VICTORIAN PLUMBING GROUP PLC

FULL YEAR RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2022

Results ahead of expectations, with H2 revenue growth as the Group demonstrates continued trading momentum and further market share gains, supported by a robust balance sheet

Board proposes maiden ordinary full year dividend of 1.1p and an additional special dividend of 1.7p

Victorian Plumbing Group plc ('Victorian Plumbing', 'the Group'), the UK's leading online specialist bathroom retailer, announces its full year results for the year ended 30 September 2022 ('2022').

	2022	2021	Change
Revenue	**£269.4m**	£268.8m	-%
Gross profit[1]	**£121.0m**	£130.5m	(7%)
Gross profit margin[2]	**45%**	49%	(4ppts)
Adjusted EBITDA[3]	**£19.5m**	£40.1m	(51%)
Adjusted EBITDA margin[4]	**7%**	15%	(8ppts)
Operating profit	**£12.1m**	£20.0m	(40%)
Net cash	**£45.5m**	£32.7m	39%
Adjusted diluted earnings per share[10]	**3.9p**	9.3p	(58%)
Ordinary full year dividend per share	**1.1p**	-	-
Special dividend per share	**1.7p**	-	-

Financial highlights

- H2 revenue up 6% on last year with revenue for the full year broadly flat at £269.4 million (2021: £268.8 million); an increase of 78% when compared to FY19, pre-Covid-19
- Further market share gains establishing Victorian Plumbing's position as the UK's No.1 bathroom retailer[13]
- Gross profit margin increased in H2 to 45% (H1: 44%) with gross profit for the year of £121.0 million (2021: £130.5 million) and a gross profit margin of 45% (2021: 49%)
- Adjusted EBITDA of £19.5 million (2021: £40.1 million) with adjusted EBITDA margin of 7% (2021: 15%)
- Robust, debt-free balance sheet with closing net cash position of £45.5m (2021: £32.7m)
- Free cash flow[11] of £14.3 million (2021: £32.6 million). Operating cash conversion[6] of 73% (2021: 81%)
- The Board proposes a maiden ordinary full year dividend of 1.1p per share and a special dividend of 1.7p per share with a total cash distribution to shareholders of £9.0m

Operational and strategic highlights

- Average order value[8] up 3% to £306 (2021: £297), against a tough market backdrop that saw total orders[7] reduce by 3% to 880,000 (2021: 906,000) with an increase of +2% in H2
- Marketing spend as a percentage of revenue increased to 28% (2021: 26%) reflecting strategic increased investment during H1 FY22 to drive demand as the UK emerged from Covid-19 related lockdown restrictions, resulting in significant market share gains

- Trustpilot rating[9] of ‘Excellent’ with an increased average score of 4.5 (2021: 4.3)
- Further progress in our strategic growth areas of ‘Trade’ and ‘Adjacent categories’:
  - Trade revenue grew 25% to £52.8m (2021: £42.1m), representing 20% of total revenue (2021: 16%). During H1 2022 we also launched our first ever targeted trade radio campaign
  - Increased our range of tiles by 56% and lighting by 53% since September 2021, which has driven an increase in revenue from these categories of 23% in 2022. Planned increase in warehouse space will facilitate further growth in these categories
- Investment in technology platform to drive future growth:
  - Final testing of website re-platform, which will enhance the customer journey
  - Development and testing of new Trade app, to drive engagement and repeat business from Trade customers
- Good progress on securing new warehouse facilities to support efficiency opportunities and future capacity growth

Current Trading and Outlook

- The Group has had a strong start to FY23 with 10% revenue growth to date, whilst maintaining H2 gross profit margin and with lower marketing spend versus the comparative period last year
- We are conscious of the current macroeconomic conditions and will continue to monitor consumer behaviour and tailor our pricing and marketing approach accordingly
- We continue to focus on our long-term goals and are making good progress on all of our strategic growth areas. Underpinned by our market share gains we are confident in the future growth prospects of the Group.

Mark Radcliffe, Founder and Chief Executive Officer of Victorian Plumbing Group plc, said:
“Following a tough first half of the financial year, we have returned to growth in the second half, increasing our market share and establishing our position as the UK’s No.1 bathroom retailer. Our distinctive brand and extensive choice of quality bathroom products – including quality own-brand ranges and an unrivalled suite of third-party options – remain compelling drivers in attracting consumers to Victorian Plumbing, whilst the strength of our supply chain and our strategic investment in inventory means that the majority of our products have high availability.

“As a highly cash generative business with a strong balance sheet and growing momentum through 2022 and into 2023, we see the macro operating and economic environment as an opportunity to further strengthen our market position and we enter the new financial year as the UK’s No. 1 bathroom retailer with confidence and real excitement in our plans for further progress.”

Analyst presentation

A presentation for analysts will be held at 09:00am GMT, Tuesday 6 December 2022. If you wish to attend, please contact FTI Consulting via VictorianPlumbing@fticonsulting.com.

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For further information, please contact:

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About Victorian Plumbing Group

Victorian Plumbing is the UK's leading online specialist bathroom retailer, offering a wide range of over 32,000 products to B2C and Trade customers. Victorian Plumbing offers its customers a one-stop shop solution for the entire bathroom with more than 130 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 550 staff across seven locations in Skelmersdale, Manchester and Birmingham.

Cautionary statement

Summary of performance

	Units	2022	2021	Change
Income statement				
Revenue	£m	269.4	268.8	-%
Gross profit(1)	£m	121.0	130.5	(7%)
Gross profit margin(2)	%	45%	49%	(4ppts)
Adjusted EBITDA(3)	£m	19.5	40.1	(51%)
Adjusted EBITDA margin(4)	%	7%	15%	(8ppts)
Profit before tax	£m	11.8	19.7	(40%)
Earnings per share				
Diluted earnings per share(5)	pence	2.9	4.5	(36%)
Adjusted diluted earnings per share(10)	pence	3.9	9.3	(58%)
Cash flow				
Free cash flow(11)	£m	14.3	32.6	(56%)
Operating cash conversion(6)	**%**	73%	81%	(8ppts)
Net cash and cash equivalents	£m	45.5	32.7	39%
Key performance indicators				
Total orders(7)	‘000	880	906	(3%)
Active customers(12)	‘000	608	638	(5%)
Average order value(8)	£	306	297	3%
Average Trustpilot rating(9)	Score / 5	4.5	4.3	5%
Marketing spend as a % of revenue	%	28%	26%	(2ppts)
Trade revenue as a % of total	%	20%	16%	4ppts

(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 defined as operating profit before depreciation, amortisation, exceptional items and IFRS 2 share-based payments.

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

(5) Diluted EPS has been calculated as per note 9.

(6) Operating cash conversion is free 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 average Trustpilot rating is defined as the monthly average of all ratings made through Trustpilot.

(10) Adjusted diluted earnings per share is defined as adjusted net income divided by the weighted average number of shares for diluted EPS. Adjusted net income is defined as net income before exceptional items and IFRS 2 share-based payment 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 are the number of unique customers who placed an order in the period.

(13) Mintel UK Bathrooms & Bathrooms Accessories Report 2022.

Summary of operating performance

This has been a year of ongoing change in consumer behaviour as the UK moved out of the final stages of restrictions related to Covid-19 into a more normal environment in the second half of the financial year. Since the Spring, consumers have been facing a series of headwinds, in particular, general inflation and energy prices.

Throughout the year, the business has continued to execute on its strategy to ensure that we provide the most extensive and price competitive choice of high-quality bathroom products to UK consumers.

This meant that we returned to revenue growth in the second half of FY22 and secured our position as the No. 1 retailer of bathroom products in the UK. 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.

Revenue was in line with last year at £269.4 million (2021: £268.8 million) reflecting a decrease in total orders of 3% and an increase of 3% in the average order value. Adjusted EBITDA decreased by 51% to £19.5 million (2021: £40.1 million) and adjusted EBITDA margin decreased to 7% (2021: 15%).

Against tougher Covid-19 impacted revenue comparisons, relative performance in H1 of the financial year was impacted by pressures on margin from the higher cost of product and inbound container shipping costs, coupled with a strategic decision to be more proactive in our marketing investment to successfully grow market share.

Our second half performance has shown growing momentum, with a return to revenue growth (+6%) alongside a more normalised marketing spend. Margin improved as we saw some benefit from reduced container shipping rates, alongside careful management of price increases offset partially by a weaker dollar exchange rate. These factors are supporting real momentum for the business going into FY23.

Our strategic focus

Our strategy covers three growth horizons: core B2C, trade and adjacent products.

Our core market is retailing bathroom products and accessories to consumers in the UK through our market leading online platform. The shift to online in consumers' buying behaviour for bathroom products and accessories continues and there is still some way to go before this transition reaches maturity. We are particularly well placed to continue to gain further market share through these structural tailwinds and by taking share from traditional physical retailers and other online competitors, leveraging our market and brand position and our strong balance sheet.

In the medium term there is a potential further opportunity to translate our domestic success into carefully selected international markets.

Our second growth horizon focuses on the B2B opportunity to retail bathroom products and accessories to Trade customers. In the year ended 30 September 2022, 20% (2021:16%) of our revenue came from Trade accounts, compared with an estimated 30-40% of the market. The Victorian Plumbing brand has historically been mainly consumer-focused. By broadening our marketing approach, such as via targeted radio advertising, expanding our focus to provide relevant products to Trade customers and in particular by providing the best platform to browse and order tailored for Trade customers' needs, we believe we can make further meaningful market share 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. We have made good progress in 2022 in expanding these adjacent product ranges. Increasing their prominence on our website will allow consumers to use Victorian Plumbing for everything they need to complete their bathrooms.

Strengthening our competitive position

We have strengthened our position as the UK's largest bathroom specialist and we have continued to strengthen our competitive moat over the past year.

Our investment in marketing has delivered as planned. Consumers continue to respond positively to the bold, distinctive and quirky Victorian Plumbing brand. We complement our creative offline content by investing in increasingly targeted digital performance-based marketing. This ongoing and relentless marketing strategy has led to a brand awareness score of 63% (2021: 64%).

As an e-commerce retailer, we continue to benefit from the ongoing structural shift in consumer buying behaviour from offline to online. Online sales of bathroom products and accessories remains at only 31% 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 3% to 2.67 million on average each month (2021: 2.59 million).

We have retained our bold brand marketing approach in TV, outdoor and radio campaigns. We are confident that the recent work on a new creative campaign, which will launch later in 2022 will further enhance our brand offering and put us firmly front of mind for consumers considering the purchase of a bathroom product.

A one-stop shop for bathroom products and accessories
Offering customers a wide selection of products across a variety of price points ensures that we are the true one-stop solution for bathroom related purchases. As at 30 September 2022, we have increased the number of available products to more than 32,000, from over 130 brands, ensuring there is something available, affordable and suitable for everyone.

Relationships that we have developed over time with well-known third-party brands such as Grohe and Duravit enable us to complement our own brand offerings, which are exclusively available on the Victorian Plumbing website. We have developed over 25 own brands using our in-house development team and these remain popular with customers. In the year to 30 September 2022, 75% of revenue generated (2021: 76%) came from own brand products.

Agile supply chain
Whilst we have not been immune to the widely reported global supply challenges of recent years, the deep and trusted relationships that we have built with our global suppliers over our 20 years of trading, have enabled us to navigate these challenges well and secure sufficient inventory to satisfy customer demand. This, together with our strong balance sheet, has allowed us to be bold when attracting consumers to site, safe in the knowledge that we have available stock to satisfy orders.

Equally, the local experts and partners that we work with on the ground in China ensure that we are always aware of any potential issues that may arise, giving us time to pivot to alternatives as and when needed. This, alongside the work they do on auditing our suppliers' factories, gives us confidence in the availability of products together with their quality and reliability.

Seamless customer journey
Our customers' experience with us throughout their buying journey is of paramount importance to us. We are extremely proud that we continue to be ranked "Excellent" by TrustPilot and have increased our average rating in the year to 4.5 (2021: 4.3) out of 5.

We received a record number of reviews in the year ended 30 September 2022 and have surpassed 175,000 reviews in total to date. The "Excellent" rating we have across this volume of reviews is testament to the work that our colleagues do, whether providing the on-site experience for the customer, speed and efficiency of delivery, quality of product or swift resolution of any customer questions throughout the process.

Development of our technology platform
The systems that drive the performance of the business are primarily bespoke platforms that we continue to improve each year. Our growing technology and infrastructure team help to facilitate this continual development to ensure we remain best in class across e-commerce retail platforms.

There has been significant work over the last 12 months and beyond to completely re-platform our website to improve its functionality and scalability and this is due for launch imminently.

Following the release of the re-platformed website, we will be launching an app that will enable our Trade consumers to browse and purchase products efficiently.

In addition, the technology team have developed more intuitive methods for forecasting our demand and purchasing requirements and also collating additional product information to enhance our offering further.

Entrepreneurial approach
Our entrepreneurial approach and our desire to trial new ideas has played a key part in the success of the business to date.

We will continue to be entrepreneurial, knowing that it gives us a competitive edge, whilst maintaining robust and appropriate monitoring and reporting procedures.

ESG
Taking responsibility is one of our core values, and we are clear that every one of us has a role to play in making a positive difference to the environment and the communities in which we operate.

In our first full year post IPO, we adopted an ESG strategy which is centred around three focus areas: governance and ethics, diversity and inclusion, and environmental sustainability.

Areas that we have made particular progress on during the year include establishment of an employee engagement committee and the roll out of an improved benefits package to employees. We continue to work with suppliers to reduce the levels of plastic packaging and have been working with a third party to provide a baseline assessment of Scope 3 emissions from which we can establish a strategy for moving towards net zero.

Whilst we have made good progress this year against all of these focus areas, we are mindful that we must retain a critical and progressive approach to each.

Our people

The growth that the business has experienced in recent years has only been made possible by the hard work, dedication and ability of the employees that work here. As a Board we are constantly impressed by the way that employees across the business respond to any challenge that comes their way and deal with it in a professional manner with the ultimate view of always finding a solution. We are proud of the values-led, principles-driven culture that is deep-rooted throughout Victorian Plumbing, and it is this culture that underpins our ability to adapt to change in all circumstances.

Over the last 12 months we have placed significant emphasis on listening to feedback from colleagues through many different forums and have worked hard to make our benefits and rewards package one that both attracts and retains the best talent.

The response from our regular employee engagement surveys suggests that the work done to date is having a positive impact and we remain committed to building on the recent good work that has been done to further improve the culture across the business and help fuel our future growth.

We would like to thank our employees, customers, suppliers and other stakeholders for their continued support this year. Whilst we are mindful of the current macroeconomic conditions that consumers are battling against, we remain confident in our ability to continue to execute our strategic plan, underpinned by our strong financial position, to take further market share in the forthcoming year and consolidate our position as the UK’s No.1 bathroom retailer.

Financial review

Whilst navigating many external challenges in the year, we are pleased to report a stronger second half performance, strong operating cash generation and significant market share gains in the year to 30 September 2022.

	2022 £m	2021 £m	Change%
Revenue	**269.4**	**268.8**	**-%**
Cost of sales	(148.4)	(138.3)	(7%)
Gross profit	**121.0**	**130.5**	**(7%)**
Underlying costs	(101.5)	(90.4)	(12%)
Adjusted EBITDA	**19.5**	**40.1**	**(51%)**
Depreciation and amortisation	(3.5)	(3.0)	(17%)
Share-based payments	(3.9)	(7.7)	49%
Exceptional items	–	(9.4)	*n/a*
Operating profit	**12.1**	**20.0**	**(40%)**

Revenue
In 2022, revenue was in line with the previous year at £269.4 million (2021: £268.8 million) through an increase in average order value and a small decrease in the number of total orders.

The shift in consumer buying behaviour towards online channels continues, although the first half started more slowly than the comparative period in 2021 as consumer behaviour changed with the lifting of all UK Covid-19 related lockdown restrictions. In the second half of 2022, those comparative periods in 2021 had already started to normalise and the business has returned to modest growth. The Group continues to capitalise on the opportunity to serve customers through this structural long-term shift and has increased market share again this year. Total orders in the year decreased by 3% to 880,000 (2021: 906,000) and our active customer base decreased by 5% to 608,000 (2021: 638,000).

Average order value ('AOV') increased by 3% to £306 (2021: £297). The majority of this increase resulted from price increases necessary to offset ongoing product and distribution cost inflation. The Group generated 75% of revenue from own brand products in the year (2021: 76%).

Gross profit
Gross profit decreased by 7% to £121.0 million (2021: £130.5 million) and gross profit margin decreased by four percentage points to 45% (2021: 49%), reflecting both a softer demand environment in 2022 but also the ongoing supply chain and product inflation including distribution costs.

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 7% to £148.4 million (2021: £138.3 million) reflecting inflation both in product costs but also freight and distribution costs. 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 and good product availability. Furthermore, the pricing power of the Group, particularly on own brand products, allowed us to increase prices to partially protect gross margin, which increased in the second half of 2022.

Gross margin from own brand products decreased to 50% (2021: 53%), whilst gross margin from third-party products decreased to 31% for the year (2021: 33%).

Underlying costs
Underlying costs, which we define as administrative expenses before depreciation and amortisation, exceptional items and share-based payments, increased by 12% to £101.5 million (2021: £90.4 million).

	2022 £m	2021 £m	Change %
Marketing costs	**76.2**	69.7	(9%)
People costs excluding share-based payments	**16.1**	13.8	(17%)
Property costs	**5.1**	4.1	(24%)
Other overheads	**4.1**	2.8	(46%)
Underlying costs	**101.5**	**90.4**	**(12%)**

Growing our brand awareness and increasing traffic to our site remains a focus for the Group. Marketing costs increased by 9% to £76.2 million (2021: £69.7million), which resulted in an increase in marketing costs as a percentage of revenue to 28% (2021: 26%) and enabled us to take further share in a challenging market.

People costs, excluding share-based payments but including costs relating to agency staff and contractors, increased by 17% to £16.1 million (2021: £13.8 million). This was partly as a result of ongoing pay inflation in the UK but also as a result of an increased number of full-time equivalent employees ('FTEs') across warehouse operations and the technology team. Total FTEs increased by 8% year on year to 572 (2021: 532).

Property costs increased by 24% to £5.1 million (2021: £4.1 million). The majority of this increase was as a result of both the Group increasing its warehouse capacity on a short-term basis and the increased costs of leased warehouse space in general. Other overheads increased by 46% to £4.1 million (2021: £2.8 million) as a result of annualisation of listed company costs and increases due to additional website hosting costs.

Adjusted EBITDA

Significant items of income and expense that do not relate to the trading of the Group are disclosed separately. Share-based payment charges are an example of such items.

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.

	2022 £m	2021 £m	Change %
Operating profit	12.1	20.0	(40%)
Share-based payments (including associated NI)	3.9	7.7	49%
Exceptional items	–	9.4	*n/a*
Adjusted operating profit	**16.0**	**37.1**	**(57%)**
Depreciation and amortisation	3.5	3.0	(17%)
Adjusted EBITDA	**19.5**	**40.1**	**(51%)**

Adjusted EBITDA decreased by 51% to £19.5 million (2021: £40.1 million) and adjusted EBITDA margin decreased by eight percentage points to 7% (2021: 15%).

Exceptional items

Total fees incurred in 2021 of £9.8 million were in relation to the IPO, of which £9.4 million was 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 £3.9 million (2021: £7.7 million). The majority of the charge recognised relates to shares awarded to management on the June 2021 IPO.

Depreciation and amortisation

Depreciation and amortisation increased by £0.5 million to £3.5 million (2021: £3.0 million). The Group continues to invest in its platform and bespoke inventory management systems, with £2.2 million of internal salaries capitalised during the 2022 financial year (2021: £1.2 million). The increased investment over the last two years has resulted in an increase in the amortisation charge.

Operating profit

Operating profit decreased by 40% to £12.1 million (2021: £20.0 million). Operating profit margin decreased by three percentage points to 4% (2021: 7%).

Profit before taxation

Profit before taxation decreased by 40% to £11.8 million (2021: £19.7 million). This decrease results from the operating profit performance while net finance costs remained flat at £0.3 million (2021: £0.3 million).

Interest charged on the Group's lease arrangements under IFRS 16 decreased to £0.2 million (2021: £0.3 million).

In June 2021 the Group signed 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. Interest on the undrawn RCF in the year was £0.1 million (2021: £nil).

Taxation

The Group tax charge of £2.6m (2021: £5.4m) represents an effective tax rate of 22% (2021: 27%) which is higher than the standard rate of UK tax of 19% due to share-based payments. The 2021 rate was higher than the standard rate of tax primarily due to the level of non-deductible exceptional items relating to the IPO.

Earnings per share

Diluted earnings per share ('EPS') from continuing operations, was 2.9 pence per share (2021: 4.5 pence per share).

The adjusted diluted earnings per share from continuing operations decreased by 58% to 3.9 pence per share (2021: 9.3 pence per share). The table shows the effect on the Group's diluted earnings per share of the exceptional items and share-based payments.

	2022 £m	**2021 £m**	**Change %**
Profit for EPS	9.2	14.3	(36%)
Share-based payments (including associated NI)	3.9	7.7	49%
Exceptional items	–	9.4	*n/a*
Tax effect	(0.7)	(1.9)	63%
Adjusted profit for EPS	**12.4**	**29.5**	**(58%)**
Weighted average number of ordinary shares for diluted EPS (millions)	**315.9**	**315.8**	**-%**
Adjusted earnings per share (pence)	**3.9**	**9.3**	**(58%)**

Cash flow and net cash

	2022 £m	**2021 £m**
Adjusted EBITDA	**19.5**	40.1
Movement in working capital	**(1.2)**	(3.2)
Capital expenditure	**(2.9)**	(3.2)
Lease payments – principal	**(0.9)**	(0.8)
Lease payments – interest	**(0.2)**	(0.3)
Free cash flow	**14.3**	32.6
Cash conversion	**73%**	81%

The Group continues to achieve strong cash generation with free cash flow of £14.3 million (2021: £32.6 million), resulting in cash conversion of 73% (2021: 81%). Changes in working capital resulted in a cash outflow of £1.2 million in the year, largely as a result of the decision to further increase our stock holding to minimise the risk of stock-outs, therefore providing a better and more dependable experience for customers. This was partially offset by an increase in payables.

Capital expenditure of £2.9 million (2021: £3.2 million) included £2.2 million of capitalised salaries included in intangible assets relating to development of the Group's platform and bespoke inventory management systems (2021: £1.2 million).

At the year end the Group had net cash of £45.5 million (2021: £32.6 million).

Events after the reporting period

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

Dividend

Victorian Plumbing generates significant operating cashflows and the underlying priority is to reinvest into the business and drive further profitable growth. Recognising that most growth opportunities do not require significant capital other than warehouse optimisation and reflecting confidence in the strength, future growth prospects and cash generation of the business, the Board has decided to implement a dividend policy with an aim to maintain a dividend cover ratio of c. 3.0-3.5x. Additionally, the Board may from time to time conclude that it has surplus cash at which point it will consider further returns to shareholders.

The Board is recommending a full year ordinary dividend of 1.1 pence per share (2021: nil). In addition to this, reflecting the strong year end cash position, the Board considers it appropriate to recommend a special dividend of 1.7 pence per share (2021: nil). This would bring the total dividends to 2.8 pence per share (2021: nil) and a total cash distribution to shareholders of £9.0m, subject to shareholders' approval at the AGM on 2 March 2023. The dividends will be paid on 10 March 2023 to shareholders on the register of members at the close of business on 10 February 2023.

Mark Radcliffe
Chief Executive Officer
6 December 2022

Paul Meehan
Chief Financial Officer
6 December 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2022

	Note	2022 £m	2021 £m
Revenue	4	**269.4**	268.8
Cost of sales		**(148.4)**	(138.3)
Gross profit		**121.0**	130.5
Administrative expenses before separately disclosed items	5	**(105.0)**	(93.4)
Adjusted operating profit		**16.0**	37.1
Separately disclosed items:			
Share-based payments	19	**(3.9)**	(7.7)
Exceptional items	6	**–**	(9.4)
Operating profit	5	**12.1**	20.0
Finance costs		**(0.3)**	(0.3)
Profit before tax		**11.8**	19.7
Income tax expense	7	**(2.6)**	(5.4)
Profit for the year		**9.2**	14.3

Basic earnings per share (pence)	9	**3.3**	5.3
Diluted earnings per share (pence)	9	**2.9**	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

AT 30 SEPTEMBER 2022

	Note	2022 £m	2021 £m
Assets			
Non-current assets			
Intangible assets	10	**3.3**	2.7
Property, plant and equipment	11	**1.4**	1.7
Right-of-use assets	12	**4.5**	5.3
Derivative financial instruments		**0.7**	–
Deferred tax asset		**0.1**	–
		10.0	9.7
Current assets			
Inventories		**33.9**	32.4
Trade and other receivables	13	**5.1**	4.9
Tax recoverable		**–**	1.0
Cash and cash equivalents		**45.5**	32.7
		84.5	71.0
Total assets		**94.5**	80.7
Equity and liabilities			
Equity attributable to the owners of the Company			
Share capital	17	**0.3**	0.3
Share premium		**11.2**	11.2
Capital redemption reserve		**0.1**	0.1
Capital reorganisation reserve		**(320.6)**	(320.6)
Retained earnings		**353.0**	339.8
Total equity		**44.0**	30.8
Liabilities			
Non-current liabilities			
Lease liabilities	15	**4.1**	4.9
Deferred tax liability		**–**	0.1
		4.1	5.0
Current liabilities			
Trade and other payables	14	**37.9**	36.0
Contract liabilities		**7.1**	7.9
Lease liabilities	15	**0.9**	0.9
Provisions		**0.2**	0.1
Corporation tax		**0.3**	–
		46.4	44.9
Total liabilities		**50.5**	49.9
Total equity and liabilities		**94.5**	80.7

The financial statements were approved by the Board of Directors on 6 December 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 YEAR ENDED 30 SEPTEMBER 2022

	Share capital £m	Share premium £m	Capital reorganisation reserve £m	Share-based payment reserve £m	Retained earnings £m	Total equity £m
Balance at 1 October 2020	-	-	-	-	13.0	13.0
Comprehensive income						
Profit for the year	-	-	-	-	14.3	14.3
Transactions with owners						
Employee share schemes – value of employee services (note 19)	-	-	-	-	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	0.3	11.2	(320.6)	0.1	320.2	11.2
Dividends paid on ordinary shares (note 8)	-	-	-	-	(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**
Comprehensive income						
Profit for the year	-	-	-	-	9.2	9.2
Transactions with owners						
Employee share schemes – value of employee services (note 19)	-	-	-	-	3.9	3.9
Tax impact of employee share schemes	-	-	-	-	0.1	0.1
Total transactions with owners recognised directly in equity	-	-	-	-	4.0	4.0
Balance at 30 September 2022	**0.3**	**11.2**	**(320.6)**	**0.1**	**353.0**	**44.0**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2022

	Note	2022 £m	2021 £m
Cash flows from operating activities			
Cash generated from operating activities before exceptional operating items		**18.3**	36.9
Cash outflow from exceptional operating items		**–**	(9.1)
Cash generated from operating activities	20	**18.3**	27.8
Income tax paid		**(1.4)**	(3.4)
Net cash generated from operating activities		**16.9**	24.4
Cash flows from investing activities			
Purchase of intangible assets	10	**(2.6)**	(1.8)
Purchase of property, plant and equipment	11	**(0.3)**	(1.4)
Amounts paid in respect of related party loans		**–**	5.9
Net cash (used in)/generated by investing activities		**(2.9)**	2.7
Cash flows from financing activities			
Dividends paid	8	**–**	(14.9)
Finance arrangement fees	16	**(0.1)**	(0.1)
Proceeds from the issue of shares, net of costs		**–**	11.2
Payment of interest portion of lease liabilities	15	**(0.2)**	(0.3)
Payment of principal portion of lease liabilities	15	**(0.9)**	(0.8)
Net cash used in financing activities		**(1.2)**	(4.9)
Net increase in cash and cash equivalents		**12.8**	22.2
Cash and cash equivalents at the beginning of the year		**32.7**	10.5
Cash and cash equivalents at the end of the year		**45.5**	32.7

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

Basis of preparation

The consolidated financial statements have been prepared in accordance with UK-adopted International Accounting Standards. The consolidated financial statements have been prepared on the going concern basis and on the historical cost convention modified for the revaluation of certain financial instruments.

The financial information set out in this document does not constitute the statutory accounts of the Group for the financial years ended 30 September 2022 or 30 September 2021 but is derived from the 2022 Annual Report and Financial Statements. The Annual Report and Financial Statements for 2022 will be delivered to the Registrar of Companies in due course. The auditors have reported on those accounts and have given an unqualified report, which does not contain a statement under Section 498 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 up to 31 December 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.

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

2. Accounting policies, estimates and judgements

The 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 2022 unless stated below.

Judgements in applying accounting policies and key sources of estimation uncertainty

2a) Significant judgements in applying the entity's accounting policies

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 19) of the consolidated Group financial statements.

On 15 April 2020, 845 ordinary A shares were issued in VIPSO Ltd 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.

2b) Key sources of estimation uncertainty

Refund liability
The refund liability that is recognised within the historical financial information 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.

	2022	2021
Refund liability (£m)	**1.0**	0.9
Revenue (£m)	**269.4**	268.8
Refund liability % average quarterly sales	**1.3%**	1.3%
Impact of increasing the refund rate by 1% of quarterly sales on PBT (£m)	**(0.7)**	(0.7)

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').

	2022	2021
Warranty provision (£m)	**0.2**	0.1
Revenue (£m)	**269.4**	268.8
Warranty provision % average quarterly sales	**0.2%**	0.2%
Impact of increasing the warranty provision by 0.5% of quarterly sales on PBT (£m)	**(0.3)**	(0.3)

2c) Other judgements and estimates

Intangible assets
Intangible assets include capitalised internal salaries and third-party costs for computer software development. The Group capitalises salary costs for product development projects. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalised, management makes assumptions regarding the proportion of time spent by employees on projects, as well as assumptions relating to expected future cash generation of the project and the expected period of benefits.

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.

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.

	2022	**2021**
	£m	**£m**
Operating profit	**12.1**	20.0
Depreciation of property, plant and equipment	**0.6**	0.6
Depreciation of right-of-use assets	**0.9**	0.8
Amortisation	**2.0**	1.6
Exceptional items	**–**	9.4
Share-based payments (including associated NI)	**3.9**	7.7
Adjusted EBITDA	**19.5**	40.1

4. Revenue

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

	2022	**2021**
	£m	**£m**
Online	**267.7**	267.9
Showroom	**1.7**	0.9
	269.4	268.8

All revenue arose within the United Kingdom.

5. Operating profit

Expenses by nature including exceptional items:

	2022	**2021**
	£m	**£m**
Employee costs (excluding share-based payments)	**15.2**	12.6
Share-based payments	**3.9**	7.7
Agency and contractor costs	**0.8**	1.1
Marketing costs	**76.2**	69.7
Property costs	**5.1**	4.1
Computer costs	**1.6**	1.2
Depreciation of property, plant and equipment (note 11)	**0.6**	0.6
Depreciation of right-of-use assets (note 12)	**0.9**	0.9
Amortisation charge (note 10)	**2.0**	1.6
Other costs	**2.6**	11.0
Total administrative expenses	**108.9**	110.5
Share-based payments (note 19)	**(3.9)**	(7.7)
Included within exceptional items (note 6)	**–**	(9.4)
Total administrative expenses before separately disclosed items	**105.0**	93.4

6. Exceptional items

	2022 £m	2021 £m
IPO costs	**–**	**9.4**

IPO costs for the year ended 30 September 2021 relate to costs incurred in respect of the Group's listing on AIM in June 2021.

7. Taxation

	2022 £m	2021 £m
Corporation tax		
Current tax on profits for the year	**3.1**	5.4
Adjustments in respect of previous periods	**(0.3)**	–
Total current tax	**2.8**	5.4
Deferred tax		
Adjustments in respect of previous periods	**(0.1)**	–
Effect of changes in tax rates	**(0.1)**	**–**
Total deferred tax	**(0.2)**	–
Taxation on profit	**2.6**	5.4

Factors affecting tax charge for the year

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:

	2022 £m	2021 £m
Profit on ordinary activities before tax	**11.8**	19.7
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%)	**2.2**	3.7
Effects of:		
Expenses not deductible for tax purposes	**–**	1.4
Share options	**0.8**	0.3
Adjustments to tax charge in respect of prior periods	**(0.4)**	–
Total tax charge for the year	**2.6**	5.4

Taxation on items taken directly to equity was a credit of £0.1m (2021: £0.7m credit) 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.

8. Dividends

	2022 £m	2021 £m
Dividends paid	–	14.9

The Board is recommending a final dividend for the year ended 30 September 2022 of 1.1 pence per share and a special dividend of 1.7 pence per share which is subject to Shareholder approval at the Annual General Meeting on 2 March 2023. If approved by the Shareholders, the dividend will be paid on 10 March 2023 to all shareholders on the Register of Members on 10 February 2023.

9. 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 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 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 2022			
Basic EPS	**275,832,944**	**9.2**	**3.3**
Diluted EPS	**315,898,691**	**9.2**	**2.9**
Year ended 30 September 2021			
Basic EPS	267,781,231	14.3	5.3
Diluted EPS	315,755,339	14.3	4.5

The number of shares in issue at the start of the year is reconciled to the basic and diluted weighted average number of shares below:

	2022	2021
Weighted average number of shares for basic EPS	**275,832,944**	267,781,231
Dilutive impact of unvested shares in relation to share awards	**40,065,747**	47,970,764
Impact of ordinary shares held in ESOT	**–**	3,344
Weighted average number of shares for diluted EPS	**315,898,691**	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 EPS')
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).

	2022 **£m**	**2021** **£m**
Profit for the year	**9.2**	14.3
Exceptional items	**–**	9.4
Share-based payments	**3.9**	7.7
Tax effect	**(0.7)**	(1.9)
Total adjusted profit for the year	**12.4**	29.5
Adjusted basic earnings per share (pence)	**4.5**	11.0
Adjusted diluted earnings per share (pence)	**3.9**	9.3

10. Intangible assets

	Computer software **£m**
Cost	
At 30 September 2020	5.7
Additions	1.8
At 30 September 2021	7.5
Additions	**2.6**
At 30 September 2022	**10.1**
Accumulated amortisation	
At 30 September 2020	3.2
Charge for the year	1.6
At 30 September 2021	4.8
Charge for the year	**2.0**
At 30 September 2022	**6.8**
Net book value	
At 30 September 2020	2.5
At 30 September 2021	2.7
At 30 September 2022	**3.3**

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 £2.2 million in the year ended 30 September 2022 (2021: £1.2 million) for development of computer software.

For the year to 30 September 2022, the amortisation charge of £2.0 million (2021: £1.6 million) has been charged to administrative expenses in the income statement.

11. 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	0.1	0.7	0.2	0.5	1.5
At 30 September 2021	0.1	1.4	1.2	1.4	4.1
Additions	**–**	**0.1**	**–**	**0.2**	**0.3**
Disposals	**–**	**(0.1)**	**(0.4)**	**(0.1)**	**(0.6)**
At 30 September 2022	**0.1**	**1.4**	**0.8**	**1.5**	**3.8**
Accumulated depreciation					
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
Charge for the year	–	**0.2**	**0.1**	**0.3**	**0.6**
Disposals	–	**(0.1)**	**(0.4)**	**(0.1)**	**(0.6)**
At 30 September 2022	**–**	**0.8**	**0.7**	**0.9**	**2.4**
Net book value					
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
At 30 September 2022	**0.1**	**0.6**	**0.1**	**0.6**	**1.4**

12. Right-of-use assets

	Right-of-use assets £m
Cost	
At 30 September 2020	8.1
Additions	0.6
Modifications	(0.4)
Disposals	(0.1)
At 30 September 2021	8.2
Modifications	**0.1**
At 30 September 2022	**8.3**
Accumulated depreciation	
At 30 September 2020	2.1
Charge for the year	0.9
On disposals	(0.1)
At 30 September 2021	2.9
Charge for the year	**0.9**
At 30 September 2022	**3.8**
Net book value	
At 30 September 2020	6.0
At 30 September 2021	5.3
At 30 September 2022	**4.5**

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.

13. Trade and other receivables

	2022 £m	2021 £m
Trade receivables	**2.0**	2.3
Right-of-return asset	**0.3**	0.3
Accrued income	**1.3**	0.9
Prepayments	**1.5**	1.4
	5.1	4.9

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, and other receivables expected credit losses have been reviewed by management and have been determined to have an immaterial impact on these balances.

14. Trade and other payables

	2022 £m	2021 £m
Trade payables	**26.2**	23.5
Other taxation and social security	**6.9**	8.8
Refund liability	**0.8**	0.9
Other payables	**1.2**	1.2
Accruals	**2.8**	1.6
	37.9	36.0

15. Lease liabilities

	Lease liability £m
At 30 September 2020	6.4
Additions	0.6
Modifications	(0.4)
Interest expense	0.3
Lease payment	(1.1)
At 30 September 2021	5.8
Modifications	**0.1**
Interest expense	**0.2**
Lease payment	**(1.1)**
At 30 September 2022	**5.0**

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 £1.1 million (2021: £1.1 million). The Group also had non-cash additions to right-of-use assets and lease liabilities of £nil (2021: £0.6 million).

Lease liabilities as at 30 September were classified as follows:

	2022 £m	2021 £m
Current	**0.9**	0.9
Non-current	**4.1**	4.9
Total	**5.0**	5.8

16. Borrowings

	2022 £m	2021 £m
Amounts drawn under revolving credit facility	**–**	–
Unamortised debt issue costs	**(0.1)**	(0.1)
	(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 30 September 2021 the Group had not utilised the RCF.

Unamortised debt issue costs of £0.1 million (2021: £0.1 million) are included in prepayments (note 13).

17. Share capital

	2022 £m	2021 £m
Allotted, called up and fully paid		
325,062,985 ordinary shares of 0.1p	**0.3**	0.3

18. Own shares held

The Employee Share Option Trust purchases shares to fund the Share Incentive Plan. At 30 September 2022, the trust held 635,504 (2021: 635,504) ordinary shares with a book value of £636 (2021: £636). The market value of these shares as at 30 September 2022 was £0.2 million (2021: £1.6 million).

	Number of shares	£
ESOT shares reserve		
Own shares held at 30 September 2022 and 30 September 2021	635,504	636

19. Share-based payments

The Group operates four share plans being the Share Incentive Plan ('SIP'), a Deferred Bonus Plan ('DBP'), a Long-Term Incentive Plan ('LTIP') and a Sharesave scheme (SAYE). 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. Monte Carlo or Black-Scholes pricing models have been used where appropriate to calculate the fair value of share-based incentives with market conditions.

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 £3.9m (2021: £7.7m) with a Company charge of £1.8m (2021: £0.7m). This included associated national insurance ('NI') at 15.1% (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.

	2022 £m	**2021 £m**
Share Incentive Plan ('SIP')	**0.2**	0.1
A ordinary growth shares award - April 2020	**–**	0.4
Management incentive Plan award (MIP) - December 2020	**–**	4.4
IPO restricted share awards	**3.4**	1.6
Deferred bonus plan – February 2022	**0.3**	–
Long term incentive plan – March 2022	**–**	–
Sharesave scheme – March 2022	**–**	–
Total IFRS 2 charge	**3.9**	6.5
National insurance and apprenticeship levy on applicable schemes	**–**	1.2
Total charge	**3.9**	7.7

During the year, the Directors in office in total had gains of £nil (2021: £5.9m) arising on the exercise of share-based incentive awards.

Share Incentive Plan (SIP)

The Group operates a Share Incentive Plan 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.

	2022 number	**2021 number**
Outstanding at 1 October	**576,732**	–
Shares awarded	**–**	635,504
Forfeited	**(149,758)**	(58,772)
Outstanding at 30 September	**426,974**	**576,732**

The total charge in the year, included in operating profit, in relation to these awards was £0.2m (2021: £0.1m). The Company charge for the year was £nil (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.

	2022 Number	2021 Number
Outstanding at 1 October 2021/6 May 2021 (incorporation)	**6,163,600**	–
Restricted shares awarded on share-for-share exchange	**–**	7,222,969
Vested	**(616,360)**	(1,059,369)
Outstanding and unvested at 30 September 2022	**5,547,240**	6,163,600

The total charge in the year, included in operating profit, in relation to these awards was £nil (2021: £0.4 million). The Company charge for the year was £nil (2021: £nil). The restricted share awards outstanding at 30 September 2022 have a weighted average remaining vesting period of 2.8 years.

Management Incentive Plan (MIP)

An Executive Director was awarded share options under a management incentive plan 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 of the steps relating to the reorganisation were executed, the participant of the MIP had exchanged its eight ordinary shares and none 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.

	2022 Number	2021 Number
Outstanding at 1 October 2021/6 May 2021 (incorporation)	**965,984**	–
Restricted shares awarded on share-for-share exchange	–	3,219,948
Vested	**(289,795)**	(2,253,964)
Outstanding and unvested at 30 September 2022	**676,189**	965,984

The market value per ordinary share for the restricted shares awarded under the MIP that vested in the year was £0.58. The restricted share awards outstanding under the MIP at 30 September 2022 have a weighted average remaining vesting period of 1.3 years.

The total charge in the year, included in operating profit, in relation to these awards was £nil (2021: £4.4m). The Company charge for the year was £nil (2021: £0.1m).

IPO restricted share awards

The Chairman and certain members of Key Management have been 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 30 September 2022 was as follows:

	2022 Number	2021 Number
Outstanding at 1 October 2021/6 May 2021 (incorporation)	**3,442,858**	–
Awarded	**208,334**	3,651,522
Forfeited	**(38,168)**	–
Vested	**(569,477)**	(208,664)
Outstanding and unvested at 30 September 2022	**3,043,547**	3,442,858

The market value per ordinary share for restricted shares that vested in the year was £0.58. The IPO restricted share awards outstanding at 30 September 2022 have a weighted average remaining vesting period of 2.3 years.

The total charge in the year, included in operating profit, in relation to these awards was £3.4m (2021: £1.6m). The Company charge for the year was £1.8m (2021: £0.6m).

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 year the Group made awards over 1,893,219 ordinary shares under the DBP scheme, subject to the satisfaction of certain performance criteria to be determined by the Remuneration Committee. 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.

	2022 Number
Outstanding at 30 September 2021	**–**
Options granted in the year	**1,893,219**
Outstanding at 30 September 2022	**1,893,219**

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

	2022 Number
Outstanding at 30 September 2021	**–**
Options granted in the year	**323,472**
Outstanding at 30 September 2022	**323,472**

The total charge in the year, included in operating profit, in relation to these awards was £nil (2021: £nil). The Company charge for the period was £30k (2021: £nil).

Sharesave scheme

The Group operates a Sharesave ('SAYE') scheme for all employees under which employees are granted an option to purchase ordinary shares in the Company at up to 20% less than the market price at invitation, in three years' time, dependent on their entering into a contract to make monthly contributions into a savings account over the relevant period. Options are granted and are linked to a savings contract with a term of three years. These funds are used to fund the option exercise. No performance criteria are applied to the exercise of Sharesave options. The assumptions used in the measurement of the fair value at grant date of the Sharesave plan are as follows:

Grant date	Share price at grant date £	Exercise price £	Expected volatility %	Option life years	Risk-free rate %	Dividend yield %	Non-vesting condition %	Fair value per option
30/03/2022	0.51	0.57	67	3.17	1.42	0	0	0.22

Expected volatility is estimated by considering the historical 3.17 year volatility of the FTSE AIM retailers.

	2022 Number of share options	2022 Weighted average exercise price £
Outstanding at 1 October 2021	–	–
Options granted in the year	443,747	0.57
Options lapsed in the year	–	–
Outstanding at 30 September 2022	**443,747**	**0.57**
Exercisable at 30 September 2022	**–**	**–**

The total charge in the year, included in operating profit, in relation to these awards was £16k (2021: £nil). The Company charge for the period was £nil (2021: £nil).

20. Cash generated from operating activities

	2022 £m	2021 £m
Cash flows from operating activities		
Profit before taxation for the financial year	**11.8**	19.7
Adjustments for:		
Amortisation of intangible assets (note 10)	**2.0**	1.6
Depreciation of property, plant and equipment (note 11)	**0.6**	0.6
Depreciation of right-of-use assets (note 12)	**0.9**	0.9
Share-based payments	**3.9**	7.7
Fair value profit on financial derivatives	**(0.7)**	–
Finance costs	**0.3**	0.3
Increase in inventories	**(1.5)**	(9.4)
Increase in receivables	**(0.2)**	(0.8)
Increase in payables	**1.1**	7.3
Increase/(Decrease) in provisions	**0.1**	(0.1)
Cash generated from operating activities	**18.3**	27.8

21. Post balance sheet events

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