximum of 10% of its own ordinary shares either to be cancelled or retained as treasury shares. The Directors will only use this power after careful consideration, taking into account the financial resources of the Company, the Company's share price and future funding opportunities. The Directors will also take into account the effects on earnings per share and the interests of shareholders generally.

Rights attaching to shares

All shares have the same rights (including voting and dividend rights and rights on a return of capital) and restrictions as set out in the Articles, described below. Except in relation to dividends which have been declared and rights on a liquidation of the Company, the shareholders have no rights to share in the profits of the Company. The Company's shares are not redeemable. However, following any grant of authority from shareholders, the Company may purchase or contract to purchase any of the shares on or off market, subject to the Companies Act 2006 and the requirements of AIM rules.

No shareholder holds shares in the Company which carry special rights with regard to control of the Company. There are no shares relating to an employee share scheme which have rights with regard to control of the Company that are not exercisable directly and solely by the employees, other than in the case of the Victorian Plumbing Group Share Incentive Plan, where share interests of a participant in such scheme can be exercised by the personal representatives of a deceased participant in accordance with the scheme rules.

Voting rights

Each ordinary share entitles the holder to vote at general meetings of the Company. A resolution put to the vote of the meeting shall be decided on a show of hands, unless the Directors decide in advance that a poll will be conducted, or unless a poll is demanded at the meeting. On a show of hands, every member who is present in person or by proxy at a general meeting of the Company shall have one vote.

On a poll, every member who is present in person or by proxy shall have one vote for every share of which they are a holder. The Articles provide a deadline for submission of proxy forms of not less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting. No member shall be entitled to vote at any general meeting either in person or by proxy, in respect of any share held by the member, unless all amounts presently payable by the member in respect of that share have been paid. Save as noted, there are no restrictions on voting rights nor any agreement that may result in such restrictions.

Restriction on transfer of securities

The Articles do not contain any restrictions on the transfer of ordinary shares in the Company other than the usual restrictions applicable where any amount is unpaid on a share. Certain restrictions are also imposed by laws and regulations (such as insider trading and marketing requirements relating to close periods) and requirements of the Company's share dealing code whereby Directors and certain employees of the Company require approval to deal in the Company's securities.

On 17 June 2021, the Company entered into a placing agreement (the 'Placing Agreement') with the Directors, the shareholders, GCA Altium Limited (the 'Nomad'), Barclays Bank plc and Numis Securities Limited (the 'Joint Global Coordinators') in accordance with which:

- the Company has agreed not to issue any ordinary shares in the Company for a period of 180 days following Admission without the prior written consent of the Joint Global Coordinators; and
- each of the Directors has agreed not to dispose of any ordinary shares for a period of 365 days following Admission without the prior written consent of the Joint Global Coordinators.

In addition, each of the shareholders has agreed not to dispose of any ordinary shares in the Company for a period of 12 months following Admission without the prior consent of the Company and the Joint Global Coordinators.

All of the above arrangements are subject to certain customary exceptions.

Change of control
Save in respect of a provision of the Company's share schemes which may cause options and awards granted to employees under such schemes to vest on takeover, there are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) because of a takeover bid.

Significant contracts
The only significant agreement to which the Company is a party that takes effect, alters or terminates upon a change of control of the Company following a takeover bid, and the effect thereof, is the revolving credit facility agreement, which contains customary prepayment, cancellation and default provisions including, if required by a lender, mandatory prepayment of all utilisations provided by that lender upon the sale of all or substantially all of the business and assets of the Group or a change of control.

Transactions with related parties
Relationship agreement: On 17 June 2021 the Company entered into a relationship agreement with Mark Radcliffe, Neil Radcliffe and Carole Radcliffe (the 'Controlling Shareholders'). Under the Relationship Agreement, the Controlling Shareholders shall, and have agreed to use their reasonable endeavours to procure that each of their associates shall, among other things:

(a) not take any action that is intended to preclude or inhibit the Company or any other member of the Group from operating independently of either of the Controlling Shareholders at all times;

(b) make and conduct all transactions and arrangements with the Company on an arm's length and normal commercial basis;

(c) not take any action that would have the effect of preventing the Board from being comprised of at least a majority of Directors who are independent of the Controlling Shareholders and their respective associates;

(d) not take any action that would have the effect of preventing the Directors, the Company or any other member of the Group from complying with obligations under any applicable laws;

(e) where the Company or any member of the Group has entered into a contract or other arrangement with either of the Controlling Shareholders and/or any of their respective associates, ensure that the relevant Controlling Shareholder and/or any of their respective associates procures that any decisions as to the implementation, amendment or enforcement of such contract or arrangement are taken independently of them and (in so far as they are able) their respective associates;

(f) procure that any disputes between the Company (or any member of the Group) and either of the Controlling Shareholders and/or any of their respective associates shall be exclusively dealt with on behalf of the Company or the relevant member of the Group by the Directors other than the Controlling Shareholders and, if applicable, their respective associates; and

(g) exercise any of their voting or other rights and powers as shareholders of the Company to procure that:

(i) the Group is managed for the benefit of shareholders as a whole and independently of the Controlling Shareholders and their respective associates, rather than for the benefit of any particular shareholder or group of shareholders of the Company; and

(ii) subject to the applicable laws and the provisions of the Relationship Agreement, the Company is managed in accordance with the chosen Corporate Governance Code (pursuant to AIM Rule 26) to the extent practicable and appropriate for the size, stage of development and operations of the Group from time to time.

Compensation paid to Directors and Key Management is as disclosed in note 10 to the consolidated financial statements on page 107.

The Group leases warehouses from Radcliffe Property Management Ltd, a third-party for which Mark Radcliffe is an Executive Director. Related party transactions are disclosed within note 34 to the consolidated financial statements on page 121.

Research and development
Innovation, specifically in software, is a critical element of Victorian Plumbing's strategy and therefore of the future success of the Group. Accordingly, the majority of the Group's research and development expenditure is predominantly related to this area.

During the year the Group capitalised £1.2m of salaries in relation to internally developed software (2020: £0.6m).

Indemnities and insurance
The Company maintains Directors' and Officers' liability insurance which gives appropriate cover for any legal action brought against its Directors. The Company has also provided an indemnity for its Directors, which is a qualifying third-party indemnity provision, for the purposes of Section 234 of the Companies Act 2006.

Environmental
Information on the Group's greenhouse gas emissions is set out in the ESG: Making a splash section on page 36 and forms part of this report by reference.

Political donations
There were no political donations made during the year or the previous year.

Post balance sheet events
No material events have occurred between the year end date of 30 September 2021 and the date of this report.

External branches
The Group had no active registered external branches during the reporting period.

Disabled employees
The Group gives full consideration to applications for employment from disabled persons when the requirements of the role can be adequately fulfilled. Where existing employees become disabled, it is the Group's policy to provide continuing employment under normal terms and conditions whenever possible. More information regarding our approach to diversity and inclusion can be found on pages 34 and 35.

Interest in voting rights

At the year end the Company had been notified, in accordance with Chapter 5 of the Financial Conduct Authority's Disclosure and Transparency Rules, of the following significant interests in the issued ordinary share capital of the Company:

Shareholder	Number of ordinary shares/voting rights	Percentage of voting rights over ordinary shares of £0.001 each
Mark Radcliffe	148,379,642	45.65%
Neil Radcliffe	29,675,965	9.13%

There have been no changes to disclosure of significant interests since the year end.

Disclosure of information to auditors

Each of the Directors has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director to make him/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Statement of Directors' responsibilities in respect of the Annual Report and Financial Statements

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and parent company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group and the company for that period.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and parent company and of their profit or loss for that period. In preparing each of the Group and parent company financial statements, the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (and in respect of the parent company financial statements, Section 10 of FRS 102) and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs (and in respect of the parent company financial statements, FRS 102) is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group and company financial position and financial performance;
- in respect of the group financial statements, state whether international accounting standards in conformity with the requirements of the Companies Act 2006 have been followed, subject to any material departures disclosed and explained in the financial statements;
- in respect of the parent company financial statements, state whether applicable UK Accounting Standards, including FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is appropriate to presume that the company and/ or the group will not continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's and group's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the company and the group financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the group and parent company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Strategic report, Directors' report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website.

Directors' responsibility statement

We confirm, to the best of our knowledge:

- that the consolidated financial statements, prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 give a true and fair view of the assets, liabilities, financial position and profit of the parent company and undertakings included in the consolidation taken as a whole;
- that the annual report, including the strategic report, includes a fair review of the development and performance of the business and the position of the company and undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- that they consider the annual report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the company's position, performance, business model and strategy.

Approval of Annual Report

The Strategic report and the Corporate Governance Report were approved by the Board on 9 December 2021.

Approved by the Board and signed on its behalf.

Almond+Co

Company Secretary
9 December 2021

Independent Auditor's Report to the members of Victorian Plumbing Group plc

Opinion

In our opinion:

- Victorian Plumbing Group plc's group financial statements and parent company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the parent company's affairs as at 30 September 2021 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Victorian Plumbing Group plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 September 2021 which comprise:

Group	Parent company
Consolidated statement of financial position as at 30 September 2021	Balance sheet as at 30 September 2021
Consolidated statement of comprehensive income for the year then ended	Statement of changes in equity for the year then ended
Consolidated statement of changes in equity for the year then ended	Statement of cash flows for the year then ended
Consolidated statement of cash flows for the year then ended	Related notes 1 to 15 to the financial statements including a summary of significant accounting policies
Related notes 1 to 37 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting included the following procedures:

- In conjunction with our walkthrough of the Group's financial statement close process, we confirmed our understanding of management's going concern assessment process.
- We obtained directors' going concern assessment, including the cash forecasts for the going concern review period being the period to 31 December 2022. The Group has modelled a base scenario and series of severe but plausible downside scenarios, including a worst case sensitivity which is a combination of all the individual scenarios. The sensitivities include considering the potential impact of a generalised economic downturn leading to a greater impact on the spending patterns of consumers than has been experienced to date, an increased marketing spend, and the impact of disruption to the supply chain caused by Covid-19. The extent to which these factors could adversely affect the Group's revenue, gross margin and customer acquisition costs was modelled, along with consideration of potential cost savings and mitigating actions.
- We have tested the factors and assumptions included in each modelled scenario for the cash forecasts and we have considered the impact of Covid-19. This includes challenging the assumptions used in the stress testing performed by group management. We utilised industry reports and evidence from other retailers in the marketplace to interrogate the assumptions included by management. We considered the appropriateness of the methods used to calculate the cash forecasts and determined that they were appropriately sophisticated to be able to make an assessment on going concern. We also checked the arithmetical accuracy of the model, as well as the starting cash position as at 1 October 2021.
- We have performed reverse stress testing in order to identify what factors would lead to the Group utilising all available liquidity during the going concern period. The scenario modelled the cessation of all revenue generating activities with no reduction in the cost base.
- We assessed management's forecast accuracy by comparing actual recent trading performance with forecasts, including post year end trading. In addition to making inquiries of management to identify any departures from management's forecasts, which could indicate potential bias. with the group's current trading and profitability through to the date of our audit report.
- We enquired of management as to their knowledge of events or conditions beyond the period of their assessment that may cast significant doubt on the entity's ability to continue as a going concern. No such events or conditions were noted and we did not identify any contradictory evidence to suggest otherwise.
- We read board minutes for any inconsistencies with the risks considered in the going concern assessment.

- We reviewed the Group's going concern disclosures included in the annual report in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

We note that management has performed a going concern assessment with a base case scenario and severe but plausible downside sensitivity. The group has a revolving credit facility in place of £10 million which expires in June 2024 and is currently not utilised, nor is it forecast to be utilised in any of the scenarios modelled by management. The severe but plausible downside scenario showed continuing liquidity position for the group throughout the going concern review period, without utilising the revolving credit facility.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern over the forecast period to 31 December 2022.

In relation to the group and parent company's reporting on how they have voluntarily applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

Overview of our audit approach

Audit scope	• We performed an audit of the complete financial information of three components. • The components where we performed full or specific audit procedures accounted for 100% of Profit before tax and exceptional items, 100% of Revenue and 100% of Total assets.
Key audit matters	• Revenue recognition • Prior year adjustments: cut-off around year end.
Materiality	• Overall group materiality of £1,455,000 which represents 5% of Profit before tax and exceptional items.

An overview of the scope of the parent company and group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group-wide controls, changes in the business environment when assessing the level of work to be performed at each company.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the three reporting components of the Group, we selected all three components, with one component representing the principal business unit within the Group.

We performed an audit of the complete financial information of all three components ("full scope components") which were selected based on their size or risk characteristics.

The reporting components where we performed audit procedures accounted for 100% of the Group's Profit before tax and exceptional items, 100% of the Group's Revenue and 100% of the Group's Total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the Group.

Involvement with component teams

All audit work performed for the purposes of the audit was undertaken by the Group audit team.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report to the members of Victorian Plumbing Group plc continued

<table>
<tr><th>Risk</th><th>Our response to the risk</th><th>Key observations communicated to the Audit Committee</th></tr>
<tr><td>Revenue recognition: cut off around year end

(Revenue 2021: £268.8m, 2020: £208.7m)

Refer to the Audit Committee Report (page 67); Accounting policies (page 93); and Note 5 of the Consolidated Financial Statements (page 105)

The timing of when revenue is recognised is relevant to the reported performance of the Group. There remains opportunity through management override of controls and manual journals to misstate the allocation of revenue between periods, including non-reversal of goods that have been dispatched by the company but not yet delivered to the customer.</td><td>• We gained an understanding of and documented the key processes used to record revenue transactions by performing a walkthrough of the processes.
• As part of our work conducted on the historical financial information (HFI) included in the Admissions document, we tested whether the Group's revenue recognition policy is in line with the criteria set out in IFRS 15: Revenue from Contracts with Customers. We obtained managements' accounting policy and challenged the recognition of revenue being on despatch of goods rather of delivery, This resulted in the identification of a prior year adjustment.
• We tested a sample of items included in management's revenue cut-off adjustment at year end (which was introduced by management following the identification of the prior year adjustment to record revenue on delivery instead of despatch) evidencing items to delivery documentation. We also picked a sample from all despatches made in the last month of the year and traced items to evidence of receipt by the customer. Any items not received by the customer before the year end, as evidenced by delivery documentation, were traced to management's cut-off adjustment to assess its completeness.
• As the Group's revenues primarily comprises of high volume and relatively low value transactions, we used a data driven approach in order to test revenue in the year. This included the use of analytical tools in our audit of revenue and the identification of revenue journals of audit interest and correlation analysis between the revenue streams, receivables and cash to identify any anomalies requiring further investigation.
• We performed journal analysis to identify sales journals throughout the year that have not resulted in cash receipts and have tested a sample of these to supporting evidence to ensure revenue has been recognised correctly.
• We also tested manual journals to revenue which have not been posted to receivables or cash for any evidence of management bias by corroborating to supporting documentation.
• Performing a monthly gross margin analysis to identify any anomalies or unusual movements.
• Assess the sufficiency of the disclosures provided relating to the prior year errors noted.

We performed full scope audit procedures over this risk area which covered 100% of the risk amount.</td><td>Revenue has been recognised appropriately in the year and in accordance with IFRS 15, Revenue from Contracts with Customers. We did not identify instances of management override of controls in relation to revenue.

The prior year error identified through our audit procedures has been disclosed in Note 2.3.</td></tr>
</table>

Risk	Our response to the risk	Key observations communicated to the Audit Committee
Prior year adjustments Following our appointment as auditors, in connection with the procedures we conducted on the historical financial information (HFI) included in the Admissions document, we identified a number of prior year adjustments. Further detail in relation to these prior year adjustments is included in Note 2. These prior year adjustments were corrected in the Admissions document and also require adjustment in the 30 September 2021 statutory financial statements in accordance with the requirements of IAS 8. There is a risk that these prior year adjustments are not recognised and disclosed appropriately in the financial statements. In light of the number of prior year adjustments identified, and the range of financial statement account balances impacted, a risk also exists in relation to the completeness of the prior year adjustments identified. Refer to the Corporate Governance statement (page 59) and Audit Committee Report (page 67) for disclosure regarding the underlying cause of these prior year errors and the steps taken to reduce the risk of recurrence.	• As described above in the Revenue Recognition Key Audit Matter, we performed specific procedures in relation the risk of inappropriate revenue recognition to ensure the completeness and accuracy of the prior year adjustment identified. • We demonstrated professional scepticism throughout our year end audit remaining alert to the risk that there may be unidentified prior year adjustments. • We obtained and reviewed the financial statements of the Group for the year ended 30 September 2021 with a specific focus on accounting policies to ensure both their compliance with the requirements of relevant standards, and the presentation of financial statement line items. • We performed a review of the audit work performed by the predecessor auditor. These procedures included consideration of adjusted and unadjusted audit differences identified by the predecessor auditor and matters reported to those charged with governance. • We performed substantive audit procedures to confirm both the nature and quantum of the prior year impact of all adjustments identified during our HFI and year end audit procedures. • We reviewed and challenged management on the sufficiency and appropriateness of the disclosures made in the Annual report and Accounts in accordance with the disclosure requirements of IAS 8. We performed full scope audit procedures over this risk area.	No further prior year adjustments were identified during the course of the audit in addition to those identified from the procedures we performed in relation to the HFI in the Admissions document. The prior year adjustments identified have been recognised and disclosed appropriately in the financial statements in accordance with the requirements of IAS 8.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £1,455,000, which is 5% of Profit before tax and exceptional items. Profit before tax is a key performance indicator used by management to monitor the Group's performance and also the figure which we believe to be the most relevant to the shareholders when assessing the performance of the Group. However, we considered the Profit before tax figure adjusted for exceptional items for this year to be a more appropriate performance metric on which to base our materiality calculation as the costs associated with the Initial Public Offering (IPO) (which are classified as exceptional items) are not indicative of the underlying operational performance of the Group.

Starting basis	• Starting point – £19,717k • Profit before tax
Adjustments	• Remove exceptional items of £9,373k relating to IPO costs
Materiality	• Totals £29,090k Profit before tax and exceptional items • Materiality of £1,455,000 (5% of Profit before tax and exceptional items)

During the course of our audit, we reassessed initial materiality using the year end figures per the financial statements, which led to no change in our materiality levels.

We determined statutory materiality for the parent company and have capped at the group materiality of £1,445,000.

Independent Auditor’s Report to the members of Victorian Plumbing Group plc continued

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group’s overall control environment, our judgement was that performance materiality was 50% of our planning materiality, namely £727,000. We have set performance materiality at this percentage due to this being the first year of our audit and the first audit following the IPO.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £36,000 to £713,000.

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £73,000, which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 1 to 81, including ‘4 Year Record’ and ‘Advisors’ set out on pages 128 and 129, other than the financial statements and our auditor’s report thereon. The directors are responsible for the other information within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors’ report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors’ report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors’ report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial are not in agreement with the accounting records and returns; or
- certain disclosures of directors’ remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Opinions on other matters as per the terms of our engagement letter with the Company

In our opinion, the part of the directors’ remuneration report to be audited has been properly prepared in accordance with the basis of preparation set out in pages 92.

Corporate Governance Statement

ISAs (UK) require us to review the directors’ statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group and company’s compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors’ statement with regards to the appropriateness of adopting the going concern basis of accounting set out on page 53;
- Directors’ explanation as to its assessment of the company’s prospects, the period this assessment covers and why the period is appropriate set out on page 53;
- Directors’ statement on fair, balanced and understandable set out on page 81;
- Board’s confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 48;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 46; and
- The section describing the work of the audit committee set out on pages 67 to 72.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 81, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (international accounting standards in conformity with the requirements of the Companies Act 2006, AIM Rules, UK Tax Legislation, General Data Protection Regulation, and the voluntarily compliance with UK Corporate Governance Code 2018).
- We understood how Victorian Plumbing Group plc is complying with those frameworks by making enquiries of management, those responsible for legal and compliance procedures and the Company Secretary. We corroborate our enquiries through our review of board minutes, papers provided to the Audit Committee and discussions with the Audit Committee.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by meeting with management and those charged with governance to understand where it considered there was a susceptibility to fraud. We also considered areas of significant judgement including complex transactions, performance targets, economic or external pressures and the impact that these have on the control environment. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk, refer to the Key Audit Matters section for further details. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from material fraud or error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. For both direct and other laws and regulations, we considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.
  Our procedures involved making enquiries with those charged with governance and senior management, journal entry testing – with a focus on manual consolidation journals and journals indicating large or unusual transactions based on our understanding of the business and focused testing, as referred to in the key audit matters section above. In addition, we completed procedures to conclude on the compliance of the disclosures in the Annual Report and Accounts with the requirements of the relevant accounting standards, UK legislation and voluntary compliance with the UK Corporate Governance Code 2018. There were no significant instances noted of non-compliance with laws and regulations.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Victoria Venning (Senior statutory auditor)
for and on behalf of Ernst & Young LLP,
Statutory Auditor
Manchester
9 December 2021

Consolidated statement of comprehensive income
for the year ended 30 September 2021

	Note	2021 £m	2020 (Restated) £m
Revenue	5	**268.8**	208.7
Cost of sales		**(138.3)**	(116.7)
Gross profit		**130.5**	92.0
Administrative expenses before separately disclosed items	7	**(93.4)**	(68.2)
Other operating income	6	**–**	0.2
Adjusted operating profit		**37.1**	24.0
Separately disclosed items			
Share-based payments	30	**(7.7)**	–
Exceptional items	8	**(9.4)**	–
Operating profit	7	**20.0**	24.0
Finance costs	11	**(0.3)**	(0.3)
Profit before tax		**19.7**	23.7
Income tax expense	12	**(5.4)**	(4.0)
Profit for the year		**14.3**	19.7
Earnings per share (pence)			
Basic	14	**5.3**	7.4
Diluted	14	**4.5**	7.4

All amounts relate to continuing operations.

There are no items to be recognised in the statement of comprehensive income and hence, the Group has not presented a separate statement of other comprehensive income.

Following a review of the Group's historical financial information in preparation for the IPO in June 2021, a number of adjustments have been made to balances previously reported within the Group's financial statements. These adjustments have been corrected by restating each of the affected financial statement line items for the prior period. Details of the adjustments made are included within note 2 to these consolidated financial statements.

Consolidated statement of financial position

at 30 September 2021

	Note	2021 £m	2020 (Restated) £m	As at 1 October 2019 (Restated) £m
Assets				
Non-current assets				
Intangible assets	15	**2.7**	2.5	1.8
Property, plant and equipment	16	**1.7**	0.8	0.5
Right-of-use assets	17	**5.3**	6.0	3.5
		9.7	9.3	5.8
Current assets				
Inventories	18	**32.4**	23.0	18.3
Trade and other receivables	19	**4.9**	10.0	5.2
Tax recoverable		**1.0**	2.3	–
Cash and cash equivalents		**32.7**	10.5	2.7
		71.0	45.8	26.2
Total assets		**80.7**	55.1	32.0
Equity and liabilities				
Equity attributable to the owners of the Company				
Share capital	28	**0.3**	–	–
Share premium	28	**11.2**	–	–
Capital redemption reserve		**0.1**	–	–
Capital reorganisation reserve		**(320.6)**	–	–
Retained earnings	32	**339.8**	13.0	2.8
Total equity		**30.8**	13.0	2.8
Liabilities				
Non-current liabilities				
Lease liabilities	22	**4.9**	5.7	3.3
Deferred tax liability	26	**0.1**	0.1	–
		5.0	5.8	3.3
Current liabilities				
Trade and other payables	20	**36.0**	28.1	21.2
Contract liabilities	21	**7.9**	7.3	3.8
Lease liabilities	22	**0.9**	0.7	0.5
Provisions	27	**0.1**	0.2	0.1
Corporation tax		**–**	–	0.3
		44.9	36.3	25.9
Total liabilities		**49.9**	42.1	29.2
Total equity and liabilities		**80.7**	55.1	32.0

The financial statements were approved by the Board of Directors on 9 December 2021 and authorised for issue.

Paul Meehan
Chief Financial Officer

Victorian Plumbing Group plc
Registered number: 13379554

Consolidated statement of changes in equity

for the year ended 30 September 2021

	Note	Share capital £m	Share premium £m	Capital reorganisation reserve £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
Balance at 1 October 2019		–	–	–	–	4.7	4.7
Impact of the prior year restatement						(1.9)	(1.9)
Balance at 1 October 2019 (restated)		–	–	–	–	2.8	2.8
Comprehensive income							
Profit for the year		–	–	–	–	19.7	19.7
Transactions with owners							
Dividends paid on ordinary shares	13	–	–	–	–	(9.5)	(9.5)
Balance at 30 September 2020 (restated)		**–**	**–**	**–**	**–**	**13.0**	**13.0**
Comprehensive income							
Profit for the year		**–**	**–**	**–**	**–**	**14.3**	**14.3**
Transactions with owners							
Employee share schemes – value of employee services	30	**–**	**–**	**–**	**–**	**6.5**	**6.5**
Tax impact of employee share schemes		**–**	**–**	**–**	**–**	**0.7**	**0.7**
Capital transaction – Group restructure, share-for-share exchange and issue of Victorian Plumbing Group plc shares	28	**0.3**	**11.2**	**(320.6)**	**0.1**	**320.2**	**11.2**
Dividends paid on ordinary shares	13	**–**	**–**	**–**	**–**	**(14.9)**	**(14.9)**
Total transactions with owners recognised directly in equity		**0.3**	**11.2**	**(320.6)**	**0.1**	**312.5**	**3.5**
Balance at 30 September 2021		**0.3**	**11.2**	**(320.6)**	**0.1**	**339.8**	**30.8**

Consolidated statement of cash flows

for the year ended 30 September 2021

	Note	2021 £m	2020 (Restated) £m
Cash flows from operating activities			
Cash generated from operating activities before exceptional operating items		**36.9**	30.9
Cash outflow from exceptional operating items		**(9.1)**	–
Cash generated from operating activities	31	**27.8**	30.9
Income tax paid		**(3.4)**	(6.5)
Net cash generated from operating activities		**24.4**	24.4
Cash flows from investing activities			
Purchase of intangible assets	15	**(1.8)**	(2.0)
Purchase of property, plant and equipment	16	**(1.4)**	(0.6)
Amounts received/(paid) in respect of related party loans	19	**5.9**	(3.8)
Cash generated by/(used in) investing activities		**2.7**	(6.4)
Cash flows from financing activities			
Dividends paid	13	**(14.9)**	(9.5)
Finance arrangement fees	23	**(0.1)**	–
Proceeds from the issue of shares net of costs	28	**11.2**	–
Payment of interest portion of lease liabilities	22	**(0.3)**	(0.2)
Payment of principal portion of lease liabilities	22	**(0.8)**	(0.5)
Net cash used in financing activities		**(4.9)**	(10.2)
Net increase in cash and cash equivalents		**22.2**	7.8
Cash and cash equivalents at beginning of year		**10.5**	2.7
Cash and cash equivalents at end of year		**32.7**	10.5

Notes to the consolidated financial statements

1. General information

Victorian Plumbing Group plc is a public limited company which is listed on the Alternative Investment Market ('AIM') of the London Stock Exchange and is domiciled and incorporated in the United Kingdom under the Companies Act 2006. The consolidated financial statements of the Company as at and for the year ended 30 September 2021 comprise the Company and its interest in subsidiaries (together referred to as the 'Group').

The consolidated financial statements of the Group as at and for the year ended 30 September 2021 are available upon request to the Company Secretary from the Company's registered office at 22 Grimrod Place, Skelmersdale, England, WN8 9UU or are available on the corporate website at victorianplumbingplc.com.

Basis of preparation

The consolidated financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The consolidated financial statements have been prepared on the going concern basis and under the historical cost convention.

On 27 May 2021, the Company obtained control of the entire share capital of VIPSO Limited via a share-for-share exchange. There were no changes in relative rights of owners and change of control as a result of this transaction. Although the share-for-share exchange resulted in a change of legal ownership, this was not a business combination and therefore outside the scope of IFRS 3. In substance these financial statements reflect the continuation of the pre-existing Group, headed by VIPSO Limited, and the financial statements have been prepared on this basis.

As a result of the above, the comparatives presented in these financial statements are the consolidated results of VIPSO Limited. The prior year statement of financial position reflects the share capital structure of VIPSO Limited. The current period balance sheet presents the legal change in ownership of the Group, including the share capital of Victorian Plumbing Group plc and the capital reorganisation reserve arising as a result of the share-for-share exchange transaction. The consolidated statement of changes in equity on page 90 and the additional disclosures in note 28 explain the impact of the share-for-share exchange in more detail.

Basis of consolidation

Subsidiaries are all entities over which the Group has control. Control exists when the Group has existing rights that give it the ability to direct the relevant activities of an entity and has the ability to affect the returns the Group will receive as a result of its involvement with the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intercompany transactions and balances between Group companies are eliminated on consolidation.

Going concern

The Group's ability to continue as a going concern is dependent on maintaining adequate levels of resources to continue to operate for the foreseeable future. The directors have considered a number of key dependencies which are set out in the group's risk management section, specifically the group's exposure to liquidity risk and foreign exchange risk as described in note 24.

When assessing the going concern of the Group, the Directors have reviewed the year to date financial results, as well as detailed financial forecasts for the Going Concern Review period up to 31 December 2022. The assumptions used in the financial forecasts are based on the Group's historical performance and management's extensive experience of the industry. Taking into consideration the wider economic environment, the forecasts have been assessed and stress tested to ensure that a robust assessment of the Group's working capital and cash requirements has been performed.

Liquidity and financing

At 30 September 2021, the Group held instantly accessible cash and cash equivalents of £32.7 million. The Group also has access to a revolving credit facility of £10.0 million with HSBC which was undrawn at 30 September 2021 and does not expire until June 2024. There is a sufficient level of liquidity/financing headroom post stress testing across the going concern forecast period to 31 December 2022, as outlined in more detail below.

Approach to stress testing

The going concern analysis, which was approved by the Board in November 2021, reflected the actual trading to October 2021, as well as detailed financial forecasts for the period up to 31 December 2022. The Group has taken a measured approach to its forecasting. The Group has balanced the expected trading conditions with opportunities available in a growing market which is transitioning online.

Given the uncertainty of the impact of Covid-19, the Board has in its assessment of going concern considered the potential impact of a generalised economic downturn leading to a greater impact on the spending patterns of consumers than has been experienced to date. In addition, the Board has considered the impact of disruption to the supply chain caused by Covid-19, climate change risks and the impact on gross margin. The extent to which these factors could adversely affect the Group's revenue, gross margin and customer acquisition costs, as well as the extent to which this can be offset by cost savings, was modelled.

The Group has prepared a series of severe-but-plausible downside scenarios, each incorporating one of the assumptions listed, and a worst case being the combination of them all:

- Reduction in customer conversion growth rate when compared with the Base Case and 2021 actual
- Maintenance of average order value at 2021 actual levels, despite seeing average order value grow significantly in recent years
- Significant increased marketing spend as a proportion of turnover
- No growth in new unique visitors to our site
- Increased carriage costs as a proportion of turnover

The effect of the combination of applying all the above downsides is a reduction in adjusted EBITDA of c. 90% on 2021 and management has not factored in any costs savings or mitigating factors that could be executed, for example, cancellation of non-committed marketing spend, recruitment costs and capital expenditure.

This combined downside scenario still results in sufficient cash forecast to be held throughout the period to 31 December 2022 to cover the Group's liabilities as they fall due, without utilisation of the Group's revolving credit facilities.

Going concern conclusion
Based on the analysis described above, the Group has sufficient liquidity headroom through the forecast period. The Directors therefore have reasonable expectation that the Group has the financial resources to enable it to continue in operational existence for the period to 31 December 2022. Accordingly, the Directors conclude it is appropriate that these consolidated financial statements be prepared on a going concern basis.

2. Significant accounting policies

2.1 Changes in significant accounting policies

New and amended standards adopted by the Group
The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on 1 October 2020:

- Amendments to References to Conceptual Framework in IFRS Standards;
- Definition of a Business – Amendments to IFRS 3;
- Definition of Material – Amendments to IAS 1 and IAS 8; and
- Interest Rate Benchmark Reform – Amendments to IFRS 9, IAS 39 and IFRS 7

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated. The adoption of these amendments has had no material effect on the Group's consolidated financial statements.

Standards, amendments and interpretations to existing standards that are not yet effective
There are a number of amendments to IFRS that have been issued by the IASB that become mandatory in a subsequent accounting period including: Covid-19 Related Rent Concessions – Amendment to IFRS 16 and Interest Rate Benchmark Reform Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

The Group has evaluated these changes and none are expected to have a significant impact on these consolidated financial statements.

2.2 Existing significant accounting policies

The following accounting policies applied by the Group in these consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 30 September 2020 unless stated in section 2.3.

Revenue
The Group derives revenue from contracts with customers relating to sales of bathroom furniture and accessories. Revenue is measured based on the consideration specified in a contract with a customer. Revenue is stated net of discounts, rebates, refunds and value-added tax.

Revenue is recognised from the sale of goods when the Group has satisfied its performance obligation by transferring control of the promised good to the customer. Control is usually transferred to the customer on delivery of the bathroom furniture or accessories to the customer's location.

The Group's policy is to sell its products to customers with a right to return within 30 days, and at its discretion may accept returns after this period. The Group estimates the value of goods that are expected to be returned based on historic data. A refund liability and a right-of-return asset is recognised. The right-of-return asset is measured at the former carrying amount of the inventory less any expected costs to recover the goods. The refund liability is recognised for the obligation to refund some or all of the consideration received from a customer. The liability is measured at the amount the Group ultimately expects it will have to return to the customer. Refund liabilities are included within trade and other payables (refer to note 20). The Group reviews its estimate of expected returns at each reporting date.

The Group does not offer loyalty points to customers nor are any warranties, other than assurance-type warranties (note 27), offered by the Group.

Contract liability
Cash is received from customers in advance of delivery of goods and so deferred income is recognised as a contract liability.

2. Accounting policies continued

Rebates

Rebates from suppliers are accounted for in the period in which they are earned and are based on commercial agreements with suppliers. Rebates earned are mainly purchase volume related and are generally short term in nature, with rebates earned but not yet received typically relating to the preceding quarter's purchases. Rebate income is recognised in cost of sales in the income statement and rebates earned but not yet received are included in accrued income in the statement of financial position.

Employee benefits

Defined contribution pension plan

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions. Payments made to state managed retirement benefit plans are accounted for as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

Short-term benefits

Short-term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the employee's entitlement to the benefit accrues.

Share-based payments

The Group operates equity-settled share-based payment options and accounts for these awards in accordance with IFRS 2 'Share-based Payments'.

Equity-settled awards are valued at the grant date, and the fair value is charged as an expense in the income statement spread over the vesting period with a corresponding change in equity. The fair value of each award is measured using a Black-Scholes model. The charge is reassessed at each reporting date to reflect the expected and actual levels of vesting. The Group recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

Finance income

Interest income is recognised in the income statement using the effective interest method.

Finance costs

Finance costs are charged to the income statement over the term of the debt using the effective interest rate method.

Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries except for any deferred tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

Separately disclosed items (non-GAAP)
Significant items of income and expense that do not relate to the trading of the Group are disclosed separately. Examples of such items are exceptional items and share-based payment charges, as these primarily relate to the changing ownership of the Group.

Exceptional items (non-GAAP)
Significant non-recurring items of income and expense are disclosed as 'exceptional items'. A full analysis of exceptional items is provided in note 8.

Adjusted EBITDA (non-GAAP)
Adjusted EBITDA is EBITDA (earnings before interest, tax, depreciation and amortisation) less separately disclosed items (exceptional items and IFRS 2 charges in respect of share-based payments along with associated national insurance). This adjusted profit measure is applied by the Senior Leadership Team to understand the earnings trends of the Operating group (note 4) and is considered an additional, useful measure under which to assess the operating performance of the Operating group.

Adjusted Operating profit (non-GAAP)
Adjusted operating profit is operating profit less separately disclosed items (exceptional items and IFRS 2 charges in respect of share-based payments along with associated national insurance). This adjusted profit measure is applied by the Senior Leadership Team to understand the earnings trends of the Operating group and is considered an additional, useful measure under which to assess the operating performance of the Operating group.

Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Senior Leadership Team that makes strategic decisions (note 4).

Underlying costs (non-GAAP)
Underlying costs are defined as administrative expenses before depreciation and amortisation, and separately disclosed items.

Foreign currency
Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The financial statements are presented in sterling (£), which is the Group's functional and presentational currency.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in the income statement.

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.

Intangible assets
Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it; and there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which is 2–3 years.

Property, plant and equipment
Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

2. Accounting policies continued

Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their estimated useful lives as follows:

Long-term leasehold property	– Amortised over the lease period
Plant and machinery	– 4 years
Motor vehicles	– 4 years
Fixtures and fittings	– 4 years
Office equipment	– 4 years

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each reporting date and adjusted prospectively, if appropriate.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement within administrative expenses.

Leases

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones) with a total carrying value of under £5,000. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

For all other leases, the lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

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 remeasured 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.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset, as detailed below:

Leasehold property	– Lease term
Plant and machinery	– Shorter period of 4 years or the lease term
Motor vehicles	– Shorter period of 4 years or the lease term

If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented within non-current assets in the statement of financial position (note 17). The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Impairment of non-financial assets' policy.

Inventories

Inventories are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is determined using the first-in, first-out ('FIFO') method. Where necessary, a provision is made to reduce the carrying value to no less than net realisable value, having regard to the nature and condition of inventory.

Costs include all costs incurred in bringing each product to its present location and condition. This includes the purchase cost of products and import duties.

Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Financial assets – initial recognition and measurement
The Group classifies financial assets on initial recognition as measured at amortised cost, fair value through other comprehensive income ('FVOCI') or fair value through profit or loss ('FVTPL') based on the Group's business model for managing the financial asset and the cash flow characteristics of the financial asset.

Financial liabilities are classified and measured at amortised cost except for those derivative liabilities that are measured at FVTPL.

All financial assets and financial liabilities are initially measured at fair value, including transaction costs, except for those classified as FVTPL which are initially measured at fair value excluding transaction costs. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in the income statement.

Financial assets – subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVTPL

Financial assets – derecognition
Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when the obligations specified in the contracts are discharged, cancelled or expire. On derecognition of a financial asset or liability, any difference between the carrying amount extinguished and the consideration paid is recognised in the income statement.

Financial assets – impairment
For trade receivables and contract assets, the Group applies a simplified approach in calculating expected credit losses ('ECLs'). Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Derivatives
Derivative financial instruments are used to manage the risks arising from changes in foreign currency exchange rates relating to the purchase of overseas products.

The Group enters into derivative financial instruments to manage its exposure to foreign exchange risk via forward currency contracts. The Group does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting date. The resulting gain or loss is recognised in the income statement and presented within administrative expenses.

Cash and cash equivalents
Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with near insignificant risk of change in value, and have original maturities of three months or less.

Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred, and are subsequently carried at amortised cost, with any difference between the proceeds (net of transaction costs) and the redemption value being recognised in the income statement over the period of the borrowings using the effective interest method.

Finance and issue costs associated with the borrowings are charged to the income statement using the effective interest rate method from the date of issue over the estimated life of the borrowings to which the costs relate.

Borrowings are derecognised when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in respective carrying amounts together with any costs or fees incurred are recognised in the income statement. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

Impairment of non-financial assets
The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's (CGU's) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

2. Accounting policies continued

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. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of three years. A long-term growth rate is calculated and applied to project future cash flows after the third year.

Impairment losses of continuing operations are recognised in the income statement in expense categories consistent with the function of the impaired asset.

Provisions

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Warranties

The Group provides for the cost expected to be incurred in order to replace damaged or faulty items that existed at the time of sale. The provision related to these assurance-type warranties is recognised when the product is sold. Initial recognition is based on historical experience and recognised in revenue. The estimate of the warranty-replaced costs is revised every six months.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

Where the Group purchases its own equity share capital, the consideration paid is deducted from equity attributable to the Group's shareholders. Where such shares are subsequently cancelled, the nominal value of the shares repurchased is deducted from share capital and transferred to a capital redemption reserve. Where the Group purchases its own equity share capital to hold in treasury, the consideration paid for the shares is shown as own shares held within equity.

Share premium

The amount subscribed for the ordinary shares in excess of the nominal value of these new shares is recorded in share premium. Costs that directly relate to the issue of ordinary shares are deducted from share premium net of corporation tax.

Shares held by the Employee Share Option Trust

The Employee Share Option Trust ('ESOT') provides for the issue of shares to Group employees principally under share option schemes. The Group has control of the ESOT and therefore consolidates the ESOT in the Group financial statements. Accordingly, shares in the Company held by the ESOT are included in the statement of financial position at cost as a deduction from equity.

Capital reorganisation reserve

The capital reorganisation reserve arose on consolidation as a result of the share-for-share exchange on 27 May 2021 (note 28).

Dividends

The Company recognises a liability to pay a dividend when the distribution is authorised and the distribution is no longer at the discretion of the Company. In accordance with UK company law, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

Earnings per share

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 EPS is calculated by dividing the 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 all the dilutive potential ordinary shares into ordinary shares.

2.3 Restatement of prior year comparatives

Following a review of the Group's historical financial information for the Group's IPO in June 2021, a number of adjustments have been made to correct errors in balances previously reported within the Group's consolidated financial statements. These adjustments have been corrected by restating each of the affected financial statement line items for the prior period as follows.

Reconciliation of equity and total comprehensive income as at 30 September 2020

Statement of financial position as at 30 September 2020

	Notes	Previously reported 30 September 2020 £m	Impact of adjustments £m	Restated 30 September 2020 £m
Non-current assets				
Intangible assets	A	2.3	0.2	2.5
Property, plant and equipment		0.8	–	0.8
Right-of-use asset	B	2.9	3.1	6.0
		6.0	**3.3**	**9.3**
Current assets				
Inventories	C, D, E	24.0	(1.0)	23.0
Trade and other receivables	F, G	9.4	0.6	10.0
Tax recoverable	K	1.4	0.9	2.3
Cash and cash equivalents		10.5	–	10.5
		45.3	**0.5**	**45.8**
Current liabilities				
Trade and other payables	D, G	(26.7)	(1.4)	(28.1)
Provisions	H	–	(0.2)	(0.2)
Contract liability	C, F	(4.7)	(2.6)	(7.3)
Lease liabilities	B	(0.5)	(0.2)	(0.7)
		(31.9)	**(4.4)**	**(36.3)**
Non-current liabilities				
Lease liabilities	B	(2.7)	(3.0)	(5.7)
Deferred tax		(0.1)	–	(0.1)
		(2.8)	**(3.0)**	**(5.8)**
Net assets		**16.6**	**(3.6)**	**13.0**
Equity attributable to the owners of the Company				
Share capital		–	–	–
Retained earnings		16.6	(3.6)	13.0
Total equity		**16.6**	**(3.6)**	**13.0**

Notes to the consolidated financial statements continued

2. Accounting policies continued

Statement of total comprehensive income for the year ended 30 September 2020

	Notes	Previously reported 30 September 2020 £m	Impact of adjustments £m	Restated 30 September 2020 £m
Revenue	C, G, I	209.9	(1.2)	208.7
Cost of sales	C, D, E, G, H, J	(167.7)	51.0	(116.7)
Gross profit		**42.2**	**49.8**	**92.0**
Administrative expenses	A, B, J	(16.2)	(52.0)	(68.2)
Other operating income	I	0.1	0.1	0.2
Operating profit		**26.1**	**(2.1)**	**24.0**
Finance costs	B	(0.2)	(0.1)	(0.3)
Profit before tax		**25.9**	**(2.2)**	**23.7**
Tax on profit	K	(4.5)	0.5	(4.0)
Profit for the financial year		**21.4**	**(1.7)**	**19.7**

A Intangible assets

The Group has intangible assets relating to purchased software and internal capitalised development spend. On review, the Group recorded amortisation in the year ended 30 September 2020 in excess of what was required as per the Group's amortisation policy. An adjustment has been included to increase the level of intangible assets by £0.2 million and reduce the amount of amortisation included within administrative expenses.

B Recognition of a lease under IFRS 16

During the year, the Group agreed the terms to lease warehouse and office space from Radcliffe Property Management, a related party. The lease agreement was signed in October 2020, after the reporting date of 30 September 2020, and so the Group did not recognise a right-of-use asset or lease liability in the year ended 30 September 2020.

On review, the Group had been given control of the asset prior to the reporting date and, although the lease agreement had not been signed, terms had been agreed. The Group has therefore made an adjustment to recognise the lease in the statement of financial position at the reporting date. A right-of-use asset of £3.1 million has been recorded as at 30 September 2020 with a corresponding lease liability of £3.2 million. Depreciation of £0.1 million and interest of £0.1 million have been charged to the income statement and are presented within administrative expenses and net finance costs respectively.

C Recognition of revenue on delivery of items

The Group has previously recognised revenue on dispatch of goods from the Group's warehouses. On review, management believes that control is only passed to the customer on delivery of items. As a result of this change in policy, an adjustment has been made for the year ended 30 September 2020.

Revenue recognised has been reduced by £2.3 million, with a corresponding increase of £2.3 million in the Group's contract liability. Offsetting this was £1.6 million of revenue now recognised in the year ended 30 September 2020 for which an adjustment was made to the opening statement of financial position. The total impact to revenue of this change in policy was therefore a reduction in revenue of £0.7 million.

The reduction in revenue has an associated reduction in cost of sales. Cost of sales was reduced by £1.3 million, with a corresponding increase in inventory. Offsetting this was £0.9 million of cost of sales now recognised in the year ended 30 September 2020, for which an adjustment was made to the opening statement of financial position. The total impact to cost of sales of this change in policy was therefore a reduction of £0.4 million.

D Inventory adjustments

On review, the Group has identified some differences between the financial statements and the stock listing as at 30 September 2020 along with misstatements in relation to purchase cut-off and the recognition of import duties. The net result of these differences is an increase to inventory of £0.3 million, an increase in cost of sales of £0.2 million and an increase to trade payables of £0.5 million.

E Adjustment to deferred costs

The Group had deferred costs of £2.7 million in the year ended 30 September 2020. On review, these costs should have been recognised within cost of sales in the year ended 30 September 2020. An adjustment has therefore been made to reduce inventory by £2.7 million, with a corresponding increase in cost of sales.

Offsetting this is a £1.3 million reduction in cost of sales as a result of the corresponding adjustment to the year ended 30 September 2019.

F Reclassification of receivables

The Group has reclassified £0.2 million to trade receivables relating to a debtor balance with a customer. This balance had been offset against the Group's 'contract liability' in the financial statements for the year ended 30 September 2020.

G Recognition of an accrual for returns

On review, the Group believes that it is necessary to recognise an accrual for returns made after the reporting date that related to sales made during the period. This change has had an impact on the statement of financial position as at 30 September 2020.

The Group has recognised an adjustment to increase the returns accrual by £1.0 million and a right-of-return asset of £0.4 million has been recorded within trade and other receivables. After considering the impact of the opening adjustment made to the statement of financial position as at 30 September 2019, this adjustment results in a reduction in revenue of £0.5 million and gross profit of £0.3 million.

H Recognition of a provision for assurance warranties

The Group has historically not provided for any potential liability relating to assurance-type warranties offered to customers. On review, the Group believes it is necessary to provide for these potential liabilities. A total of £0.1 million was charged to the income statement in the year in respect of this provision.

I Other adjustments to revenue

On review, the Group identified a contract liability of £0.1 million of revenue recognised in the year ended 30 September 2019 which should have been deferred to the year ended 30 September 2020. An adjustment has been made to recognise an additional £0.1 million of revenue in the year ended 30 September 2020.

The Group recognised an amount of £0.1 million relating to supplier promotions as revenue in the year ended 30 September 2020. On review, this amount has been reclassified as 'Other operating income'.

J Reclassification of marketing costs

The Group classified marketing costs as cost of sales in the year ended 30 September 2020. On review, the Group believes that costs relating to marketing are an administrative expense and not directly attributable to the goods sold. Marketing costs of £52.1 million have therefore been reclassified from cost of sales to administrative expenses.

K Tax impact of adjustments

The impact of the adjustments proposed decreases the income tax expense by £0.5 million. The corporation tax liability decreased by £0.9 million.

Statement of cash flows for the year ended 30 September 2020

	Previously reported 30 September 2020 £m	Impact of adjustments £m	Restated 30 September 2020 £m
Cash generated from operating activities	27.1	3.8	30.9
Income tax paid	(6.5)	–	(6.5)
Net cash generated from operating activities	**20.6**	**3.8**	**24.4**
Net cash used in investing activities	(2.6)	(3.8)	(6.4)
Net cash used in financing activities	(10.2)	–	(10.2)
Net increase in cash and cash equivalents	**7.8**	**–**	**7.8**
Cash and cash equivalents at the start of the year	2.7	–	2.7
Cash and cash equivalents at the end of the year	**10.5**	**–**	**10.5**

The cash flows for operating activities and investing activities have been restated in relation to 30 September 2020. This is due to cash flows relating to advances made to related parties being incorrectly classified as operating cash flows instead of investing cash flows. This has resulted in previously reported total cash outflows from investing activities increasing by £3.8 million and total cash inflows from operating activities increasing by £3.8 million. This has no effect on the financing cash flows, total cash flows or the cash position at 30 September 2020.

2. Accounting policies continued

Reconciliation of opening equity as at 1 October 2019

Statement of financial position as at 1 October 2019

	Notes	Previously reported 1 October 2019 £m	Impact of adjustments £m	Restated 1 October 2019 £m
Non-current assets				
Intangible assets		1.8	–	1.8
Property, plant and equipment		0.5	–	0.5
Right-of-use asset		3.5	–	3.5
		5.8	**–**	**5.8**
Current assets				
Inventories	A, B	16.4	1.9	18.3
Trade and other receivables	C, D	6.2	(1.0)	5.2
Tax recoverable	G	0.2	(0.2)	–
Cash and cash equivalents		2.7	–	2.7
		25.5	**0.7**	**26.2**
Current liabilities				
Trade and other payables	B, D	(19.8)	(1.4)	(21.2)
Provisions	F	–	(0.1)	(0.1)
Contract liability	E	(2.1)	(1.7)	(3.8)
Lease liabilities		(0.5)	–	(0.5)
Corporation tax	G	(0.9)	0.6	(0.3)
		(23.3)	**(2.6)**	**(25.9)**
Non-current liabilities				
Lease liabilities		(3.3)	–	(3.3)
		(3.3)	–	(3.3)
Net assets		**4.7**	**(1.9)**	**2.8**
Equity attributable to the owners of the Company				
Share capital		–	–	–
Retained earnings		4.7	(1.9)	2.8
Total equity		**4.7**	**(1.9)**	**2.8**

A Recognition of revenue on delivery of items

The Group has previously recognised revenue on dispatch of goods from the Group's warehouses. On review, management believes that control is only passed to the customer on delivery of items. As a result of this change in policy, an adjustment has been made for the year ended 30 September 2019.

Revenue recognised has been reduced by £1.6 million, with a corresponding increase of £1.6 million in the Group's contract liability. The reduction in revenue has an associated reduction in cost of sales. Cost of sales was reduced by £0.9 million, with a corresponding increase in inventory.

B Inventory adjustments

On review, the Group has identified some differences between the financial statements and the stock listing as at 30 September 2019, along with misstatements in relation to purchase cut-off and the recognition of import duties. The net result of these differences is an increase to inventory of £1.0 million and an increase to trade payables of £0.8 million.

The Group had classified a balance of £0.1 million that related to goods in transit as a prepayment in the year ended 30 September 2019. An adjustment has been made to increase inventory by £0.1 million, with a corresponding decrease in trade and other receivables.

C Adjustment to deferred costs recognised in other receivables
The Group had deferred costs of £1.3 million in the year ended 30 September 2019. On review, these costs should have been recognised within cost of sales in the year ended 30 September 2019. An adjustment has therefore been made to reduce other receivables by £1.3 million, with a corresponding increase in cost of sales.

D Recognition of an accrual for returns
On review, the Group believes that it is necessary to recognise an accrual for returns made after the reporting date that related to sales made during the period. The change has had an impact on the statement of financial position as at 30 September 2019.

The Group has recognised an adjustment to increase the returns accrual by £0.5 million and a right-of-return asset of £0.2 million has been recorded within trade and other receivables.

E Contract liability adjustment
On review, the Group identified £0.1 million of revenue recognised in the year ended 30 September 2019 which should have been deferred. An adjustment has therefore been made to increase the contract liability by £0.1 million, with the corresponding reduction being made to revenue.

F Recognition of a provision for assurance warranties
The Group has historically not provided for any potential liability relating to assurance-type warranties offered to customers. On review the Group believes it is necessary to provide for these potential liabilities. The result of this change on the statement of financial position as at 30 September 2019 is an increase of £0.1 million.

G Tax impact of adjustments
The corporation tax liability decreased by £0.4 million.

3. Judgements in applying accounting policies and key sources of estimation uncertainty
Estimates and judgements are continually evaluated and are based on historical experience and other factors, including the expectations of future events that are believed to be reasonable under the circumstances.

Significant judgements in applying the entity's accounting policies

Intangible assets

Intangible assets include capitalised internal salaries and third-party costs for computer software development. A certain proportion of the total costs are capitalised, as they relate to development costs, whilst the remaining costs are deemed to be maintenance costs and are expensed to the statement of comprehensive income. The proportion is calculated using a combination of management's best estimate and information provided by the third party.

Revenue cut-off

The Group's management information systems are configured to recognise revenue upon dispatch of the inventory items from the Group's warehouse, which may not be aligned to when control has transferred to the customer. Management therefore performs an assessment in order to capture items that may have been dispatched from the Group's warehouse but not delivered by the reporting date, and subsequently defers the recognition of revenue and associated costs into the following year. This gives rise to deferred income, which is recognised as a contract liability, and associated inventory in the consolidated statement of financial position. The assessment performed by management includes assumptions, which management believes are reasonable, in order to identify items that fit the criteria for deferral. Management limits the review to a fixed number of distributors and extrapolates the shipment delay identified in the distributors tested to the remaining distributors.

Share-based payments

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions. The fair value of services received in return for share options is calculated with reference to the fair value of the award on the date of grant. A Black-Scholes model has been used where appropriate to calculate the fair value and the Directors have therefore made estimates with regard to the inputs to that model and the period over which the share award is expected to vest (note 29).

On 15 April 2020, 845 A ordinary shares were issued at a price of £0.10 per share, which is the nominal value of the shares. Of the 845 shares issued, 800 of the A ordinary shares were issued to the existing shareholders by way of bonus issue so as not to dilute their existing holding. These shares are considered outside the scope of IFRS 2, on the basis that these shareholders do not receive any additional value for their shares. This is considered to be a key judgement.

No further significant judgements were required in the process of applying the Group's accounting policies for these consolidated financial statements.

3. Judgements in applying accounting policies and key sources of estimation uncertainty continued

Key sources of estimation uncertainty

Refund liability

The refund liability that is recognised within the consolidated financial statements relates to the obligation to refund some or all of the consideration received from a customer. The liability is measured at the amount the Group ultimately expects it will have to return to the customer. The refund liability therefore requires management to estimate the amount expected to be returned to customers after the reporting date.

The refund liability is estimated using historical rates of the level of refunds relative to revenue. The table below shows the percentage of average quarterly sales in the period and the impact that increasing the refund rate by 1% of quarterly sales would have on the consolidated statement of comprehensive income.

	2021	2020 (Restated)
Refund liability (£m)	0.9	1.0
Revenue (£m)	268.8	208.7
Refund liability % average quarterly sales	1.3%	1.9%
Impact of increasing the refund rate by 1% of quarterly sales on PBT (£m)	(0.7)	(0.5)

Warranty provision

The Group provides for the cost expected to be incurred in order to replace damaged or faulty items that existed at the time of sale. The provision related to these assurance-type warranties are recognised when the product is sold. Initial recognition is based on historical experience.

The table below shows the percentage of average quarterly sales in the period and the impact that increasing the warranty rate by 0.5% of quarterly sales would have on profit before tax ('PBT').

	2021	2020 (Restated)
Warranty provision (£m)	0.1	0.2
Revenue for the period (£m)	268.8	208.7
Warranty provision % average quarterly sales	0.2%	0.4%
Impact of increasing the warranty provision by 0.5% of quarterly sales on PBT (£m)	(0.3)	(0.3)

4. Segmental information and non-GAAP measures

IFRS 8 'Operating Segments' requires the Group to determine its operating segments based on information which is provided internally. Based on the internal reporting information and management structures within the Group, it has been determined that there is only one operating segment, being the Group, as the information reported includes operating results at a consolidated Group level only (the 'Operating group'). There is also considered to be only one reporting segment, which is the Group, the results of which are shown in the consolidated statement of comprehensive income.

Management has determined that there is one operating and reporting segment based on the reports reviewed by the SLT, which is the chief operating decision-maker ('CODM'). The SLT is made up of the Executive Directors and Key Management and is responsible for the strategic decision-making of the Group.

Adjusted EBITDA

Operating costs, comprising administrative expenses, are managed on a Group basis. The SLT measures the overall performance of the Operating group by reference to the following non-GAAP measure:

- Adjusted EBITDA which is EBITDA (earnings before interest, tax, depreciation and amortisation) less exceptional items and IFRS 2 charges in respect of share-based payments along with associated national insurance.

This adjusted profit measure is applied by the SLT to understand the earnings trends of the Operating group and is considered an additional, useful measure under which to assess the operating performance of the Operating group.

In addition to annual bonuses which are linked to the Operating group's financial performance, the Operating group has implemented a number of longer-term share-based payment incentives linked to changes in ownership of the Operating group rather than the achievement of individual or Company specific financial performance targets.

The Directors believe that these items and adjusted measures of performance should be separately disclosed in order to assist in the understanding of financial performance achieved by the Operating group and for consistency with prior years.

	2021 £m	2020 (Restated) £m
Operating profit	**20.0**	24.0
Depreciation on property, plant and equipment (note 16)	**0.6**	0.3
Depreciation on right-of-use assets (note 17)	**0.8**	0.6
Amortisation (note 15)	**1.6**	1.3
Exceptional items (note 8)	**9.4**	–
Share-based payments (including associated national insurance charges) (note 30)	**7.7**	–
Adjusted EBITDA	**40.1**	26.2

5. Revenue

An analysis of revenue by class of business is as follows:

	2021 £m	2020 (Restated) £m
Online	**267.9**	207.7
Showroom	**0.9**	1.0
	268.8	208.7

All revenue arose within the United Kingdom.

6. Other operating income

	2021 £m	2020 (Restated) £m
Coronavirus Job Retention Scheme	**(0.1)**	0.1
Other income	**0.1**	0.1
	–	0.2

For a short period of time between April and June 2020 (during the year ended 30 September 2020) the Group placed a proportion of staff on the Coronavirus Job Retention Scheme at a time when the outlook was unclear. These staff returned to work during the summer of 2020 as market conditions improved. In December 2020 (during the year ended 30 September 2021) the Group voluntarily repaid all amounts previously claimed under the scheme.

7. Operating profit

Expenses by nature including exceptional items:

	2021 £m	2020 (Restated) £m
Employee costs (excluding share-based payments)	12.6	8.3
Share-based payments (including associated NI)	7.7	–
Agency and contractor costs	1.1	1.1
Marketing costs	69.7	52.2
Depreciation of property, plant and equipment (note 16)	0.6	0.3
Depreciation of right-of-use assets (note 17)	0.9	0.6
Amortisation charge (note 15)	1.6	1.3
Loss/(gain) on foreign exchange	0.1	(0.7)
Other costs	16.2	5.1
Total administrative expenses	110.5	68.2
Included within exceptional items (note 8)	(9.4)	–
Share-based payments (including associated NI)	(7.7)	–
Total administrative expenses before separately disclosed items	93.4	68.2

Services provided by the Company's auditor

During the year, the Group obtained the following services from the operating company's auditor:

	2021 £m	2020 £m
Fees payable for the audit of the Company and consolidated financial statements	0.1	–
Fees payable for the audit of the subsidiary undertakings	0.1	0.1
Fees payable for audit-related assurance services associated with the IPO	0.2	–
Fees payable for other non-audit services associated with the IPO	0.7	–
	1.1	0.1

Fees payable in 2020 were paid to the previous auditor.

8. Exceptional items

	2021 £m	2020 £m
IPO costs in respect of the Group's listing on AIM in June 2021	9.4	–

9. Employee costs

Employee costs, excluding contractors but including Directors' remuneration, were as follows:

	2021 £m	2020 £m
Wages and salaries	11.4	7.5
Social security costs	1.0	0.7
Cost of defined contribution scheme	0.2	0.1
Share-based payments (and associated national insurance)	7.7	–
	20.3	8.3

Employee costs presented above exclude costs capitalised as part of software development as disclosed in note 15 of these consolidated financial statements. The Group capitalised salaries of £1.2 million in the year ended 30 September 2021 (2020: £0.6 million).

The average monthly number of employees, including the Directors, during the year were as follows:

	2021 Number	2020 Number
Warehouse	351	230
Office and management	181	139
	532	369

10. Directors' and Key Management remuneration

The remuneration of Directors is disclosed in the Directors' Remuneration Report on pages 73 to 77.

Key Management compensation

Key Management comprised the members of the SLT (who are defined in note 4) and the Non-Executive Directors. The remuneration of all Key Management (including all Directors) was as follows:

	2021 £m	2020 £m
Short-term employee benefits	0.9	0.5
Pension contributions	–	–
Share-based payments	6.5	–
	7.4	0.5

11. Finance costs

	2021 £m	2020 £m
Directors' loan interest	–	0.1
Interest expense on lease liability	0.3	0.2
	0.3	0.3

12. Taxation

	2021 £m	2020 (Restated) £m
Corporation tax		
Current tax on profits for the year	5.4	4.5
Adjustments in respect of previous periods	–	(0.6)
Total current tax	5.4	3.9
Deferred tax		
Adjustments in respect of previous periods	–	0.1
Total deferred tax	–	0.1
Taxation on profit	5.4	4.0

Factors affecting tax charge for the year

The tax assessed for the period is higher (2020: lower) than the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	2021 £m	2020 (Restated) £m
Profit on ordinary activities before tax	19.7	23.7
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	3.7	4.5
Effects of:		
Expenses not deductible for tax purposes	1.4	–
Share options	0.3	–
Adjustments to tax charge in respect of prior periods	–	(0.5)
Total tax charge for the year	5.4	4.0

Taxation on items taken directly to equity was a credit of £0.7 million (2020: £nil) relating to tax on share-based payments.

Factors that may affect future tax charges

The rate of corporation tax in the UK throughout the period was 19%. Changes to the UK corporation tax rates were substantively enacted as part of the Finance Act 2021 on 24 May 2021. The rate applicable from 1 April 2023 will increase from 19% to 25%. Deferred taxes at the reporting date have been measured using these enacted tax rates.

Tax recoverable

Tax recoverable represents overpaid corporation tax and Section 455 tax which has been paid and is to be reclaimed.

13. Dividends

	2021 £m	2020 £m
Dividends paid	14.9	9.5

Prior to the Group restructure, ordinary dividends of £14.9 million (2020: £9.5 million) were paid in respect of the year ended 30 September 2020 to the shareholders of VIPSO Limited. Certain shareholders have waived their right to receive dividends and therefore the dividends paid are not based on the total number of ordinary shares in issue at the time.

No dividends were paid to the shareholders of Victorian Plumbing Group plc during the year ended 30 September 2021.

14. Earnings per share

Basic and diluted earnings per share

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

As a consequence of a share-for-share exchange on 27 May 2021 (note 28) in preparation for the IPO, these consolidated financial statements reflect the continuation of the pre-existing Group, headed by VIPSO Ltd. In order for EPS to be comparable year on year, the shares allotted and vested at Admission have been used to calculate basic EPS for the year ended 30 September 2020 and for the period between 1 October 2020 and Admission on 22 June 2021.

Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the number of incremental ordinary shares, calculated using the treasury stock method, that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following table reflects the income and share data used in the EPS calculations:

	Weighted average number of ordinary shares	Total earnings £m	Pence per share
Year ended 30 September 2021			
Basic EPS	267,781,231	14.3	5.3
Diluted EPS	315,755,339	14.3	4.5
Year ended 30 September 2020			
Basic EPS	265,559,733	19.7	7.4
Diluted EPS	265,559,733	19.7	7.4

The number of shares in issue at the time of listing on 22 June 2021 is reconciled to the basic and diluted weighted average number of shares below:

	Weighted average number of shares
Number of ordinary shares in issue immediately prior to IPO	305,943,729
Weighted effect impact of shares issued for primary offering	1,237,269
Weighted effect of ordinary shares issued for share-based payments	3,501,409
Weighted effect of shares issued but unvested	(42,901,176)
Weighted average number of shares for basic EPS	267,781,231
Dilutive impact of unvested ordinary shares in relation to restricted share awards	47,970,764
Impact of ordinary shares held in ESOT	3,344
Weighted average number of shares for diluted EPS	315,755,339

The average market value of the Group's shares for the purposes of calculating the dilutive effect of share-based incentives was based on quoted market prices for the period during which the share-based incentives were outstanding.

Adjusted earnings per share

Adjusted basic and diluted earnings per share figures are calculated by dividing adjusted profit after tax for the year by the weighted average number of shares in issue (as set out above).

	2021 £m	2020 (Restated) £m
Profit for the year	14.3	19.7
Exceptional items	9.4	–
Share-based payments	7.7	–
Tax effect	(1.9)	–
Total adjusted profit for the year	**29.5**	19.7
Adjusted basic earnings per share (pence)	11.0	7.4
Adjusted diluted earnings per share (pence)	9.3	7.4

15. Intangible assets

	Computer software £m
Cost	
At 30 September 2019	3.7
Additions (restated)	2.0
At 30 September 2020 (restated)	**5.7**
Additions	1.8
At 30 September 2021	**7.5**
Accumulated amortisation	
At 30 September 2019	1.9
Charge for the year	1.3
At 30 September 2020	**3.2**
Charge for the year	1.6
At 30 September 2021	**4.8**
Net book value	
At 30 September 2019	1.8
At 30 September 2020 (restated)	2.5
At 30 September 2021	**2.7**

Computer software comprises both internal salaries and external development capitalised in relation to the Group's bespoke operational software. The Group capitalised internal salaries of £1.2 million in the year ended 30 September 2021 (2020: £0.6 million) for development of computer software.

For the year to 30 September 2021, the amortisation charge of £1.6 million (2020: £1.3 million) has been charged to administrative expenses in the income statement. At 30 September 2021, there were no software and website development costs representing assets under construction (2020: £nil).

16. Property, plant and equipment

	Leasehold improvements £m	Plant and machinery £m	Fixtures and fittings £m	Office equipment £m	Total £m
Cost					
At 30 September 2019	–	0.5	0.9	0.6	2.0
Additions	–	0.2	0.1	0.3	0.6
At 30 September 2020	**–**	**0.7**	**1.0**	**0.9**	**2.6**
Additions	**0.1**	**0.7**	**0.2**	**0.5**	**1.5**
At 30 September 2021	**0.1**	**1.4**	**1.2**	**1.4**	**4.1**
Accumulated depreciation					
At 30 September 2019	–	0.3	0.8	0.4	1.5
Charge for the year	–	0.1	0.1	0.1	0.3
At 30 September 2020	**–**	**0.4**	**0.9**	**0.5**	**1.8**
Charge for the year	**–**	**0.3**	**0.1**	**0.2**	**0.6**
At 30 September 2021	**–**	**0.7**	**1.0**	**0.7**	**2.4**
Net book value					
At 30 September 2019	–	0.2	0.1	0.2	0.5
At 30 September 2020	–	0.3	0.1	0.4	0.8
At 30 September 2021	**0.1**	**0.7**	**0.2**	**0.7**	**1.7**

17. Right-of-use assets

Right-of-use assets relate to leased warehouse and office facilities, and operational vehicles.

	Right-of-use assets £m
Cost	
At 30 September 2019	5.0
Additions	3.1
At 30 September 2020	**8.1**
Additions	**0.6**
Modifications	**(0.4)**
Disposals	**(0.1)**
At 30 September 2021	**8.2**
Accumulated depreciation	
At 30 September 2019	1.5
Charge for the year	0.6
At 30 September 2020	**2.1**
Charge for the year	**0.9**
On disposals	**(0.1)**
At 30 September 2021	**2.9**
Net book value	
At 30 September 2019	3.5
At 30 September 2020	6.0
At 30 September 2021	**5.3**

During the year the Group reassessed the likelihood of executing the termination option on one of its properties. It is now deemed likely that the termination option will be exercised and as a result this represents a modification under IFRS 16. The right-of-use asset was decreased by £0.4 million to reflect the value of the asset after the modification and the corresponding lease liability reduced by £0.4 million.

There are no terms of renewal, purchase options or escalation clauses on the leases.

18. Inventories

	2021 £m	2020 (Restated) £m
Goods for resale	32.3	22.9
Packaging	0.1	0.1
	32.4	23.0

Inventories recognised in cost of sales as an expense in the year totalled £112.7 million (2020: £97.0 million).

No impairment loss was recognised in cost of sales in the year (2020: £nil). The inventories provision at the year end totalled £nil (2020: £nil).

19. Trade and other receivables

	2021 £m	2020 (Restated) £m
Trade receivables	2.3	1.9
Amounts owed by related parties	–	5.9
Other receivables	–	0.2
Right-of-return asset	0.3	0.3
Accrued income	0.9	1.0
Prepayments	1.4	0.7
	4.9	10.0

The Group provides against trade receivables using the forward-looking expected credit loss model under IFRS 9. An impairment analysis is performed at each reporting date. Trade receivables, accrued income, amounts owed by related parties and other receivables expected credit losses have been reviewed by management and have been determined to have an immaterial impact on these balances.

20. Trade and other payables: amounts falling due within one year

	2021 £m	2020 (Restated) £m
Trade payables	23.5	21.7
Other taxation and social security	8.8	3.7
Refund liability	0.9	1.0
Other payables	1.2	0.7
Accruals	1.6	1.0
	36.0	28.1

21. Contract liabilities

	2021 £m	2020 (Restated) £m
Opening balance	7.3	3.8
Revenue recognised in the year that was included in contract liability balance at the beginning of the year	(7.3)	(3.8)
Additional deferred revenue in the period	7.9	7.3
Closing balance	7.9	7.3

Deferred revenue outstanding at each year end is expected to be recognised within revenue within 12 months from the reporting date.

22. Lease liabilities

	Lease liabilities £m
At 30 September 2019	3.8
Additions (restated)	3.1
Interest expense	0.2
Lease payment	(0.7)
At 30 September 2020 (restated)	**6.4**
Additions	**0.6**
Modifications	**(0.4)**
Interest expense	**0.3**
Lease payment	**(1.1)**
At 30 September 2021	**5.8**

During the year the Group reassessed the likelihood of executing the termination option on one of its properties. It is now deemed likely that the termination option will be exercised and as a result this represents a modification under IFRS 16. The right-of-use asset was decreased by £0.4 million to reflect the value of the asset after the modification and the corresponding lease liability reduced by £0.4 million.

The Group had total cash outflows for leases of £1.1 million (2020: £0.7 million). The Group also had non-cash additions to right-of-use assets and lease liabilities of £0.6 million (2020: £3.1 million).

Lease liabilities as at 30 September were classified as follows:

	2021 £m	2020 £m
Current	**0.9**	0.7
Non-current	**4.9**	5.7
Total	**5.8**	6.4

23. Borrowings

	2021 £m	2020 £m
Amounts drawn under revolving credit facility	**–**	–
Unamortised debt issue costs	**(0.1)**	–
	(0.1)	–

On 7 June 2021, the Group signed into a new RCF. The RCF has total commitments of £10 million and a termination date of June 2024. The facility is secured by a debenture dated 7 June 2021. Interest on the RCF is charged at SONIA plus a margin of between 2.3% and 2.8% depending on the consolidated leverage of the Group. A commitment fee of 40% of the margin applicable to the RCF is payable quarterly in arrears on unutilised amounts of the RCF. There is no requirement to settle all, or part, of the debt earlier than the termination date. At 30 September 2021 the Group had not utilised the RCF.

Unamortised debt issue costs of £0.1 million (2020: £nil) are included in prepayments (note 19).

24. Financial instruments

	2021 £m	2020 (Restated) £m
Financial assets		
Financial assets measured at amortised cost	**3.2**	8.8
Cash and fixed term deposits	**32.7**	10.5
	35.9	19.3
Financial liabilities		
Financial liabilities measured at amortised cost	**27.2**	24.4
Lease liabilities	**5.8**	6.4
	33.0	30.8

Financial assets that are debt instruments measured at amortised cost comprise trade debtors, accrued income, other debtors excluding supplier deposits and amounts owed by related parties.

Financial liabilities measured at amortised cost comprise trade creditors, refund liability, other creditors and accruals.

Financial liabilities measured at fair value through profit and loss comprise foreign exchange forward contracts. The Group uses foreign exchange forward contracts to manage some of its transaction exposures. The foreign exchange forward contracts are not designated as cash flow hedges and are entered into for periods generally from one to 24 months.

The Directors consider that the carrying amount of trade and other payables/trade receivables approximates to their fair value.

Financial risk management

Risk management

The Group seeks to reduce exposures to capital risk, liquidity risk, credit risk, interest rate risk and foreign currency risk, to ensure liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The Group does not engage in speculative trading in financial instruments and transacts only in relation to underlying business requirements. The Group's treasury policies and procedures are periodically reviewed.

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders through an appropriate balance of debt and equity funding, while maintaining a strong credit rating and sufficient headroom. The Group makes adjustments to its capital structure in light of changes to economic conditions and the Group's strategic objectives.

Interest rate risk

The Group has no external debt, therefore any fluctuations in interest rates do not have a significant effect on the Group.

Credit risk

Credit risk principally arises on trade receivables. In the vast majority of cases the Group takes payment in advance of dispatch and therefore the Group is not exposed to significant credit risk. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting the obligations associated with its financial liabilities that are settled by delivering cash. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following table details the Group's remaining contractual maturity for its financial liabilities based on undiscounted contractual payments:

Financial liabilities at 30 September 2021	**Within a year £m**	**1 to 5 years £m**	**Over 5 years £m**	**Total £m**
Trade payables	**23.5**	**–**	**–**	**23.5**
Other creditors	**1.2**	**–**	**–**	**1.2**
Lease liabilities	**1.1**	**2.8**	**3.3**	**7.2**
	25.8	**2.8**	**3.3**	**31.9**

Financial liabilities at 30 September 2020 (restated)	Within a year £m	1 to 5 years £m	Over 5 years £m	Total £m
Trade payables	21.7	–	–	21.7
Other creditors	0.7	–	–	0.7
Lease liabilities	1.0	3.0	4.2	8.2
	23.4	3.0	4.2	30.6

Cash flow forecasting is performed on an ongoing basis by the Group's finance team. Rolling forecasts of the Group's liquidity requirements are monitored to ensure it has sufficient cash to meet operational needs.

24. Financial instruments continued

Foreign exchange risk

The Group makes a significant amount of purchases from overseas and therefore is subject to fluctuations in foreign currency exchange rates, most notably in the US dollar rate. The Group enters into forward contracts to mitigate the foreign exchange risk, when deemed appropriate. Despite fluctuations in the US dollar exchange rate, the Group has continued to make significant profit margins on its products.

A 10% appreciation or depreciation of pound sterling against the US dollar would increase or (decrease) profit before tax based on the activity in the period and balances at the reporting date as follows:

	2021 £m	2020 £m
Strengthens by 10%	**(0.1)**	0.2
Weakens by 10%	**0.2**	(0.3)

25. Reconciliation of movements in liabilities to cash flows from financing activities

	Lease liabilities £m
Balance as at 1 October 2020	**6.4**
Changes from financing cash flows	
Payment of lease liabilities	**(1.1)**
Total changes from financing cash flows	**(1.1)**
Other changes – liability related	
Interest expense	**0.3**
Other	**0.2**
Total liability related other charges	**0.5**
Balance as at 30 September 2021	**5.8**

	Lease liabilities £m
Balance as at 1 October 2019	3.8
Changes from financing cash flows	
Payment of lease liabilities	(0.7)
Total changes from financing cash flows	(0.7)
Other changes – liability related	
Interest expense	0.2
Other	3.1
Total liability related other charges	3.3
Balance as at 30 September 2020	6.4

26. Deferred taxation

	Accelerated capital allowances £m	Share-based payments £m	Total £m
Deferred taxation liabilities			
At 30 September 2019	–	–	–
Charged to the statement of comprehensive income	0.1	–	0.1
At 30 September 2020	**0.1**	**–**	**0.1**
Charged/(credited) to the statement of comprehensive income	**0.2**	**(0.2)**	**–**
At 30 September 2021	**0.3**	**(0.2)**	**0.1**

27. Provisions

	2021 £m	2020 (Restated) £m
Warranty provision		
Opening balance	**0.2**	0.1
Utilised in year	**(0.2)**	(0.1)
Additional provision in year	**0.1**	0.2
Closing balance	**0.1**	0.2

28. Share capital

	2021 £	2020 £
Allotted, called up and fully paid		
325,062,985 ordinary shares of 0.1p (2020: £nil)	**325,063**	–
Nil ordinary shares of £1.00 (2020: 800)	**–**	800
Nil A ordinary shares of £0.10 (2020: 845)	**–**	85
	325,063	885

The share capital of the Group is represented by the share capital of the parent company, Victorian Plumbing Group plc. The Company was incorporated on 6 May 2021 to act as the holding company of the Group. Prior to this the share capital of the Group was represented by the share capital of the previous parent, VIPSO Limited. The table below summarises the movements in share capital during the year ended 30 September 2021.

	£
At 1 October 2020	885
Change in capital as a result of the Group restructure	410,365
Ordinary shares of 0.1p issued on Admission	11,260
Ordinary shares of 0.1p issued for the Share Incentive Plan	636
Cancellation of ordinary deferred shares of 0.1p	(98,083)
At 30 September 2021	**325,063**

Victorian Plumbing Group plc was incorporated on 6 May 2021 and issued one ordinary share of £1.45 at par.

28. Share capital continued

On 27 May 2021, as part of the Group restructuring, the following steps took place:

- Victorian Plumbing Group plc issued 199,999,999 ordinary shares of £1.45 and 211,250,000 A ordinary shares of £0.145 in exchange for the entire share capital of VIPSO Limited.
- The 200,000,000 of ordinary shares were sub-divided into 200,000,000 of 0.1p ordinary shares and 200,000,00 of £1.449 deferred ordinary shares.
- The 211,250,000 of A ordinary shares were sub-divided into 211,250,000 A ordinary shares of 0.1p and 211,250,000 A ordinary deferred shares of £0.144.
- Victorian Plumbing Group plc undertook a capital reduction by cancelling 200,000,000 ordinary deferred shares of £1.449 each and 211,250,000 A ordinary deferred shares of £0.144 each. In total, these shares had an aggregate nominal value of £320,220,000.

On 22 June 2021, the date of Admission, the following steps took place:

- The 200,000,000 ordinary shares of 0.1p and 211,250,000 A ordinary shares of 0.1p were consolidated to 313,166,698 new ordinary shares of 0.1p and 98,083,302 new deferred ordinary shares of 0.1p.
- Victorian Plumbing Group plc cancelled the 98,083,302 ordinary deferred shares of 0.1p with an aggregate nominal value of £98,083.
- Victorian Plumbing Group plc issued 11,260,783 of 0.1p ordinary shares at an aggregate nominal value of £11,260. Of the shares issued 6,833,302 were to satisfy share awards and 4,427,481 for a primary issue. The issue raised gross proceeds of £11.6 million for the Company, or £11.2 million net of all fees incurred. Share premium of £11.2 million has been recorded.

On 2 August 2021, the Company issued 635,504 ordinary shares of 0.1p at an aggregate nominal value of £636, which are held by the ESOT (see note 29).

29. Own shares held

The Employee Share Option Trust purchases shares to fund the Share Incentive Plan. At 30 September 2021, the trust held 635,504 (2020: nil) ordinary shares with a book value of £636 (2020: £nil). The market value of these shares as at 30 September 2021 was £1.6 million (2020: £nil). During the year the ESOT purchased 635,504 shares of the Company at a cost of £636, representing 0.2% of issued share capital.

	ESOT shares reserve	
	Number of shares	£
Own shares held at 1 October 2020	–	–
Acquisition of shares by ESOT	635,504	636
Own shares held at 30 September 2021	**635,504**	**636**

On 27 July 2021, Victorian Plumbing Group plc issued 635,504 ordinary shares of 0.1p each to eligible employees in connection with the SIP. On the same date, the ordinary shares were acquired by the ESOT at nominal value.

30. Share-based payments

During the year the Group operated two share plans, being the SIP and a Management Incentive Plan ('MIP'). In addition, both prior to and following Admission to AIM in June 2021, the Group awarded shares to the Chairman and certain members of Key Management which had restrictions placed against them that bring the awards into the scope of IFRS 2.

All share-based incentives carry a service condition. Such conditions are not taken into account in the fair value of the service received. The fair value of services received in return for share-based incentives is measured by reference to the fair value of share-based incentives granted. The estimate of the fair value of the share-based incentives is measured using the Black-Scholes pricing model as is most appropriate for each scheme.

Sensitivity analysis has been performed in assessing the fair value of the share-based incentives. There are no changes to key assumptions that are considered by the Directors to be reasonably possible, which give rise to a material difference in the fair value of the share-based incentives.

The total charge in the year was £7.7 million (2020: £nil) with a Company charge of £0.7 million (2020: £nil). This included associated national insurance ('NI') at 13.8%, which management expects to be the prevailing rate when the awards are exercised, and apprenticeship levy at 0.5%, based on the share price at the reporting date.

	2021 £m	2020 £m
Share Incentive Plan	0.1	–
A ordinary growth shares award – April 2020	0.4	–
Management incentive Plan award – December 2020	4.4	–
IPO restricted share awards	1.6	–
Total IFRS 2 charge	**6.5**	–
National insurance and apprenticeship levy on applicable schemes	1.2	–
Total charge	**7.7**	–

During the year, the Directors in office in total had gains of £5.9 million (2020: £nil) arising on the exercise of share-based incentive awards.

Share Incentive Plan

The Group operates a SIP scheme that was made available to all eligible employees following Admission to AIM in June 2021. On 27 July 2021, all eligible employees were awarded free shares valued at £3,600 each based on the closing share price on 26 July 2021 of £2.67. A total of 635,504 shares were awarded under the scheme, subject to a three-year service period (the 'Vesting Period').

The SIP awards have been valued using the Black-Scholes model and the resulting share-based payments charge spread evenly over the Vesting Period. The SIP shareholders are entitled to dividends over the Vesting Period. No performance criteria are applied to the vesting of SIP shares. Fair value at the grant date was measured to be £2.67.

	2021 Number	2020 Number
Outstanding at 1 October 2020	–	–
Shares awarded	635,504	–
Forfeited	(58,772)	–
Outstanding at 30 September 2021	**576,732**	–
Vested and outstanding at 30 September 2021	–	–

The total charge in the year, included in operating profit, in relation to these awards was £0.1 million (2020: £nil). The Company charge for the year was £nil (2020: £nil).

A ordinary shares

On 15 April 2020 (the 'grant date'), 845 A ordinary shares in VIPSO Ltd, the former ultimate parent company, were issued at a price of £0.10 per share, which was the nominal value of the shares. Of the 845 shares issued, 800 of the A ordinary shares were issued to the existing shareholders by way of bonus issue so as not to dilute their existing holding. These 800 shares are considered outside the scope of IFRS 2, on the basis that these shareholders do not receive any additional value for their shares.

The remaining 45 A ordinary shares were awarded to certain members of Key Management (together the 'A ordinary shareholders'). In order to realise value from the shares awarded, a participant must remain employed until an 'Exit' event is achieved. The equity value on 'Exit' must also be in excess of the equity hurdle which has been set at £130.0 million. The 'Exit' requirement is a non-market performance vesting condition and the hurdle amount is considered to be a market-based performance condition.

The fair value of services received in return for shares awarded is measured by reference to the fair value of the shares at the date of the award. The fair value of the shares awarded has been calculated with reference to a Black-Scholes pricing model.

The significant inputs into the model were:

- a 1- to 5-year time frame for 'Exit'. Three scenarios were modelled with equal probability of an 'Exit' after 1 year, 3 years and 5 years. An average of the three scenarios was then calculated;
- an equity value of £99 million at the date of award;
- an exercise price of £nil;
- volatility of between 34% and 40%, depending on the expected time frame to 'Exit'. The expected volatility is based on the average annualised historic equity value volatility of comparable companies over a period equal to the exit horizon;
- a dividend yield of 0%; and
- a risk-free rate of between 0.07% and 0.14%, depending on the time period to 'Exit'.

The fair value of each share was determined to be £8,475 per share. The resulting share-based payments charge was to be spread evenly over the period between the award and the date at which an 'Exit' event occurs. No charge was recognised if an 'Exit' event was not deemed to be probable as the performance vesting condition would not be met.

30. Share-based payments continued

On 27 May 2021 the Group undertook a reorganisation, through which the A ordinary shareholders exchanged their shares for an equivalent value in Victorian Plumbing Group plc. After all of the steps relating to the reorganisation were executed, the A ordinary shareholders had exchanged their 45 A ordinary shares in VIPSO Ltd for 7,222,969 ordinary shares in Victorian Plumbing Group plc. The share-for-share exchange does not represent a modification of the award under IFRS 2 as the value of the award, and the related service and performance conditions remained unchanged.

On 11 June 2021 the A ordinary shareholders entered into a deed (the 'deed'), which would become effective on Victorian Plumbing Group plc's Admission to AIM, to modify the terms of the award. The performance condition would no longer be relevant since an Exit event would have already occurred. The service condition for the A ordinary shareholders was modified so as to restrict the number of shares that vest on Admission. The vesting profile of the remaining shares (the 'restricted shares') was defined to be as follows:

- 10% of the restricted shares will vest on the first anniversary of Admission;
- 10% of the restricted shares will vest on the second anniversary of Admission;
- 15% of the restricted shares will vest on the third anniversary of Admission;
- 25% of the restricted shares will vest on the fourth anniversary of Admission; and
- 40% of the restricted shares will vest on the fifth anniversary of Admission.

On 22 June 2021 Victorian Plumbing Group plc was admitted to AIM, which was an Exit event under the terms of the award. On Admission 1,059,369 shares vested. The deed agreed to by the A ordinary shareholders took effect.

The execution of the deed represents a modification of the award under IFRS 2. Management considered the fair value of the existing awards in accordance with IFRS 2. The modification resulted in additional vesting conditions and as a result the value of the award decreased on modification. As the fair value of the award decreased, the original grant date fair value was recognised over the original vesting period (the date of the Exit event) in accordance with IFRS 2.

Restricted ordinary shares in Victorian Plumbing Group plc	2021 Number
Outstanding at 6 May 2021 (incorporation)	–
Restricted shares awarded on share-for-share exchange	7,222,969
Vested	(1,059,369)
Outstanding and unvested 30 September 2021	**6,163,600**

The total charge in the year, included in operating profit, in relation to these awards was £0.4m (2020: £nil). The Company charge for the year was £nil (2020: £nil). The restricted share awards outstanding at 30 September 2021 have a weighted average remaining vesting period of 3.5 years.

Management Incentive Plan

An Executive Director was awarded share options under a MIP prior to Admission.

On 2 December 2020, VIPSO Ltd (the former ultimate parent company of the Group) awarded eight nil cost ordinary share options and nine nil cost A ordinary share options under the MIP. All of the options awarded were to vest on the earlier of an 'Exit' event or three years from the date of grant. Options would be forfeited if the employee leaves the Group before the options vest, unless under exceptional circumstances.

The fair value of services received in return for the share options granted has been measured by reference to the fair value of the options at the grant date. The fair value of the options has been calculated with reference to a Black-Scholes pricing model.

The significant inputs into the model were:

- a 1- to 3-year time frame for exit. Three scenarios were modelled with equal probability of an exit after 10 months, 1.8 years and 3 years. An average of the three scenarios was then calculated;
- an equity value of £453 million at the date of award;
- an exercise price of £nil;
- volatility of between 45% and 53%, depending on the expected time frame to exit. The expected volatility is based on the average annualised historic equity value volatility of comparable companies over a period equal to the exit horizon;
- a dividend yield of 0%; and
- a risk-free rate of 0%.

The value of each ordinary share option was determined to be £344,651 and each A ordinary share option has been determined to be £184,993. The resulting share-based payments charge was to be spread evenly over the period between the grant date and the vesting date.

On 27 May 2021 the Group undertook a reorganisation, through which the options granted under the MIP were converted to be options over ordinary shares and ordinary deferred shares in Victorian Plumbing Group plc. After all of the steps relating to the reorganisation were executed, the participant of the MIP had exchanged its eight ordinary shares and nine A ordinary shares in VIPSO Ltd for 3,219,948 ordinary share options in Victorian Plumbing Group plc. The exchange does not represent a modification of the award under IFRS 2 as the value of the award, and the related service and performance conditions, remained unchanged.

On 11 June 2021 the MIP participant entered into a deed (the 'MIP deed'), which would become effective on Victorian Plumbing Group plc's Admission to AIM, to modify the terms of the award. All of the options would convert when the performance condition was satisfied (i.e. on Admission) resulting in the participants being awarded ordinary shares. However, 30% of the shares would remain restricted and subject to a service condition (the 'restricted shares').

The vesting profile of the restricted shares was defined to be as follows:

- 30% of the restricted shares will vest on the first anniversary of Admission;
- 30% of the restricted shares will vest on the second anniversary of Admission; and
- 40% of the restricted shares will vest on the third anniversary of Admission.

On 22 June 2021 Victorian Plumbing Group plc was admitted to AIM, which was an Exit event under the terms of the award. The deed agreed to by the MIP participants took effect.

On Admission the options converted to 3,219,948 ordinary shares and 2,253,964, or 70%, of those shares vested at an average price of £2.62.

The execution of the deed represents a modification of the award under IFRS 2. Management considered the fair value of the existing awards in accordance with IFRS 2. The modification resulted in additional vesting conditions and as a result the value of the award decreased on modification. As the fair value of the award decreased, the original grant date fair value was recognised over the original vesting period (the date of the Exit event) in accordance with IFRS 2.

Restricted ordinary shares in Victorian Plumbing Group plc	2021 Number
Outstanding at 6 May 2021 (incorporation)	–
Restricted shares awarded on share-for-share exchange	3,219,948
Vested	(2,253,964)
Outstanding and unvested at 30 September 2021	**965,984**

The weighted average market value per ordinary share for the restricted shares awarded under the MIP that vested in the year was £2.62. The restricted share awards outstanding under the MIP at 30 September 2021 have a weighted average remaining vesting period of 1.8 years.

The total charge in the year, included in operating profit, in relation to these awards was £4.4 million (2020: £nil). The Company charge for the year was £0.1 million (2020: £nil).

IPO restricted share awards

During the year, the Chairman and certain members of Key Management were granted restricted share awards. The restricted share awards do not have a performance condition attached to them but the extent to which they vest depends on a service condition being satisfied. The restricted shares are forfeited if the employee leaves the Group before the vesting date, unless under exceptional circumstances.

On 22 June 2021, the date of Admission, 3,613,354 ordinary shares in Victorian Plumbing Group plc were granted to the Chairman and other Key Management personnel. Of the total number of shares awarded, 208,664 vested immediately. The remaining 3,404,690 ordinary shares became restricted share awards with the following vesting profile:

- 569,477 of the restricted shares vest on the first anniversary of Admission;
- 663,375 of the restricted shares vest on the second anniversary of Admission;
- 663,375 of the restricted shares vest on the third anniversary of Admission;
- 851,173 of the restricted shares vest on the fourth anniversary of Admission; and
- 657,290 of the restricted shares vest on the fifth anniversary of Admission.

The fair value of the award was determined using a Black-Scholes pricing model and was £2.62 per share. The resulting share-based payments charge is being spread evenly over the period between the grant date and the vesting date.

On 10 August 2021, an agreement was reached to award certain Key Management 38,168 restricted ordinary shares in Victorian Plumbing Group plc. The restricted shares would not be subject to a performance condition, but the extent to which they vest depends on a service condition being satisfied. The restricted shares are forfeited if the employee leaves the Group before the vesting date, unless under exceptional circumstances. Of the 38,168 restricted shares awarded:

- 19,084 (50%) restricted shares vest on 30 September 2022; and
- 19,084 (50%) restricted shares vest on 30 September 2023.

30. Share-based payments continued

The fair value of the award was determined using a Black-Scholes pricing model and was £2.59 per share. The resulting share-based payments charge is being spread evenly over the period between the grant date and the vesting date.

Grant date	Share price at grant date £	Employee contribution per share	Vesting period (years)	Risk-free rate %	Dividend yield %	Non-vesting condition	Fair value per restricted share
22/06/2021	2.62	£0.001	5.0	0	0	0	2.62
22/06/2021	2.62	£0.001	4.0	0	0	0	2.62
10/08/2021	2.59	nil	2.1	0	0	0	2.59

The number of restricted shares outstanding at 30 September 2021 was as follows:

Restricted ordinary shares in Victorian Plumbing Group plc	2021 Number
Outstanding at 6 May 2021 (incorporation)	–
Awarded	3,651,522
Vested	(208,664)
Outstanding and unvested at 30 September 2021	**3,442,858**

The weighted average market value per ordinary share for restricted shares that vested in the year was £2.62. The IPO restricted share awards outstanding at 30 September 2021 have a weighted average remaining vesting period of 2.8 years.

The total charge in the year, included in operating profit, in relation to these awards was £1.6 million (2020: £nil). The Company charge for the year was £0.6 million (2020: £nil).

31. Cash generated from operating activities

	2021 £m	2020 (Restated) £m
Cash flows from operating activities		
Profit before taxation for the financial year	19.7	23.7
Adjustments for:		
Amortisation of intangible assets (note 15)	1.6	1.3
Depreciation of property, plant and equipment (note 16)	0.6	0.3
Depreciation of right-of-use assets (note 17)	0.9	0.6
Share-based payments	7.7	–
Finance costs	0.3	0.3
Increase in inventories	(9.4)	(4.7)
Increase in receivables	(0.8)	(1.0)
Increase in payables	7.3	10.3
(Decrease)/increase in provisions	(0.1)	0.1
Cash generated from operating activities	**27.8**	**30.9**

32. Retained earnings

Retained earnings is the Group's cumulative profits and losses, net of cumulative dividends paid and other adjustments.

33. Pension commitments

The Group operates a defined contribution scheme for its employees. The assets of the scheme are held separately from the Group in an independently administered scheme. The pension cost represents contributions payable by the Group to the fund totalling £0.2 million (2020: £0.1 million). Included within creditors is £0.1 million of contributions payable to the fund at 30 September 2021 (2020: £0.1 million).

34. Related party transactions

Radcliffe Property Management Limited ('RPM') is considered a related party as this is a company which has a common director. The following amounts show transactions and balances with Radcliffe Property Management Limited:

	2021 £m	2020 £m
Amounts owed to the Group by RPM, included within related parties	–	5.9
Amounts owed by the Group to RPM, included within trade and other payables	0.1	–
Lease payments made by the Group	0.6	0.3

Amounts outstanding with RPM at each reporting date are interest free, unsecured and repayable on demand. The Group has not recognised a provision for expected credit losses in respect of the amounts owed to the Group from related parties, nor have any balances been written off.

Other transactions with related parties are as follows:

	2021 £m	2020 £m
Interest paid by the Group to:		
M Radcliffe	–	0.1
Dividends paid by the Group to:		
M Radcliffe	12.2	8.8
N Radcliffe	2.5	0.5
C Radcliffe	0.1	0.1
M Stewart	0.1	0.1

35. Subsidiaries

At 30 September 2021 the subsidiaries of the Group are as follows:

Subsidiary undertakings	Country of incorporation	Principal activity	Class of shares held	Percentage owned by the parent	Percentage owned by the Group
VIPSO Ltd	England and Wales	Holding company	Ordinary	100%	–
Victorian Plumbing Ltd	England and Wales	Online retailing of bathroom furniture and accessories	Ordinary	–	100%
VIPSO Trading Ltd	England and Wales	Dormant	Ordinary	–	100%

The registered office of all subsidiaries is 22 Grimrod Place, Skelmersdale, England, WN8 9UU.

36. Guarantees

On 7 June 2021, the Group signed into a new RCF. The RCF has total commitments of £10 million and a termination date of June 2024. The Group has provided a cross guarantee by way of a debenture dated 7 June 2021 as security for the facility

37. Post balance sheet events

There have been no events between the year end date and the date of this report which represent a reportable event after the reporting period under IAS 10.

Company balance sheet
at 30 September 2021

	Note	2021 £m
Fixed assets		
Investments	5	**321.7**
Deferred tax asset	9	**0.1**
		321.8
Current assets		
Debtors	6	**4.8**
Creditors: amounts falling due within one year	7	**(1.7)**
Net current assets		**3.1**
Net assets		**324.9**
Capital and reserves		
Called-up share capital	10	**0.3**
Share premium	10	**11.2**
Capital redemption reserve	10	**0.1**
Retained earnings		**313.3**
Total equity		**324.9**

As permitted by Section 408 of the Companies Act 2006, an entity profit and loss account is not included as part of the published consolidated financial statements of Victorian Plumbing Group plc. The loss for the financial period dealt with in the financial statements of the parent company was £8.6 million.

The financial statements were approved by the Board of Directors on 9 December 2021 and authorised for issue.

Paul Meehan
Chief Financial Officer

Victorian Plumbing Group plc
Registered number: 13379554

Company statement of changes in equity

for the period ended 30 September 2021

	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
At 6 May 2021 (on incorporation)	–	–	–	–	–
Comprehensive income					
Loss for the period	–	–	–	(8.6)	(8.6)
Transactions with owners					
Share-based payments	–	–	–	1.7	1.7
Issue of ordinary shares	320.6	11.2	–	–	331.8
Capital reduction	(320.2)	–	–	320.2	–
Cancellation of deferred ordinary shares	(0.1)	–	0.1	–	–
Total transactions with owners recognised directly in equity	0.3	11.2	0.1	321.9	333.5
At 30 September 2021	0.3	11.2	0.1	313.3	324.9

Notes to the Company financial statements

1. General information

Victorian Plumbing Group plc (the 'Company') is a public limited company, which is listed on the London Stock Exchange and is incorporated and domiciled in the United Kingdom. The address of the registered office is 22 Grimrod Place, Skelmersdale, England, WN8 9UU. The Company was incorporated on 6 May 2021 and, therefore, no comparative information is presented. On incorporation, the Group elected to adopt UK GAAP FRS 102.

2. Accounting policies

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied throughout the period.

2.1 Basis of preparation of financial statements

The Company financial statements of Victorian Plumbing Group plc have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland' ('FRS 102') and the Companies Act 2006. The Company financial statements have been prepared under the historical cost convention. The financial information presented is at and for the 148-day period from the date of incorporation (6 May 2021) to the year end date of 30 September 2021.

The Company financial statements have been prepared in sterling (£), which is the functional and presentational currency of the Company, and have been rounded to the nearest hundred thousand (£0.1m) except where otherwise indicated.

As permitted by Section 408 of the Companies Act 2006, an entity profit and loss account is not included as part of the published consolidated financial statements of Victorian Plumbing Group plc. The loss for the financial period dealt with in the financial statements of the parent company was £8.6million.

As the Company is included in the consolidated financial statements and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12, the following exemptions have been applied:

- no separate parent company cash flow statement with related notes have been included; and
- Key Management personnel compensation has not been included a second time.

Amounts paid to the Company's auditor in respect of the statutory audit were £50,000. The charge was borne by Victorian Plumbing Limited, a subsidiary company, and not recharged.

2.2 Going concern

The Directors have used the going concern principle on the basis that the current profitable financial projections and facilities of the consolidated Group will continue in operation for a period not less than 12 months from the date of this report. Further details can be found within note 1 to the consolidated financial statements.

2.3 Investments

Investments in subsidiaries are held at cost, less any provision for impairment. Annually, the Directors consider whether any events or circumstances have occurred that could indicate that the carrying amount of fixed asset investments may not be recoverable. If such circumstances do exist, a full impairment review is undertaken to establish whether the carrying amount exceeds the higher of net realisable value or value in use. If this is the case, an impairment charge is recorded to reduce the carrying value of the related investment.

Where equity-settled share-based payments are granted to the employees of subsidiary companies, the fair value of the award is treated as a capital contribution by the Company and the investment in subsidiaries is adjusted to reflect this capital contribution.

During the period, the company became the parent entity of the group via a share-for-share exchange (see note 1 of the consolidated financial statements). The transaction qualified for s612 merger relief under the companies act 2006 and the company chose to apply s615 of the companies act in recording the cost of its investment in VIPSO Limited. Therefore, an investment of £320.6m and share capital with a nominal value of the same amount was recorded. The share capital was subsequently reduced.

2.4 Share premium

The amount subscribed for the ordinary shares in excess of the nominal value of these new shares is recorded in share premium. Costs that directly relate to the issue of ordinary shares are deducted from share premium net of corporation tax.

2.5 Shares held by the Employee Share Option Trust

Shares in the Company held by the ESOT are included in the balance sheet at cost as a deduction from equity.

2.6 Current and deferred taxation
UK corporation tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred on the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all evidence available, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried-forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average rates that are expected to apply in the periods in which the timing differences are expected to reverse based on the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

2.7 Financial instruments
The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

a) Financial assets
Basic financial assets, including trade and other receivables and cash and bank balances and investments in commercial paper, are initially recognised at transaction price (unless the arrangement constitutes a financing transaction) and are subsequently carried at amortised cost using the effective interest method.

Financial assets which constitute a financing transaction are measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

At the end of each reporting period, financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party, or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

b) Financial liabilities
Basic financial liabilities, including trade and other payables, bank loans and loans from fellow Group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

2.8 Dividends
The Company recognises a liability to pay a dividend when the distribution is authorised and the distribution is no longer at the discretion of the Company. In accordance with UK company law, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

2.9 Pensions
Defined contribution pension plan
Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are:

- share-based payments; and
- carrying value of investments.

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions. The accounting policies of such arrangements are disclosed in note 1 of the consolidated financial statements. The fair value of services received in return for share options is calculated with reference to the fair value of the award on the date of grant. A Black-Scholes model has been used where appropriate to calculate the fair value, and the Directors have therefore made estimates with regard to the inputs to that model and the period over which the share award is expected to vest (note 30 of the consolidated financial statements).

Where equity-settled share-based payments are granted to the employees of subsidiary companies, the fair value of the award is treated as a capital contribution by the Company and the investments in subsidiaries are adjusted to reflect this capital contribution.

The Group considers annually whether there is an indicator that the carrying value of investments may have suffered an impairment, in accordance with the accounting policy stated. Where an indicator is identified, the recoverable amounts of investments are determined based on value-in-use calculations, which require the use of estimates.

4. Directors' remuneration

The Company has no employees other than the Directors. Full details of the Directors' remuneration and interests are set out in the Directors' Remuneration Report on pages 73 to 77.

5. Investments

	Investment in subsidiary undertaking £m
At beginning of the period	–
Additions	321.7
At 30 September 2021	**321.7**

The investment made in the period relates to the capital reorganisation of the Group as disclosed in note 28 of the consolidated financial statements of £320.6 million and equity-settled share-based payments of £1.1 million granted to employees of subsidiary companies.

Subsidiary undertakings are disclosed within note 35 to the consolidated financial statements.

6. Debtors

	2021 £m
Amounts owed by Group undertakings	4.6
Other receivables	0.2
	4.8

Amounts owed by Group undertakings are non-interest-bearing, unsecured and have no fixed date of repayment.

7. Creditors: amounts falling due within one year

	2021 £m
Trade payables	0.1
Amounts owed to Group undertakings	0.9
Other taxation and social security	0.1
Accruals	0.6
	1.7

Amounts owed to Group undertakings are non-interest-bearing, unsecured and have no fixed date of repayment.

8. Financial instruments

	2021 £m
Financial assets	
Financial assets measured at amortised cost	4.8
Financial liabilities	
Financial liabilities measured at amortised cost	1.6

Current assets and liabilities
Financial instruments included within current assets and liabilities (excluding cash and borrowings) are generally short term in nature and accordingly their fair values approximate to their book values.

9. Deferred taxation

	Share-based payments £m	Total £m
Deferred taxation assets		
At beginning of the period	–	–
Credited to the statement of comprehensive income	0.1	0.1
At 30 September 2021	0.1	0.1

10. Share capital

	2021 £
Allotted, called up and fully paid	
325,062,985 ordinary shares of 0.1p (2020: £nil)	325,063

For details of the movements in share capital during the period, see note 28 of the consolidated financial statements.

11. Own shares held

	2021 ESOT shares reserve	
	Number of shares	£
Shares issued to ESOT	635,504	636
Own shares held at 30 September 2021	635,504	636

12. Share-based payments
For details of the Company's share-based payments during the period see note 30 of the consolidated financial statements.

13. Pension commitments
The Company operates a defined contribution scheme for its employees. The assets of the scheme are held separately from the Company in an independently administered scheme. The pension cost represents contributions payable by the Company to the fund totalling £8,217. There were no contributions payable to the fund at 30 September 2021.

14. Related parties
During the period, a management charge of £1.1 million was raised to Victorian Plumbing Limited in respect of services rendered.

At the period end balances outstanding with Group undertakings were £4.6 million and £0.9 million respectively for debtors and creditors as set out in notes 6 and 7.

15. Guarantees
On 7 June 2021, the Group signed into a RCF. The RCF has total commitments of £10 million and a termination date of June 2024. The Company has provided a cross guarantee by way of a debenture dated 7 June 2021 as security for the facility.

Unaudited four-year record

	Absolute				Year on year		
	2018	2019	2020	2021	2019	2020	2021
Income statement							
Revenue	**117.4**	**151.4**	**208.7**	**268.8**	**29%**	**38%**	**29%**
Cost of sales	(70.7)	(89.6)	(116.7)	**(138.3)**	(27%)	(30%)	**(19%)**
Gross profit	**46.7**	**61.8**	**92.0**	**130.5**	**32%**	**49%**	**42%**
Underlying operating costs	(42.7)	(50.4)	(66.0)	**(90.4)**	(18%)	(31%)	**(37%)**
Other operating income	–	0.1	0.2	**–**	N/A	100%	**(100%)**
Adjusted EBITDA	**4.0**	**11.5**	**26.2**	**40.1**	**188%**	**128%**	**53%**
Depreciation and amortisation	(1.5)	(1.7)	(2.2)	**(3.0)**	(13%)	(29%)	**(36%)**
Share-based payments	–	–	–	**(7.7)**	N/A	N/A	**N/A**
Exceptional items	–	–	–	**(9.4)**	N/A	N/A	**N/A**
Operating profit	**2.5**	**9.8**	**24.0**	**20.0**	**292%**	**145%**	**(17%)**
Finance costs	(0.2)	(0.2)	(0.3)	**(0.3)**	–	50%	**–**
Profit before tax	**2.3**	**9.6**	**23.7**	**19.7**	**317%**	**147%**	**(17%)**
Taxation	(0.4)	(1.8)	(4.0)	**(5.4)**	(350%)	(122%)	**(35%)**
Profit after tax	**1.9**	**7.8**	**19.7**	**14.3**	**311%**	**153%**	**(27%)**
Margin							
Gross profit margin	40%	41%	44%	**49%**	1%pt	3%pt	**4%pt**
Adjusted EBITDA margin	3%	8%	13%	**15%**	4%pt	5%pt	**2%pt**
Cash flow							
Net cash/(debt)	0.6	2.7	10.5	**32.7**	+2.1	+7.8	**+22.2**
Operating cash conversion (%)	93%	68%	105%	**81%**	(25%pt)	38%pt	**(24%pt)**
KPIs							
Total orders ('000)	474	573	776	**906**	21%	35%	**17%**
Average order value (£)	248	264	269	**297**	7%	2%	**10%**
Marketing as % of revenue	30%	27%	25%	**26%**	(3%pt)	(2%pt)	**1%pt**
Net assets	(1.5)	2.8	13.0	**30.8**	+4.3	+10.2	**+17.8**

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