VICTORIAN PLUMBING GROUP PLC

HALF YEAR RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2022

Victorian Plumbing Group plc ('Victorian Plumbing', 'the Group'), the UK's leading online specialist bathroom retailer, announces its half year results for the six months ended 31 March 2022 ('H1 2022')

	Six-months to 31 March 2022 *(unaudited)*	Six-months to 31 March 2021 *(audited)*	Six-months to 31 March 2020 *(unaudited)*	H1 2022 Year-on-year %	H1 2022 Two-year growth %*
Revenue	**£133.9m**	£140.7m	£96.0m	(5%)	39%
Gross profit[1]	**£58.5m**	£69.0m	£40.8m	(15%)	43%
Gross profit margin[2]	**44%**	49%	43%	(5%pts)	1%pts
Adjusted EBITDA[3]	**£6.7m**	£20.1m	£8.8m	(67%)	(24%)
Adjusted EBITDA margin[4]	**5%**	14%	9%	(9%pts)	(4%pts)
Operating profit	**£2.9m**	£14.6m	£7.7m	(80%)	(62%)
Net cash	**£33.7m**	£22.3m	£4.7m	51%	617%
Adjusted basic earnings per share[10]	**1.4p**	5.6p	2.4p	(75%)	(42%)

* Two-year growth included to contextualise the effect of Covid-19 upon trading.

Financial results

- Revenue growth of 39% on a two-year basis, reflecting a significant increase in our customer base and consumer appreciation of our customer proposition, product range and availability
- Revenue was down 5% year-on-year to £133.9m (H1 2021: £140.7m), lapping a tough comparable period resulting from market outperformance during Covid-19 related lockdowns
- As expected, gross profit margin[2] decreased by five percentage points to 44% (H1 2021: 49%). This decrease was largely due to continued supply chain pressures and our careful approach to managing price rises during a period of inflationary cost pressures. Gross profit[1] of £58.5m was up 43% on a two-year basis and down 15% year-on-year
- Adjusted EBITDA[3] reduced by 67% year-on-year to £6.7m (H1 2021: £20.1m) and adjusted EBITDA margin[4] reduced by nine percentage points to 5% (H1 2021: 14%). The decline in adjusted EBITDA margin reflects both the reduction in gross profit margin and a strategic increase in marketing activity which has enabled us to take market share
- Net cash £33.7m (H1 2021: £22.3m). Cash conversion[6] of 21% (H1 2021: 85%) reflecting an investment in stock, to mitigate ongoing global supply chain risks
- Adjusted basic earnings per share[5] was 1.4 pence per share (H1 2021: 5.6 pence per share)

Operational and strategic highlights

Over the past 18 months we have managed a step change in the scale of our business and have done so whilst continuing to offer consumers the widest choice of products and availability, at competitive prices:

- Total orders[7] for the six months ended 31 March 2022 were 453,000, a 31% increase from pre-pandemic levels (H1 2020: 345,000), and just 7% down from H1 2021 during which the UK was under severe Covid-19 restrictions (H1 2021: 486,000)
- Average order value[8] up 2% to £296 (H1 2021: £289)
- We have increased our customer satisfaction with an average Trustpilot TrustScore[9] of 4.4 (H1 2021: 4.3)

We have invested in our technology platform, which will enable us to drive future growth:

- Work continues on the development and testing of our website re-platform. This will give us the opportunity to enhance our customer journey over the coming months
- Work also continues on the development and testing of our new Trade app., to enhance efficiency and engagement for Trade customers

We are also making good progress in our strategic areas of ‘Trade’ and ‘Adjacent categories’:

- Trade revenue grew by 18% to £24.6m (H1 2021: £20.9m), representing 18% of total revenue (H1 2021: 15%). During H1 2022, we launched our first ever targeted trade radio campaign
- We have increased our tile range by 38% since September 2021 and increased the number of products in our lighting range to 753 (Sept 2021: 502)

Outlook

Revenues in H1 2022 were in line with recent guidance and reflect the lower demand compared to the same period last year when the UK was in a lockdown environment. The Group focused on increasing market share and invested more heavily in marketing in the early part of H1 2022 to successfully drive market share gains. That marketing spend has now normalised as planned.

The Group expects to deliver modest year-on-year revenue growth through the second half, as previously guided in the AGM statement on 24 February 2022. There are well reported ongoing inflationary cost pressures and we remain acutely aware that our customers are also managing these pressures. The Group will therefore continue its careful approach to price rises through the second half of the financial year.

Mark Radcliffe, Founder and Chief Executive Officer of Victorian Plumbing Group plc, said:

“Victorian Plumbing remains the go-to online retailer for consumers who are looking for bathroom products. Our market-leading proposition and our innovative and proactive approach to marketing have enabled us to continue growing our market share, even against a challenging market backdrop.

“Following a nine-month period during which the economy was opening up after Covid-19 restrictions and discretionary spending has been more focused on leisure activities, our relentless focus on investing in quality and innovation has resulted in revenue growing 39% on a two-year basis.

“I am pleased with the progress we have made with our technological developments, and I am excited about the opportunities presented by our new website. This new platform will enable us to further penetrate our core market and provide the best possible base for us to further expand our trade and adjacent product areas.

“We continue to be focused on our long-term goals. We are making good progress on all of our strategic initiatives and are confident in the future growth prospects of the Group.”

Analyst and investor webinar

A webinar for analysts and investors will be held today, 17 May 2022, at 9.00am BST. If you wish to join the webinar, please contact FTI Consulting via: VictorianPlumbing@fticonsulting.com.

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About Victorian Plumbing

Victorian Plumbing is the UK's leading online retailer of bathroom products and accessories, offering a wide range of over 24,000 products to B2C and trade customers. Victorian Plumbing offers its customers a one-stop shop solution for the entire bathroom with more than 125 own and third-party brands across a wide spectrum of price points.

The Group's product design and supply chain strengths are complemented by its creative and brand-focused marketing strategy, which predominantly focuses on online channels to drive significant and growing traffic to its website.

Headquartered in Skelmersdale, Lancashire, the Group employs over 500 staff across seven locations in Skelmersdale, Manchester and Birmingham.

For more information, please visit https://www.victorianplumbingplc.com/about-us/

Cautionary statement

This announcement of half year results does not constitute or form part of and should not be construed as an invitation to underwrite, subscribe for, or otherwise acquire or dispose of any Victorian Plumbing Group plc (the "Company") shares or other securities in any jurisdiction nor is it an inducement to enter into investment activity nor should it form the basis of or be relied on in connection with any contract or commitment or investment decision whatsoever. It does not constitute a recommendation regarding any securities. Past performance, including the price at which the Company's securities have been bought or sold in the past, is no guide to future performance and persons needing advice should consult an independent financial advisor. This announcement may include statements that are, or may be deemed to be, "forward-looking statements" (including words such as "believe", "expect", "estimate", "intend", "anticipate" and words of similar meaning). By their nature, forward-looking statements involve risk and uncertainty since they relate to future events and circumstances, and actual results may, and often do, differ materially from any forward-looking statements. Any forward-looking statements in this announcement reflect management's view with respect to future events as at the date of this announcement. Save as required by applicable law, the Company undertakes no obligation to publicly revise any forward-looking statements in this announcement, whether following any change in its expectations or to reflect events or circumstances after the date of this announcement.

Summary of performance

	Units	**H1 2022** ***(unaudited)***	H1 2021 *(audited)*	H1 2020 (*unaudited*)	H1 2022 Year-on-year %	H1 2022 Two-year growth %*
Income statement						
Revenue	£m	133.9	140.7	96.0	(5%)	39%
Gross profit(1)	£m	58.5	69.0	40.8	(15%)	43%
Gross profit margin(2)	%	44%	49%	43%	(5%pts)	1%pts
Adjusted EBITDA(3)	£m	6.7	20.1	8.8	(67%)	(24%)
Adjusted EBITDA margin(4)	%	5%	14%	9%	(9%pts)	(4%pts)
Profit before tax	£m	2.7	14.5	7.6	(81%)	(64%)
Earnings per share						
Basic earnings per share(5)	pence	0.7	4.4	2.4	(84%)	(71%)
Adjusted basic earnings per share(10)	pence	1.4	5.6	2.4	(75%)	(42%)
Cash flow						
Free cash flow(11)	£m	1.4	17.0	7.9	(92%)	(82%)
Cash conversion(6)	**%**	21%	85%	90%	(64%pts)	(69%pts)
Net cash and cash equivalents	£m	33.7	22.3	4.7	51%	617%
Key performance indicators						
Total orders(7)	‘000	453	486	345	(7%)	31%
Active customers(12)	‘000	339	367	265	(8%)	28%
Average order value(8)	£	296	289	278	2%	6%
TrustPilot TrustScore (9)	/5	4.4	4.3	4.6	2%	(4%)
Marketing spend as a % of revenue	**%**	30%	27%	27%	(3%pts)	(3%pts)

* Two-year growth included to contextualise the short-term effect of Covid-19 upon trading.

(1) Gross profit is defined 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.

(2) Gross profit margin is defined as Gross profit as a percentage of revenue.

(3) Adjusted EBITDA is a non-GAAP measure. Adjusted EBITDA is operating profit before depreciation, amortisation, exceptional items and IFRS 2 share-based payments along with associated national insurance.

(4) Adjusted EBITDA margin is defined as adjusted EBITDA as a percentage of revenue.

(5) Basic EPS has been calculated for the comparative periods using the weighted average number of shares in issue immediately prior to the IPO in June 2021.

(6) Cash conversion is operating cash flow as a percentage of adjusted EBITDA.

(7) Total orders is defined as the total number of orders dispatched to customers in the period.

(8) Average order value is defined as revenue divided by total orders in the period.

(9) The Trustpilot TrustScore is defined as the overall measurement of reviewer satisfaction, based on all the service and location reviews the business receives.

(10) Adjusted basic earnings per share is defined as adjusted net income divided by the weighted average number of shares for basic EPS. Adjusted net income is defined as net income before exceptional items and IFRS 2 share-based payment charges and associated NI and after adjusting for the tax impact of those items.

(11) Free cash flow is cash generated from operating activities before exceptional items and taxation less capital expenditure and cash flows relating to leases.

(12) Active customers is the number of unique customers who placed an order in the period.

Summary of operating performance for the six months ended 31 March 2022

We have maintained the step change in scale gained through the previous financial year with a resilient sales performance through H1 2022 against a backdrop of lower customer demand following the end of the UK's Covid-19 lockdown restrictions.

Revenue of £133.9m for H1 2022 was down by 5% (H1 2021: £140.7m) as we annualised the toughest pandemic-impacted comparatives. Revenue remains strong on a two-year basis, up 39% (H1 2020: £96.0m) demonstrating that market share gains made through the pandemic are here to stay. Adjusted EBITDA decreased to £6.7m (H1 2021: £20.1m; H1 2020: £8.8m) and adjusted EBITDA margin decreased to 5% (H1 2021: 14%; H1 2020: 9%).

Our commitment to growing our market share is unwavering. Through H1 2022 we invested more in our brand and our digital performance-based marketing to successfully grow our market share. Our bold brand creative continues to be well received by consumers and is reflected in the awareness of the Victorian Plumbing brand at 63% (2021: 64%)[(1)].

Audience, defined as the number of unique visitors visiting our platform measured through Google Analytics, remains 40% ahead of pre-pandemic levels (H1 2020: 1.95 million). Although our audience reduced slightly (6%) to 2.72 million on average each month (H1 2021: 2.89 million), this level of unique visitors was 1.9 times larger than our nearest competitor according to Similarweb (H1 2021: 1.9 times).

Total orders amounted to 453,000 in H1 2022; a 7% decline year-on-year (H1 2021: 486,000) but up 31% on a two-year basis. Average order value increased by 2% to £296 year-on-year, and by 6% on a two-year basis (H1 2021: £289; H1 2020: £278).

Providing the largest choice of quality products

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. Throughout H1 2022, consumers could choose from over 24,000 products, across more than 125 own and third-party brands.

The Victorian Plumbing website is the only place that customers can purchase products from our stable of own brands. We have over 20 brands that include products designed by our in-house development team and these continue to be extremely popular with consumers. In H1 2022, 75% of revenue (H1 2021: 76%) was generated from own brand products.

The experience that customers have with us is always front of mind. We continue to be ranked 'Excellent' by Trustpilot, and have increased our TrustScore to 4.4 stars (H1 2021: 4.3) across over 150,000 reviews.

A strong supply chain challenged by inflation

One of our primary objectives is to provide our customers with a wide choice of immediately available products. We held an increased level of stock through the first half of the year to combat disruption caused to our supply chain, most notably the unpredictability of transit time for stock to arrive from the Far East. We believe this investment helped us to outperform our competitors through the period.

As expected, rising costs throughout the supply chain from product, inbound shipping and outbound distribution have adversely impacted our gross profit margin by 5 percentage points in the first half of the year.

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 level of consumer demand for bathroom products has fallen from the highs of 2021, but the pandemic has driven some structural changes that provide good opportunities for growth. 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 expansion.

Our second horizon focuses on the opportunity to retail bathroom products and accessories to Trade customers, an area in which we are currently underpenetrated. In H1 2022 revenue generated from trade accounts increased by 18% to £24.6m (H1 2021: £20.9m), representing 18% of our total revenue. We are progressing well with the development of our dedicated mobile app for Trade customers.

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. During the period, we expanded our design team to give ourselves capacity to design additional tile ranges and increased the product choice in tiles by 38% since September 2021.

ESG

"Taking responsibility" is one of our core values, and we are focused on making a positive difference to our communities and the wider environment in which we operate.

The UK government has a target to become net carbon zero by 2050 and Victorian Plumbing has a role to play in reaching this goal. There are two strands to our commitments around the environment, which are: to help consumers make more sustainable choices; and to work towards achieving net zero carbon emissions. During the first half of the year we started collating data on our scope 3 emissions, which is the next step as we work towards defining our net zero carbon strategy.

(1) YouGov prompted brand awareness – February 2022. Comparative as of February 2021

Financial review

The performance of the Group was robust through H1 2022 against a backdrop of lower customer demand and given that we are comparing against a prior year period during which the UK was under severe Covid-19 restrictions.

	Six-months to 31 March 2022 £m *(unaudited)*	Six-months to 31 March 2021 £m *(audited)*	Six-months to 31 March 2020 £m *(unaudited)*	H1 2022 Year-on-year %	H1 2022 Two-year growth %
Revenue	**133.9**	**140.7**	**96.0**	**(5%)**	**39%**
Cost of sales	(75.4)	(71.7)	(55.2)	(5%)	(37%)
Gross profit	**58.5**	**69.0**	**40.8**	**(15%)**	**43%**
Underlying costs	(51.8)	(48.9)	(32.0)	(6%)	(62%)
Adjusted EBITDA	**6.7**	**20.1**	**8.8**	**(67%)**	**(24%)**
Depreciation and amortisation	(1.7)	(1.4)	(1.1)	(21%)	(55%)
Share-based payments	(2.1)	(3.5)	-	40%	*n.m*
Exceptional items	-	(0.6)	-	*n.m*	*n.m*
Operating profit	**2.9**	**14.6**	**7.7**	(80%)	(62%)

Revenue

Revenue for H1 2022 was £133.9m, which represents an increase of 39% compared to pre-pandemic performance (H1 2020: £96.0m). We have been able to consolidate our share of the bathroom market, with revenue down just 5% year-on-year despite a reduction in customer demand.

Total orders in the period decreased by 7% year-on-year to 453,000 (H1 2021: 486,000) but remained 31% up on a two-year basis. Average order value ('AOV') increased by 2% to £296 (H1 2021: £289). This increase resulted from price uplifts which occurred during the second half of last financial year. With cost-of-living pressures building for consumers we have been cautious about increasing prices on our products through the first half.

Gross profit and gross profit margin

Gross profit reduced by 15% to £58.5m (H1 2021 £69.0m) but remained 43% up on a two-year basis (H1 2020: £40.8m). Gross margin for H1 2022 reduced by five percentage points from exceptional levels seen last year to 44% (H1 2021: 49%; H1 2020: 43%). 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.

Year-on-year cost of sales increased by 5% to £75.4 million (H1 2021: £71.7m) despite a reduction in total orders. Throughout H1 2022 we have seen significant cost increases relating to shipping, distribution, packaging and, to a lesser extent, raw materials. The strength of the Group's supplier relationships and the proactiveness of our purchasing team have ensured good product availability for consumers. Nonetheless this cost inflation coupled with a period of lower consumer demand has impacted our gross margin and is likely to continue to do so for the remainder of the year.

Gross margin from own brand products, which represent 75% of revenue (H1 2021: 76%) decreased to 49% (H1 2021: 54%), whilst gross margin from third-party products decreased to 29% for the period (H1 2021: 31%).

Underlying costs

Underlying costs, which we define as administrative expenses before depreciation and amortisation, exceptional items and share-based payments, increased by 6% to £51.8m (H1 2021: £48.9m) and were up 63% on a two-year basis (H1 2020: 32.0m).

	Six-months to 31 March 2022 £m *(unaudited)*	Six-months to 31 March 2021 £m *(audited)*	Six-months to 31 March 2020 £m *(unaudited)*	H1 2022 Year-on-year %	H1 2022 Two-year growth %
Marketing costs	40.2	38.4	25.8	(5%)	(56%)
People costs excluding share-based payments	8.0	6.6	4.2	(21%)	(90%)
Property costs	2.5	2.1	1.2	(19%)	(108%)
Other overheads	1.1	1.8	0.8	39%	(38%)
Underlying costs	**51.8**	**48.9**	**32.0**	**(6%)**	**(62%)**

Marketing costs increased by 5% to £40.2m which was equivalent to 30% of revenue (H1 2021: 27%; H1 2020: 27%). During H1 2022 the Group invested more in marketing and successfully grew market share in a market that was seeing a reduction in customer demand compared to the prior year.

People costs, excluding share-based payments but including costs relating to agency staff and contractors, increased by 21% to £8.0m (H1 2021: £6.6m; H1 2020: £4.2m). Total full-time equivalent employees ('FTEs') increased by 9% year-on-year to 568 (H1 2021: 520), with the majority of the increase being in our technology team as we develop our platform. The average cost per FTE increased by 8% through a small change in staff mix and through salary inflation in our warehouse and customer service teams.

Property costs increased by 19% to £2.5m and were 108% up on two years ago. Property costs include short term agreements for warehouse space (outside the scope of IFRS16) along with rates for all of the Group's properties. The year-on-year increase relates to short term warehouse space, the cost of which continues to increase given the demand in the market. Other overheads of £1.1m were 39% lower than the prior year, largely due to £0.6m of exceptional costs relating to the IPO which were incurred in H1 2021.

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.

	Six-months to 31 March 2022 £m *(unaudited)*	Six-months to 31 March 2021 £m *(audited)*	Six-months to 31 March 2020 £m *(unaudited)*	H1 2022 Year-on-year %	H1 2022 Two-year growth %
Operating profit	**2.9**	**14.6**	**7.7**	**(80%)**	**(62%)**
Share-based payments	2.1	3.5	-	40%	*n.m*
Exceptional items	-	0.6	-	*n.m*	*n.m*
Adjusted operating profit	**5.0**	**18.7**	**7.7**	**(73%)**	**(35%)**
Depreciation and amortisation	1.7	1.4	1.1	(21%)	(55%)
Adjusted EBITDA	**6.7**	**20.1**	**8.8**	**(67%)**	**(24%)**

Adjusted EBITDA for H1 2022 totalled £6.7m (H1 2021: £20.1m; H1 2020: £8.8m) with adjusted EBITDA margin of 5% (H1 2021: 14%; H1 2020: 9%).

Share-based payments

The Group incurred share-based payment charges (including associated NI) of £2.1m (H1 2021: £3.5m). Share-based payment charges for the year include £1.9m for schemes relating to the Group's IPO in June 2021, along with £0.3m for ongoing schemes put in place post IPO.

Depreciation and amortisation

Depreciation and amortisation increased by £0.3m to £1.7m (H1 2021: £1.4m; H1 2020: £1.1m). The Group continues to invest in its platform and bespoke inventory management systems, with £1.3m capitalised during H1 2022 (H1 2021: £0.8m).

Operating profit

Operating profit decreased by 80% to £2.9m (H1 2021: £14.6m; H1 2020: £7.7m). Operating profit margin decreased by eight percentage points to 2% (H1 2021: 10%; H1 2020: 8%).

Profit before taxation

Profit before taxation for the period was £2.7m (H1 2021: £14.5m; H1 2020: £7.6m). This decrease resulting from the operating profit performance while net finance costs amounted to £0.2m (H1 2021: £0.1m; H1 2020: £0.1m).

Taxation

The Group tax charge of £0.7m (H1 2021: £2.9m; H1 2020: £1.3m) represents an effective tax rate of 25% (H1 2021: 20%; H1 2020: 17%).

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 0.7 pence per share (H1 2021: 4.4 pence per share; H1 2020: 2.4 pence per share).

The adjusted basic earnings per share from continuing operations was 1.4 pence per share (H1 2021: 5.6 pence per share; H1 2020: 2.4 pence per share). The table shows the effect on the Group's basic earnings per share of the exceptional items and share-based payments.

	Six-months to 31 March 2022 £m *(unaudited)*	Six-months to 31 March 2021 £m *(audited)*	Six-months to 31 March 2020 £m *(unaudited)*	H1 2022 Year-on-year %	H1 2022 Two-year growth %
Profit for EPS	**2.0**	**11.6**	**6.3**	**(83%)**	**(68%)**
Share-based payments (including associated NI)	2.1	3.5	-	40%	*n.m*
Exceptional items	-	0.6	-	*n.m*	*n.m*
Tax effect	(0.4)	(0.8)	-	*50%*	*n.m*
Adjusted profit for EPS	**3.7**	**14.9**	**6.3**	**(75%)**	**(41%)**
Weighted average number of ordinary shares for basic EPS (millions)	273.5	265.6	265.6	3%	3%
Adjusted earnings per share (pence)	**1.4**	**5.6**	**2.4**	**(75%)**	**(42%)**

Cash flow and net cash

	Six-months to 31 March 2022 *(unaudited)*	Six-months to 31 March 2021 *(audited)*	Six-months to 31 March 2020 *(unaudited)*	H1 2022 Year-on-year %	H1 2022 Two-year growth %
Adjusted EBITDA	**6.7**	**20.1**	**8.8**	**(67%)**	**(24%)**
Movement in working capital*	(3.2)	(0.7)	0.5	(357%)	(740%)
Capital expenditure	(1.5)	(1.9)	(1.0)	21%	(50%)
Lease payments – principal	(0.5)	(0.4)	(0.3)	(25%)	(67%)
Lease payments – interest	(0.1)	(0.1)	(0.1)	-	-
Free cash flow	**1.4**	**17.0**	**7.9**	**(92%)**	**(82%)**
Cash conversion	**21%**	**85%**	**90%**	**(64%pts)**	**(69%pts)**

* Movement in working capital excludes national insurance relating to share-based payments which are excluded from Adjusted EBITDA

Changes in working capital resulted in a cash outflow of £3.2 million in the period. Global supply chains continued to be disrupted in H1 2022 and 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 period resulted in a working capital outflow of £2.9 million.

Capital expenditure of £1.5m (H1 2021: £1.9m; H1 2020: £1.0m) included £1.1m of capitalised salaries relating to development of the Group's platform and bespoke inventory management systems (H1 2021: £0.5m; H1 2020: £0.2m). At the period end the Group had net cash of £33.7m (H1 2021: £22.3m; H1 2020: £4.7m).

Events after the reporting period

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

Dividend

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

Mark Radcliffe
Chief Executive Officer
17 May 2022

Paul Meehan
Chief Financial Officer
17 May 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 MARCH 2022

	Note	Six months to 31 March 2022 £m	Six months to 31 March 2021 £m	Year to 30 September 2021 £m
Revenue	4	**133.9**	140.7	268.8
Cost of sales		**(75.4)**	(71.7)	(138.3)
Gross profit		**58.5**	69.0	130.5
Administrative expenses before separately disclosed items	5	**(53.9)**	(50.3)	(93.4)
Other operating income		**0.4**	-	-
Adjusted operating profit		**5.0**	18.7	37.1
Separately disclosed items:				
Share-based payments	20	**(2.1)**	(3.5)	(7.7)
Exceptional items	6	**-**	(0.6)	(9.4)
Operating profit		**2.9**	14.6	20.0
Finance costs	7	**(0.2)**	(0.1)	(0.3)
Profit before tax		**2.7**	14.5	19.7
Income tax expense	8	**(0.7)**	(2.9)	(5.4)
Profit for the period		**2.0**	11.6	14.3
Basic earnings per share (pence)	10	**0.7**	4.4	5.3
Diluted earnings per share (pence)	10	**0.6**	4.4	4.5

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.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2022

	Note	Six months to 31 March 2022 £m	Six months to 31 March 2021 £m	Year to 30 September 2021 £m
Assets				
Non-current assets				
Intangible assets	11	**3.1**	2.5	2.7
Property, plant and equipment	12	**1.6**	1.7	1.7
Right-of-use assets	13	**4.9**	5.7	5.3
		9.6	9.9	9.7
Current assets				
Inventories		**35.3**	26.0	32.4
Trade and other receivables	14	**4.4**	9.4	4.9
Tax recoverable		**0.5**	1.7	1.0
Cash and cash equivalents		**33.7**	22.3	32.7
		73.9	59.4	71.0
Total assets		**83.5**	69.3	80.7
Equity and liabilities				
Equity attributable to the owners of the Company				
Share capital	18	**0.3**	-	0.3
Share premium		**11.2**	-	11.2
Deferred share capital		**0.1**	-	0.1
Capital reorganisation reserve		**(320.6)**	-	(320.6)
Retained earnings		**344.0**	24.8	339.8
Total equity		**35.0**	24.8	30.8
Liabilities				
Non-current liabilities				
Lease liabilities	7,16	**4.5**	5.5	4.9
Deferred taxation liability		**0.1**	(0.7)	0.1
		4.6	4.8	5.0
Current liabilities				
Trade and other payables	15	**36.7**	29.7	36.0
Contract liabilities		**6.1**	8.5	7.9
Lease liabilities	7,16	**0.9**	0.7	0.9
Derivative financial instruments		**-**	0.6	-
Provisions		**0.2**	0.2	0.1
		43.9	39.7	44.9
Total liabilities		**48.5**	44.5	49.9
Total equity and liabilities		**83.5**	69.3	80.7

The financial statements were approved by the Board of Directors on 17 May 2022 and authorised for issue.

Paul Meehan
Chief Financial Officer

Victorian Plumbing Group plc
Registered number: 13379554

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 MARCH 2022

	Share capital £m	Share premium £m	Capital reorganisation reserve £m	Deferred share capital £m	Retained earnings £m	Total equity £m
Balance at 1 October 2020	-	-	-	-	13.0	13.0
Comprehensive income						
Profit for the period	-	-	-	-	11.6	11.6
Transactions with owners						
Dividends paid (note 9)	-	-	-	-	(2.9)	(2.9)
Employee share schemes – value of employee services (note 20)	-	-	-	-	2.8	2.8
Tax impact of employee share schemes	-	-	-	-	0.3	0.3
Balance at 31 March 2021	**-**	**-**	**-**	**-**	**24.8**	**24.8**
Comprehensive income						
Profit for the period	-	-	-	-	2.7	2.7
Transactions with owners						
Dividends paid (note 9)	-	-	-	-	(12.0)	(12.0)
Employee share schemes – value of employee services (note 20)	-	-	-	-	3.7	3.7
Tax impact of employee share schemes	-	-	-	-	0.4	0.4
Capital transaction – Group restructure, share-for-share exchange and issue of Victorian Plumbing Group plc shares (note 18)	0.3	11.2	(320.6)	0.1	320.2	11.2
Balance at 30 September 2021	**0.3**	**11.2**	**(320.6)**	**0.1**	**339.8**	**30.8**
Comprehensive income						
Profit for the period	**-**	**-**	**-**	**-**	2.0	2.0
Transactions with owners						
Employee share schemes – value of employee services (note 20)	**-**	**-**	**-**	**-**	2.2	2.2
Balance at 31 March 2022	**0.3**	**11.2**	**(320.6)**	**0.1**	**344.0**	**35.0**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 MARCH 2022

	Note	Six months to 31 March 2022 £m	Six months to 31 March 2021 £m	Year to 30 September 2021 £m
Cash flows from operating activities				
Cash generated from operating activities before exceptional operating items		**3.5**	19.5	36.9
Cash outflow from exceptional operating items		**(0.1)**	(0.1)	(9.1)
Cash generated from operating activities	21	**3.4**	19.4	27.8
Income tax paid		**(0.2)**	(2.8)	(3.4)
Net cash generated from operating activities		**3.2**	16.6	24.4
Cash flows from investing activities				
Purchase of intangible assets	11	**(1.3)**	(0.8)	(1.8)
Purchase of property, plant and equipment	12	**(0.2)**	(1.1)	(1.4)
Amounts received in respect of related party loans		**-**	0.5	5.9
Net cash (used in)/generated by investing activities		**(1.5)**	(1.4)	2.7
Cash flows from financing activities				
Dividends paid	9	**-**	(2.9)	(14.9)
Finance arrangement fees	7	**(0.1)**	-	(0.1)
Proceeds from the issue of shares, net of costs	18	**-**	-	11.2
Payment of interest portion of lease liabilities	7,16	**(0.1)**	(0.1)	(0.3)
Payment of principal portion of lease liabilities	16	**(0.5)**	(0.4)	(0.8)
Net cash used in financing activities		**(0.7)**	(3.4)	(4.9)
Net increase in cash and cash equivalents		**1.0**	11.8	22.2
Cash and cash equivalents at the beginning of the period		**32.7**	10.5	10.5
Cash and cash equivalents at the end of the period		**33.7**	22.3	32.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

Basis of preparation

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. Its registered office is 22 Grimrod Place, Skelmersdale, Lancashire, WN8 9UU.

These condensed consolidated interim financial statements ('interim financial statements') were approved by the Board for issue on 17 May 2022, and have been prepared as at, and for the six months ended, 31 March 2022. The comparative financial information presented has been prepared as at, and for the six months ended, 31 March 2021.

These interim financial statements do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The interim financial statements for the half year ended 31 March 2022 are neither audited nor reviewed by the Company's auditors. The interim financial statements for the half year ended 31 March 2021 were audited as part of the Group's admission to the AIM in June 2021. The consolidated financial statements of the Group as at, and for the year ended, 30 September 2021 are available on request from the Company's registered office and via the Company's website. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under Section 498 of the Companies Act 2006.

These interim financial statements have been prepared in accordance with IAS 34, "Interim Financial Reporting" issued by the IASB and adopted for use in the UK. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 30 September 2021, which were prepared in accordance with international Financial Reporting Standards (IFRSs) in conformity with the requirements of the Companies Act 2006.

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. 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 period of 12 months to 31 May 2023. 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 31 March 2022, the Group held instantly accessible cash and cash equivalents of £33.7 million. The Group also has access to a revolving credit facility of £10.0 million with HSBC which was undrawn at 31 March 2022 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 May 2023, as outlined in more detail below.

Approach to stress testing
The going concern analysis reflected the actual trading to March 2022, as well as detailed financial forecasts for the period up to 31 May 2023. 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.

The Group has prepared a series of severe-but-plausible downside scenarios, and a worst case being the combination of them all. The combined worst case scenario still results in sufficient cash forecast to be held throughout the period to 31 May 2023 to cover the Group's liabilities as they fall due, without utilisation of the Group's revolving credit facilities.

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 May 2023. Accordingly, the Directors conclude it is appropriate that these interim consolidated financial statements be prepared on a going concern basis.

2. Accounting policies, estimates and judgements

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.

In preparing these interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 30 September 2021.

3. Segmental information

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 Senior Leadership Team ('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 true 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.

	Six months to 31 March 2022 £m	**Six months to 31 March 2021 £m**
Operating profit	**2.9**	14.6
Depreciation of property, plant and equipment	**0.3**	0.2
Depreciation of right-of-use assets	**0.5**	0.4
Amortisation	**0.9**	0.8
Exceptional items	**-**	0.6
Share-based payments (including associated NI)	**2.1**	3.5
Adjusted EBITDA	**6.7**	20.1

4. Revenue

An analysis of revenue by class of business is as follows:

	Six months to 31 March 2022 £m	Six months to 31 March 2021 £m
Online	**133.2**	140.5
Showroom	**0.7**	0.2
	133.9	140.7

All revenue arose within the United Kingdom.

5. Operating profit

Expenses by nature including exceptional items:

	Six months to 31 March 2022 £m	Six months to 31 March 2021 £m
Employee costs (excluding share-based payments)	**7.5**	6.2
Share-based payments (including associated NI)	**2.1**	3.5
Agency and contractor costs	**0.5**	0.6
Marketing costs	**40.2**	38.4
Depreciation of property, plant and equipment (note 12)	**0.3**	0.2
Depreciation of right-of-use assets (note 13)	**0.5**	0.4
Amortisation charge (note 11)	**0.9**	0.8
(Gain)/loss on foreign exchange	**(0.2)**	0.4
Other costs	**4.2**	3.9
Total administrative expenses	**56.0**	54.4
Share-based payments (note 20)	**(2.1)**	(3.5)
Included within exceptional items (note 6)	**-**	(0.6)
Total administrative expenses before separately disclosed items	**53.9**	50.3

6. Exceptional items

	Six months to 31 March 2022 £m	Six months to 31 March 2021 £m
IPO costs	**-**	0.6

IPO costs relate to costs incurred in respect of the Group's listing on AIM in June 2021.

7. Net finance costs

	Six months to 31 March 2022 £m	Six months to 31 March 2021 £m
Amortised debt issue costs	**0.1**	-
Interest charge on lease liabilities	**0.1**	0.1
	0.2	0.1

8. Taxation

	Six months to 31 March 2022 £m	Six months to 31 March 2021 £m
Corporation tax		
Current tax on profits for the period	**0.7**	3.4
Total current tax	**0.7**	3.4
Deferred tax		
Origination and reversal of timing differences	**-**	(0.5)
Total deferred tax	**-**	(0.5)
Taxation on profit	**0.7**	2.9

Factors affecting tax charge for the period

The tax assessed for the period is higher (2021: higher) than the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

	Six months to 31 March 2022 £m	Six months to 31 March 2021 £m
Profit before tax	**2.7**	14.5
Profit multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%)	**0.5**	2.8
Effects of:		
Expenses not deductible for tax purposes	**-**	0.1
Share options	**0.2**	-
Total tax charge for the period	**0.7**	2.9

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.

9. Dividends

	Six months to 31 March 2022 £m	Six months to 31 March 2021 £m
Dividends paid	**-**	2.9

In previous years certain shareholders waived their right to receive dividends and therefore the dividends paid were 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 half year ended 31 March 2022.

10. Earnings per share

Basic and diluted earnings per share

Basic earnings per share ('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 period.

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 period 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
Half year ended 31 March 2022			
Basic EPS	**273,509,210**	**2.0**	**0.7**
Diluted EPS	**321,186,798**	**2.0**	**0.6**
Year ended 30 September 2021			
Basic EPS	267,781,231	14.3	5.3
Diluted EPS	315,755,339	14.3	4.5

	Weighted average number of shares
Number of ordinary shares in issue at 30 September 2021	273,509,210
Weighted average number of shares for basic EPS	**273,509,210**
Dilutive impact of unvested shares in relation to restricted share awards	47,677,589
Weighted average number of shares for diluted EPS	**321,186,798**

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 EPS')

Adjusted basic and diluted earnings per share figures are calculated by dividing adjusted profit after tax for the period by the weighted average number of shares in issue (as set out above).

	Six months to 31 March 2022 £m	**Six months to 31 March 2021 £m**
Profit for the period	**2.0**	11.6
Exceptional items	**-**	0.6
Share-based payments	**2.1**	3.5
Tax effect	**(0.4)**	(0.8)
Total adjusted profit for the period	**3.7**	14.9
Adjusted basic earnings per share (pence)	**1.4**	5.6
Adjusted diluted earnings per share (pence)	**1.2**	5.6

11. Intangible assets

	Computer software £m
Cost	
At 30 September 2020	5.7
Additions	0.8
At 31 March 2021	6.5
Additions	1.0
At 30 September 2021	7.5
Additions	1.3
At 31 March 2022	**8.8**
Accumulated amortisation	
At 30 September 2020	3.2
Charge for the period	0.8
At 31 March 2021	4.0
Charge for the period	0.8
At 30 September 2021	4.8
Charge for the period	0.9
At 31 March 2022	**5.7**
Net book value	
At 30 September 2020	2.5
At 31 March 2021	2.5
At 31 March 2022	**3.1**

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 £1.1 million in the six months ended 31 March 2022 (H1 2021: £0.5 million) for development of computer software.

For the six month period to 31 March 2022, the amortisation charge of £0.9 million (H1 2021: £0.8 million) has been charged to administrative expenses in the income statement.

12. Property, plant and equipment

	Leasehold improvements £m	Plant and machinery £m	Fixtures and fittings £m	Office equipment £m	Total £m
Cost					
At 30 September 2020	–	0.7	1.0	0.9	2.6
Additions	–	0.6	0.2	0.3	1.1
At 31 March 2021	–	1.3	1.2	1.2	3.7
Additions	0.1	0.1	–	0.2	0.4
At 30 September 2021	0.1	1.4	1.2	1.4	4.1
Additions	–	0.1	–	0.1	0.2
At 31 March 2022	**0.1**	**1.5**	**1.2**	**1.5**	**4.3**
Accumulated depreciation					
At 30 September 2020	–	0.4	0.9	0.5	1.8
Charge for the period	–	0.1	–	0.1	0.2
At 31 March 2021	–	0.5	0.9	0.6	2.0
Charge for the period	–	0.2	0.1	0.1	0.4
At 30 September 2021	–	0.7	1.0	0.7	2.4
Charge for the period	–	0.1	0.1	0.1	0.3
At 31 March 2022	**–**	**0.8**	**1.1**	**0.8**	**2.7**
Net book value					
At 30 September 2020	–	0.3	0.1	0.4	0.8
At 31 March 2021	–	0.8	0.3	0.6	1.7
At 31 March 2022	**0.1**	**0.7**	**0.1**	**0.7**	**1.6**

13. Right-of-use assets

	Right-of-use assets £m
Cost	
At 30 September 2020	8.1
Additions	0.1
At 31 March 2021	8.2
Additions	0.5
Modifications	(0.4)
Disposals	(0.1)
At 30 September 2021	8.2
Additions	–
Modifications	0.1
At 31 March 2022	**8.3**
Accumulated depreciation	
At 30 September 2020	2.1
Charge for the period	0.4
At 31 March 2021	2.5
Charge for the period	0.5
On disposals	(0.1)
At 30 September 2021	2.9
Charge for the period	0.5
At 31 March 2022	**3.4**
Net book value	
At 30 September 2020	6.0
At 31 March 2021	5.7
At 31 March 2022	**4.9**

During the period the Group renewed the lease on one of its properties that had expired; this represents a modification under IFRS 16. The right-of-use asset was increased by £0.1 million to reflect the value of the asset after the modification and the corresponding lease liability increased by £0.1 million.

14. Trade and other receivables

	Six months ended 31 March 2022 £m	Six months ended 31 March 2021 £m
Trade receivables	**2.2**	1.9
Amounts owed by related parties	**–**	5.4
Right-of-return asset	**0.3**	0.4
Accrued income	**0.8**	0.8
Prepayments	**1.1**	0.9
	4.4	9.4

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.

15. Trade and other payables

	Six months ended 31 March 2022 £m	Six months ended 31 March 2021 £m
Trade payables	**25.2**	19.4
Other taxation and social security	**7.0**	6.8
Refund liability	**0.8**	1.2
Other payables	**1.1**	0.9
Accruals	**2.6**	1.4
	36.7	29.7

16. Lease liabilities

	Lease liability £m
At 30 September 2020	6.4
Additions	0.2
Interest expense	0.1
Lease payment	(0.5)
At 31 March 2021	6.2
Additions	0.4
Modifications	(0.4)
Interest expense	0.2
Lease payment	(0.6)
At 30 September 2021	**5.8**
Modifications	0.1
Interest expense	0.1
Lease payment	(0.6)
At 31 March 2022	**5.4**

During the period the Group renewed the lease on one of its properties that had expired; this represents a modification under IFRS 16. The right-of-use asset was increased by £0.1 million to reflect the value of the asset after the modification and the corresponding lease liability increased by £0.1 million.

The Group had total cash outflows for leases of £0.6 million (H1 2021: £0.5 million). The Group also had non-cash additions to right-of-use assets and lease liabilities of £0.1 million (H1 2021: £0.2 million).

Lease liabilities as at 31 March were classified as follows:

	Six months ended March 2022 £m	Six months ended March 2021 £m
Current	**0.9**	0.7
Non-current	**4.5**	5.5
Total	**5.4**	6.2

17. Borrowings

	Six months ended 31 March 2022 £m	Six months ended 31 March 2021 £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 Revolving Credit Facility (the '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 31 March 2022 the Group had not utilised the RCF.

Unamortised debt issue costs of £0.1 million (H1 2021: £nil) are included in prepayments (note 14).

18. Ordinary share capital

	Six months ended 31 March 2022 £	Six months ended 31 March 2021 £
Allotted, called up and fully paid		
325,062,985 ordinary shares of 0.1p (H1 2021: £nil)	**325,063**	–
Nil ordinary shares of £1.00 (H1 2021: 800)	**–**	800
Nil A ordinary shares of £0.10 (H1 2021: 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.

19. 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 FY21 the ESOT purchased 635,504 shares of the Company at a cost of £636, representing 0.2% of issued share capital.

	Number of shares	£
ESOT shares reserve		
Own shares held at 30 September 2021 and 31 March 2022	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 Share Incentive Plan ('SIP'). On the same date, the ordinary shares were acquired by the Employee Share Option Trust ('ESOT') at nominal value.

20. Share-based payments

The Group operates four share plans being the Share Incentive Plan ('SIP'), a Management Incentive Plan ('MIP'), a Deferred Bonus Plan ('DBP') and a Long-Term Incentive Plan ('LTIP'). 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 or Monte Carlo simulation, as 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 period was £2.1m (H1 2021: £3.5m) with a Company charge of £1.0m (H1 2021: £nil). This included associated national insurance ('NI') at 15.1% (H1 2021: 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.

	Six months ended 31 March 2022 £m	**Six months ended 31 March 2021 £m**
Share Incentive Plan ('SIP')	**0.2**	–
A ordinary growth shares award - April 2020	**-**	0.3
Management incentive Plan award - December 2020	**-**	2.5
IPO restricted share awards	**1.9**	–
Deferred bonus plan – October 2021	**0.1**	–
Long term incentive plan – October 2021	**-**	–
Total IFRS 2 charge	**2.2**	2.8
National insurance and apprenticeship levy on applicable schemes	**(0.1)**	0.7
Total charge	**2.1**	3.5

During the period, the Directors in office in total had gains of £nil (H1 2021: £nil) arising on the exercise of share-based incentive awards.

Share Incentive Plan

The Group operates a Share Incentive Plan ('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').

	Six months ended 31 March 2022 number	**Six months ended 31 March 2021 number**
Outstanding at 1 October 2021	576,732	–
Forfeited	(100,155)	–
Outstanding at 31 March 2022	**476,577**	**–**

The total charge in the period, included in operating profit, in relation to these awards was £0.2m (H1 2021: £nil). The Company charge for the period was £nil (H1 2021: £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 million. The 'Exit' requirement is a non-market performance vesting condition and the hurdle amount is considered to be a market-based performance condition.

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.

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.

	Six months ended 31 March 2022 Number
Outstanding and unvested at 1 October 2021 and 31 March 2022	**6,163,600**

The total charge in the period, included in operating profit, in relation to these awards was £nil (H1 2021: £0.3m). The Company charge for the period was £nil (H1 2021: £nil).

Management Incentive Plan

An Executive Director was awarded share options under a management incentive plan ('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.

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 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 participant being awarded ordinary shares. However, 30% of the shares would remain restricted and subject to a service condition (the 'restricted shares').

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.

	Six months ended 31 March 2022 Number
Outstanding and unvested at 1 October 2021 and 31 March 2022	**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 total charge in the period, included in operating profit, in relation to these awards was £nil (H1 2021: £2.5m). The Company charge for the period was £nil (H1 2021: £nil).

IPO restricted share awards

During FY21, 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.

Grant date	Share price at grant date £	Employee contribution per share	Vesting period (years)	Risk-free rate %	Dividend yield %	Volatility %	Fair value per restricted share
22/06/2021	2.62	£0.001	5.0	-	-	-	2.62
22/06/2021	2.62	£0.001	4.0	-	-	-	2.62
10/08/2021	2.59	nil	2.1	-	-	-	2.59

The number of restricted shares outstanding at 31 March 2022 was as follows:

	Six months ended 31 March 2022 Number
Outstanding at 30 September 2021	3,442,858
Forfeited	(38,168)
Outstanding and unvested at 31 March 2022	**3,404,690**

The total charge in the period, included in operating profit, in relation to these awards was £1.9m (H1 2021: £nil). The Company charge for the period was £1.0m (H1 2021: £nil).

Deferred Bonus Plan

The Group operates a Deferred Bonus Plan ('DBP') for the senior leadership team and certain key employees. It is both a cash bonus plan and a discretionary employee share plan under which a proportion of a participant's annual bonus is deferred into an award over shares. Awards under the plan are contingent on the satisfaction of pre-set internal targets relating to financial and operational objectives. A nil cost option will be granted following determination of performance against targets, with 40% of the award vesting immediately, 30% after 1 year and 30% after 2 years. Awards are potentially forfeitable during that period should the employee leave employment.

During the period the Group awarded 1,893,219 nil cost options under the DBP scheme. The fair value of the award was determined to be £1.02, being the average Market Value of a Share over the five business days ending on 31 January 2022.

	Six months ended 31 March 2022 Number
Outstanding at 30 September 2021	-
Options granted in the period	1,893,219
Outstanding at 31 March 2022	**1,893,219**

The total charge in the period, included in operating profit, in relation to these awards was £0.1m (H1 2021: £nil). The Company charge for the period was £nil (H1 2021: £nil).

Long Term Incentive Plan

The Group operates a Long-Term Incentive Plan Award ('LTIP') for the CEO and CFO. The extent to which awards vest will depend upon the satisfaction of the Group's financial and operational performance in the financial year of the award date (the "Performance Conditions").

The LTIP awards are subject to performance conditions based on Adjusted EPS (75% of award) and absolute Total Shareholder Return ("TSR") (25% of award). Awards vest 3 years after grant subject to EPS and Absolute TSR performance conditions, with a two-year post-vesting holding period applying.

On 29 March 2022 the Group awarded 323,472 nil cost options under the LTIP scheme. The fair value for the EPS element of the award at £0.52 was based on the share price at the grant date. The fair value of the TSR element was calculated using a Monte Carlo simulation and has been fixed at £0.106.

	Six months ended 31 March 2022 Number
Outstanding at 30 September 2021	-
Options granted in the period	323,472
Outstanding at 31 March 2022	**323,472**

21. Cash generated from operating activities

	Six months ended 31 March 2022 £m	**Six months ended 31 March 2021 £m**
Cash flows from operating activities		
Profit before taxation for the financial period	**2.7**	14.5
Adjustments for:		
Amortisation of intangible assets (note 11)	**0.9**	0.8
Depreciation of property, plant and equipment (note 12)	**0.3**	0.2
Depreciation of right-of-use assets (note 13)	**0.5**	0.4
Share-based payments (including NI)	**2.1**	3.5
Finance costs	**0.2**	0.1
Increase in inventories	**(2.9)**	(3.0)
Decrease in receivables	**0.5**	0.1
(Decrease)/Increase in payables	**(1.0)**	2.8
Increase in provisions	**0.1**	-
Cash generated from operating activities	**3.4**	19.4

22. Post balance sheet events

There have been no events between the half year-end date and the date of this report which represent a reportable event after the reporting period under IAS 10.