



VICTORIAN PLUMBING GROUP PLC

HALF YEAR RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2023

Further trading momentum and market share gains; strong cash generation and robust balance sheet

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 2023 ('H1 2023').

	H1 2023	H1 2022	Change
Revenue	£146.8m	£133.9m	10%
Gross profit ⁽¹⁾	£66.8m	£58.5m	14%
Gross profit margin ⁽²⁾	46%	44%	2%pts
Adjusted EBITDA ⁽³⁾	£9.9m	£6.7m	48%
Adjusted EBITDA margin ⁽⁴⁾	7%	5%	2%pts
Operating profit	£5.5m	£2.9m	90%
Adjusted diluted EPS ⁽⁵⁾	1.9p	1.2p	58%
Statutory diluted EPS	1.3p	0.6p	117%
Interim dividend	0.45p	Nil	0.45p
Net cash	£40.9m	£33.7m	21%

Financial highlights

- Strong H1 revenue, up 10% year-on-year to £146.8m (H1 2022: £133.9m)
- Improved gross profit⁽¹⁾ up 14% year-on-year to £66.8m; gross profit margin⁽²⁾ increased 2ppts to 46% (H1 2022: 44%)
- Adjusted EBITDA⁽³⁾ increased by 48% year-on-year to £9.9m (H1 2022: £6.7m); adjusted EBITDA margin⁽⁴⁾ increased 2ppts to 7% (H1 2022: 5%)
- Net cash £40.9m (H1 2022: £33.7m, FY 2022: £45.5m), reflecting strong cash conversion and the payment of £9.1m of dividends in H1 2023 (H1 2022: £nil)
- Adjusted diluted EPS⁽⁵⁾ of 1.9 pence per share (H1 2022: 1.2 pence per share), reflecting a 58% increase
- Interim dividend of 0.45p per share declared (H1 2022: £nil)

Operational and strategic highlights

- Total orders⁽⁸⁾ for the six months ended 31 March 2023 was 482,000, a 6% increase on last year (H1 2022: 453,000) and a 13% increase on H2 2022 (at 427,000), reflecting further market share gains, with the Group having become the UK's number one bathroom retailer in FY 2022⁽¹²⁾
- Average order value⁽¹⁰⁾ for the first half was up 3% to £305 (H1 2022: £296)
- Marketing spend as a % of revenue for the six months has reduced from 30% to 28% reflecting favourable market dynamics
- Customer satisfaction increased with an average Trustpilot TrustScore⁽¹¹⁾ of 'Excellent' at 4.5 (H1 2022: 4.4)

Investing in operational capacity:

- Signed a 20-year lease for a new, 544,000 square foot, purpose-built UK distribution centre in Lancashire, close to our existing locations; on track to open in the second half of next year
- This will support the Group's strategic expansion and will enable consolidation of a number of the Group's existing sites, although some existing facilities will be retained to enable further adjacent category expansion

Investing in technology:

- Website re-platform completed in December 2022 without any issues or down time, enabling further improvement to the customer journey through H2
- Continued development and testing of our new Trade app, to enhance efficiency and engagement for Trade ahead of a wider roll out later in the year

Progressing growth opportunities in 'Trade' and 'Adjacent categories':

- Trade revenue for H1 2023 grew by 20% to £29.6m (H1 2022: £24.6m), representing 20% of total revenue (H1 2022: 18%)
- Combined adjacent category revenues (Tiles and Lighting) increased in H1 2023 by 54% to £3.7m (H1 2022: £2.4m)

Current trading and outlook

Consumer demand in April and the early part of May remained robust, with order volume led growth and continued increase in our market share. Gross margin continues to improve as the tailwinds from shipping and foreign exchange movements begin to cycle through.

We remain mindful that our customers still face a series of inflation related headwinds, however, with our resilient trading and market-leading proposition we remain confident in delivering expectations for the full year.

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

"Momentum from our strong delivery in the latter part of FY22 has built into the first half of this financial year. We have further increased our market share, building on our position as the UK's No. 1 bathroom retailer, through our strategy and unique business model, which have remained constant since IPO. We are proud of our investment in a wide range of products, knowing customer choice is ever more important when considered against cost-of-living pressures. We continue to offer good product availability, underpinned by careful inventory management.

"Our new UK distribution centre will represent another key milestone and, together with on-going investment in technology, this will enable further growth in the core bathroom category as well as strategic expansion in adjacent categories.

"Victorian Plumbing's robust business momentum, high cash generation and strong balance sheet supports the announcement of our first interim dividend."

Analyst and investor webinar

A webinar for analysts and investors will be held today, 23 May 2023, at 08.30am 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 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.

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 2023	H1 2022	Change
Income statement				
Revenue	£m	146.8	133.9	10%
Gross profit ⁽¹⁾	£m	66.8	58.5	14%
Gross profit margin ⁽²⁾	%	46%	44%	2%pts
Adjusted EBITDA ⁽³⁾	£m	9.9	6.7	48%
Adjusted EBITDA margin ⁽⁴⁾	%	7%	5%	2%pts
Profit before tax	£m	5.6	2.7	107%
Earnings per share				
Adjusted diluted EPS ⁽⁵⁾	pence	1.9	1.2	58%
Statutory diluted EPS	pence	1.3	0.6	117%
Cash flow				
Free cash flow ⁽⁶⁾	£m	6.5	1.4	364%
Operating cash conversion ⁽⁷⁾	%	66%	21%	45%pts
Net cash and cash equivalents	£m	40.9	33.7	21%
Key performance indicators				
Total orders ⁽⁸⁾	'000	482	453	6%
Active customers ⁽⁹⁾	'000	352	339	4%
Average order value ⁽¹⁰⁾	£	305	296	3%
TrustPilot TrustScore ⁽¹¹⁾	/5	4.5	4.4	2%
Marketing spend as a % of revenue	%	28%	30%	(2%pts)
Trade revenue as a % of total	%	20%	18%	2%pts

(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 8. Adjusted diluted EPS 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.

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

(7) Operating cash conversion is free cash flow as a percentage of adjusted EBITDA.

- (8) Total orders is defined as the total number of orders dispatched to customers in the period.
- (9) Active customers are the number of unique customers who placed an order in the period.
- (10) Average order value ('AOV') is defined as revenue divided by total orders in the period.
- (11) The average Trustpilot rating is defined as the monthly average of all ratings made through Trustpilot.
- (12) Mintel UK Bathrooms & Bathrooms Accessories Report 2022.
- (13) Internally conducted research.

Summary of operating performance for the six months ended 31 March 2023

Revenue of £146.8m for H1 2023 was up by 10% (H1 2022: £133.9m) driven by both increased total orders (up 6%) and increased AOV (up 3%) across both Consumer and Trade, with 7% and 20% growth respectively during the six-month period.

Our unrivalled SKU range and strong availability of product continues to be attractive to our customers and positively sets us apart from the competition. Adjusted EBITDA increased to £9.9m (H1 2022: £6.7m) and adjusted EBITDA margin increased to 7% (H1 2022: 5%).

Sales of our own branded product range, which attract higher margins, increased by 1ppt to 76% (H1 2022: 75%). This has been driving continued improvement in gross profit, which improved by 2ppts to 46% (H1 2022: 44%). In addition, reduced shipping costs and favourable foreign exchange rates have also improved gross margin.

Through H1 2023 we invested in a new and bold creative brand campaign, 'Boss Your Bathroom' which was well received by consumers and is reflected in Victorian Plumbing's brand awareness increasing to 64%⁽¹³⁾ (H1 2022: 63%), against a backdrop of declines amongst the competition. Despite this incremental investment in our brand, our overall digital performance-based marketing spend decreased on the equivalent half year by 2ppts to 28% of revenue (H1 2022: 30%) and we continue to successfully grow our market share.

Active customers, defined as the number of unique customers who placed an order in the period, increased by 4% to 352,000 (H1 2022: 339,000) with conversion improvement also leading to increased total orders of 6% following the successful re-platforming of our website in December 2022. SimilarWeb data indicates that our share of visits across the total competitor set was 38% with our nearest competitor at just 18%.

Whilst concerns remain over the volatile macroeconomic environment and its potential impact on consumers, our resilient trading and market-leading proposition supports our confidence in our ability to deliver our strategy in the long term and meet expectations.

Our strategic focus

Our strategy remains unchanged from IPO and covers three growth horizons: core B2C, Trade and adjacent products.

1. Core B2C

Our core market is retailing bathroom products and accessories to consumers in the UK through our market-leading online platform. As an e-commerce retailer, we continue to benefit from the ongoing structural shift in consumer buying behaviour from offline to online and there is still some way to go before this transition reaches maturity. Online sales of bathroom products and accessories remains at only 31% of the total UK market according to Mintel. We expect our addressable market across all categories to grow even further in the coming years.

We are particularly well placed to continue to gain further market share through these structural tailwinds and by taking share from traditional offline physical retailers, as well as other online competitors, leveraging our market and brand position and our strong balance sheet. The successful re-platforming of our website will enable the business to capture further market share in both our core and adjacent markets.

In the medium term, and once we have captured more of the existing UK addressable market, there is a potential further opportunity to translate our domestic success into carefully selected international markets.

2. Trade

Our second growth horizon focuses on the B2B opportunity to retail bathroom products and accessories to Trade customers. In the first half, 20% (H1 2022: 18%) 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, expanding our focus to provide relevant products to Trade customers, and 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.

We are also working with a select cohort of trusted Trade customers in a proof-of-concept phase to develop our Trade app ahead of a wider roll out later in the year. This exciting new offering should improve tradespeople's purchasing experiences and help drive more profitable growth.

3. Adjacent products

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 continue to make good progress in pursuing this growth horizon, and in H1 FY23 we expanded these adjacent product ranges with revenue growth at 52% for tiles and 70% for lighting. Increasing the prominence of adjacent product ranges on our website before the end of the year, following the successful re-platforming, will allow consumers to use Victorian Plumbing for everything they need to furnish their bathrooms.

Supply chain normalisation

Whilst we have not been immune to the widely reported global supply challenges of recent years, the deep and trusted relationships 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 across a broad range to satisfy customer demand. This supply chain advantage, 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 who we work with on the ground in China ensure that we are always aware of any potential supply 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 maintaining quality and reliability.

New UK distribution centre

Our new 20-year leased, 544,000 square foot, UK distribution centre in Leyland, Lancashire, which is due to become operational in the second half of FY24, will create space and capacity for growth in line with our longer-term strategy. We anticipate spending c.£26m of capex, including £7m in this financial year and the remaining £19m in the first half of FY24. Associated allowable tax deductions will save c.£6m of Corporation Tax, spread as £2m in this financial year and the remaining £4m in FY24. After a period of double running, which covers the period of operational transition, we anticipate no additional pre-tax cash outflow for rental expense. The move away from short-term leases to a longer term-lease will result in some re-categorisation in the income statement due to IFRS 16 lease accounting.

Seamless customer journey

Our customers' experience with Victorian Plumbing 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 (H1 2022: 4.4) out of 5.

Development of our proprietary technology platform

The systems that drive the performance of the business are primarily bespoke platforms that we continue to invest in, innovate and 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.

We successfully completed the website re-platforming to improve its functionality and scalability in December 2022 and are now working to develop an improved front end website, to deliver enhanced search functionality, better product categorisation and other features that will improve customer conversion and deliver growth.

Our focus has also moved to the launch of an app that will enable our Trade consumers to browse and purchase products efficiently. We are working with several of our trusted Trade consumers in a proof-of-concept phase ahead of a wider roll out later in the year.

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: environmental sustainability, diversity & inclusion, and governance & ethics.

Our new UK distribution centre will enable us to build on the successes we have made in recent years – in particular with respect to our environmental sustainability as we look to offer more electric vehicle charging for employee travel to work and assess the potential for solar panels to generate our own energy needs. 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. We also anticipate that recommendations from our in-year Phase 3 ESOS audit will help us to drive improvements to our environmental sustainability.

Other ESG areas that we have made progress on during the first half include the hiring of HR and data protection specific roles and the establishment of a charity committee that recognises the importance we have to play in the local communities in which we operate, as well as the roll out of further flexibility and enhancements to the benefits packages available to our employees.

Our people

As a Board, we continue to be impressed by the commitment and capability of our employees – collectively, their innovation and hard work have been the driving force behind the growth and success experienced by the Group over recent years. 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 and respond positively to challenges.

Over the last 24 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 progress to further improve our people experience and help fuel our future growth. Employee engagement targets now feature as part of the Executive management incentive targets for FY 2023.

We would like to thank our employees, customers, suppliers and other stakeholders for their continued support. Whilst we are mindful of the current macroeconomic conditions that our customers 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 and consolidate our position as the UK's No.1 bathroom retailer.

Financial review

The performance of the Group continued to be strong through H1 2023 with continuing momentum in both profit and cash generation.

	H1 2023	H1 2022	Change %
	£m	£m	
Revenue	146.8	133.9	10%
Cost of sales	(80.0)	(75.4)	(6%)
Gross profit	66.8	58.5	14%
Underlying costs	(56.9)	(51.8)	(10%)
Adjusted EBITDA	9.9	6.7	48%
Depreciation and amortisation	(1.8)	(1.7)	(6%)
Interest	0.1	(0.2)	150%
Adjusted PBT	8.2	4.8	71%
Share-based payments	(2.2)	(2.1)	5%
Exceptional items	(0.4)	-	n.m
Statutory PBT	5.6	2.7	107%

Revenue

In the six months to 31 March 2023, revenue was up 10% on the previous year at £146.8m (H1 2022: £133.9m) as consumer demand for our products remains robust.

Total orders in the period increased by 6% to 482,000 (H1 2022: 453,000) and average order value increased by 3% to £305 (H1 2022: £296). Order increases indicate further market share gains reflective of our unrelenting approach to online marketing and a continued shift towards consumers buying from online channels. AOV increase is a result of continued price increases, albeit the growth has been at a slower rate than in previous periods as supplier inflationary dynamics have normalised and we are conscious of the impact of cost-of-living pressures on the consumer.

Consumer channel revenue represented 80% (H1 2022: 82%) of overall revenue and grew by 7% vs. a 9% decline in the first half of the last financial year. Trade channel revenue represented 20% (H1 2022: 18%) of overall revenue and grew by 20% vs. 18% in the first half of the last financial year.

Gross profit and gross profit margins

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 (which include mark to market movements on forward currency contractual arrangements in line with our treasury policy).

The strength of the Group's supplier relationships and the agility of our team ensured continued robust sourcing processes and good product availability. Furthermore, the pricing power of the Group, particularly on own brand products, allowed us to increase prices throughout H1 albeit at a slower rate compared to previous years considering the challenging consumer demand dynamic.

Gross profit increased by 14% to £66.8m (H1 2022: £58.5m) and gross profit margin improved by 2ppts from 44% to 46%. This improvement was due to reduced shipping costs and a stabilisation of product related costs together with improving foreign exchange rates.

Gross margin from own brand products increased to 51% (H1 2022: 49%), whilst gross margin from third-party products remained stable at 29%.

Underlying costs

Underlying costs, which we define as administrative expenses before depreciation and amortisation, exceptional items and share-based payments, increased by 10% to £56.9m (H1 2022: £51.8m).

	H1 2023	H1 2022	Change %
	£m	£m	
Marketing costs	41.7	40.2	(4%)
People costs excluding share-based payments	9.4	8.0	(18%)
Property costs and other overheads	5.8	3.6	(61%)
Underlying costs	56.9	51.8	(10%)

Growing our brand awareness and increasing traffic to our site remains a focus for the Group. Marketing costs increased by 4% to £41.7m (H1 2022: £40.2m). Marketing costs as a percentage of revenue reduced from 30% to 28% reflective of our improving brand awareness and less competitive pressure. External indicators and order volume growth across all product categories suggest that we continue to take market share because of our unrelenting approach to marketing.

People costs, excluding share-based payments but including costs relating to agency staff, increased by 18% to £9.4m (H1 2022: £8.0m). This is slightly higher than anticipated owing to continuing inflationary pressures, and our commitment to attracting and retaining talent.

Property costs and other overheads increased by 61% to £5.8m (H1 2022: £3.6m). The majority of this increase was as a result of the Group increasing its warehouse capacity on a more expensive short-term basis to support the growth of the business, together with some annualisation of plc related roles hired during the previous financial year.

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.

	H1 2023	H1 2022	Change %
	£m	£m	
Operating profit	5.5	2.9	90%
Share-based payments	2.2	2.1	5%
Exceptional items	0.4	-	n.m
Adjusted operating profit	8.1	5.0	62%
Depreciation and amortisation	1.8	1.7	6%
Adjusted EBITDA	9.9	6.7	48%

Adjusted EBITDA increased by 48% to £9.9m (H1 2022: £6.7m) and adjusted EBITDA margin increased by 2ppts to 7% (H1 2022: 5%).

Exceptional items

Total expenses incurred in H1 2023 of £0.4m related to legal and other costs associated with acquiring the lease on new warehouse premises during the period.

Share-based payments

The Group incurred share-based payment charges (including associated NI) of £2.2m (H1 2022: £2.1m). Share-based payment charges for the period include £1.3m (H1 2022: £1.8m) for schemes relating to the Group's IPO in June 2021, along with £0.9m (H1 2022: £0.3m) for ongoing schemes put in place post IPO.

Depreciation and amortisation

Depreciation and amortisation increased marginally by £0.1m to £1.8m (H1 2022: £1.7m). The Group continues to invest in its platform and bespoke inventory management systems, with £1.3m capitalised during H1 2023 (H1 2022: £1.3m).

Finance income

Finance income of £0.1m during the period compares to a finance expense of £0.2m in H1 2022 due to cash being placed on deposit to take advantage of recent interest rate rises.

Taxation

The Group tax charge of £1.4m (H1 2022: £0.7m) represents an effective tax rate of 25% (H1 2022: 25%) which is higher than the standard rate of UK tax of 22% for the period due to share-based payments and non-deductible exceptional costs.

Earnings per share

Diluted earnings per share ('EPS') from continuing operations was 1.3 pence per share (H1 2022: 0.6 pence per share).

The adjusted diluted EPS from continuing operations was 1.9 pence per share (H1 2022: 1.2 pence per share). The table shows the effect on the Group's diluted EPS of the exceptional items and share-based payments (net of tax).

	H1 2023	H1 2022	Change %
	£m	£m	
Profit for EPS	4.2	2.0	110%
Exceptional items	0.4	-	<i>n.m</i>
Share-based payments (including associated NI)	2.2	2.1	5%
Tax effect	(0.5)	(0.4)	25%
Adjusted profit for EPS	6.3	3.7	70%
Weighted average number of ordinary shares for diluted EPS (millions)	323.0	321.2	1%
Adjusted diluted EPS (pence)	1.9	1.2	58%

Cash flow and net cash

	H1 2023	H1 2022
	£m	£m
Adjusted EBITDA	9.9	6.7
Movement in working capital	(1.3)	(3.2)
Capital expenditure	(1.5)	(1.5)
Lease payments – principal	(0.5)	(0.5)
Lease payments – interest	(0.1)	(0.1)
Free cash flow	6.5	1.4
Operating cash conversion	66%	21%

Changes in working capital resulted in a cash outflow of £1.3m (H1 2022: £3.2m). This year-on-year improvement reflects effective stock management. Given the nature of our stock we continue to incur low levels of obsolescence and our proprietary knowledge over two decades of trading benefits us in low levels of returns and damages.

Capital expenditure of £1.5m (H1 2022: £1.5m) included £1.2m (H1 2022: £1.1m) of capitalised salaries relating to development of the Group's platform and bespoke inventory management systems.

At the period end the Group had net cash of £40.9m (H1 2022: £33.7m).

Events after the reporting period

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

Dividend

Victorian Plumbing has a robust balance sheet, generates significant operating cashflow 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 Group's ongoing strength, future growth prospects and cash generation, the Board implemented a dividend policy with an aim to maintain a dividend cover ratio of c. 3.0-3.5x in December 2022. The policy includes the consideration that 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 has declared an interim dividend of 0.45 pence per share (H1 2022: nil) which is a total cash distribution to shareholders of £1.5m. The dividend will be paid on 7 July 2023 to shareholders on the register of members at the close of business on 9 June 2023.

Mark Radcliffe

Chief Executive Officer

23 May 2023

Daniel Barton

Chief Financial Officer

23 May 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 MARCH 2023

	Note	Six months to 31 March 2023 £m	Six months to 31 March 2022 £m	Year to 30 September 2022 £m
Revenue		146.8	133.9	269.4
Cost of sales		(80.0)	(75.4)	(148.4)
Gross profit		66.8	58.5	121.0
Administrative expenses before separately disclosed items	4	(58.7)	(53.9)	(105.0)
Other operating income		-	0.4	-
Adjusted operating profit		8.1	5.0	16.0
<i>Separately disclosed items:</i>				
Share-based payments		(2.2)	(2.1)	(3.9)
Exceptional items	5	(0.4)	-	-
Operating profit		5.5	2.9	12.1
Finance costs		(0.1)	(0.2)	(0.3)
Finance income		0.2	-	-
Profit before tax		5.6	2.7	11.8
Income tax expense	6	(1.4)	(0.7)	(2.6)
Profit for the period		4.2	2.0	9.2
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Basic earnings per share (pence)	8	1.5	0.7	3.3
Diluted earnings per share (pence)	8	1.3	0.6	2.9
Adjusted basic earnings per share (pence)	8	2.2	1.4	4.5
Adjusted diluted earnings per share (pence)	8	1.9	1.2	3.9

All amounts relate to continuing operations.

There are no items to be recognised in the statement of other 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 2023

	Note	Six months to 31 March 2023 £m	Six months to 31 March 2022 £m	Year to 30 September 2022 £m
Assets				
Non-current assets				
Intangible assets	9	3.5	3.1	3.3
Property, plant and equipment	10	1.3	1.6	1.4
Right-of-use assets	11	4.1	4.9	4.5
Derivative financial instruments		-	-	0.7
Deferred tax asset		0.3	-	0.1
		9.2	9.6	10.0
Current assets				
Inventories		36.0	35.3	33.9
Trade and other receivables	12	5.2	4.4	5.1
Tax recoverable		0.2	0.5	-
Cash and cash equivalents		40.9	33.7	45.5
		82.3	73.9	84.5
Total assets		91.5	83.5	94.5
Equity and liabilities				
Equity attributable to the owners of the Company				
Share capital	16	0.3	0.3	0.3
Share premium		11.2	11.2	11.2
Deferred share capital		0.1	0.1	0.1
Capital reorganisation reserve		(320.6)	(320.6)	(320.6)
Retained earnings		350.3	344.0	353.0
Total equity		41.3	35.0	44.0
Liabilities				
Non-current liabilities				
Lease liabilities	14	3.8	4.5	4.1
Derivative financial instruments		0.1	-	-
Deferred taxation liability		-	0.1	-
		3.9	4.6	4.1
Current liabilities				
Trade and other payables	13	39.2	36.7	37.9
Contract liabilities		6.2	6.1	7.1
Lease liabilities	14	0.7	0.9	0.9
Provisions		0.2	0.2	0.2
Corporation tax		-	-	0.3
		46.3	43.9	46.4
Total liabilities		50.2	48.5	50.5
Total equity and liabilities		91.5	83.5	94.5

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 MARCH 2023

	Share capital £m	Share premium £m	Capital reorganisation reserve £m	Deferred share capital £m	Retained earnings £m	Total equity £m
Balance at 1 October 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	-	-	-	-	2.2	2.2
Total transactions with owners recognised directly in equity	-	-	-	-	2.2	2.2
Balance at 31 March 2022	0.3	11.2	(320.6)	0.1	344.00	35.0
Comprehensive income						
Profit for the period	-	-	-	-	7.2	7.2
Transactions with owners						
Employee share schemes – value of employee services	-	-	-	-	1.7	1.7
Tax impact of employee share schemes	-	-	-	-	0.1	0.1
Total transactions with owners recognised directly in equity	-	-	-	-	1.8	1.8
Balance at 30 September 2022	0.3	11.2	(320.6)	0.1	353.0	44.0
Comprehensive income						
Profit for the period	-	-	-	-	4.2	4.2
Transactions with owners						
Dividends paid	-	-	-	-	(9.1)	(9.1)
Employee share schemes – value of employee services	-	-	-	-	2.2	2.2
Total transactions with owners recognised directly in equity	-	-	-	-	(6.9)	(6.9)
Balance at 31 March 2023	0.3	11.2	(320.6)	0.1	350.3	41.3

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 MARCH 2023

	Note	Six months to 31 March 2023 £m	Six months to 31 March 2022 £m	Year to 30 September 2022 £m
Cash flows from operating activities				
Cash generated from operating activities before exceptional operating items	19	8.6	3.5	18.3
Cash outflow from exceptional operating items		(0.1)	(0.1)	-
Cash generated from operating activities		8.5	3.4	18.3
Income tax paid		(2.1)	(0.2)	(1.4)
Net cash generated from operating activities		6.4	3.2	16.9
Cash flows from investing activities				
Purchase of intangible assets		(1.3)	(1.3)	(2.6)
Purchase of property, plant and equipment		(0.2)	(0.2)	(0.3)
Net cash (used in)/generated by investing activities		(1.5)	(1.5)	(2.9)
Cash flows from financing activities				
Dividends paid		(9.1)	-	-
Finance arrangement fees		-	(0.1)	(0.1)
Finance income		0.2	-	-
Payment of interest portion of lease liabilities		(0.1)	(0.1)	(0.2)
Payment of principal portion of lease liabilities		(0.5)	(0.5)	(0.9)
Net cash used in financing activities		(9.5)	(0.7)	(1.2)
Net (decrease)/increase in cash and cash equivalents		(4.6)	1.0	12.8
Cash and cash equivalents at the beginning of the period		45.5	32.7	32.7
Cash and cash equivalents at the end of the period		40.9	33.7	45.5

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 23 May 2023, and have been prepared as at, and for the six months ended, 31 March 2023. The comparative financial information presented has been prepared as at, and for the six months ended, 31 March 2022.

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 2023 are neither audited nor reviewed by the Company's auditors. The consolidated financial statements of the Group as at, and for the year ended, 30 September 2022 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 2022, which were prepared in accordance with International Financial Reporting Standards (IFRSs) in conformity with the requirements of the Companies Act 2006.

Going concern

After making appropriate enquiries, the directors have a reasonable expectation that the Group has adequate resources, in light of the level of cash generation, to continue in operational existence for at least twelve months from the date of approval of the condensed consolidated interim financial information. For this reason, they have adopted the going concern basis in preparing this condensed consolidated interim financial information.

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 2022.

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 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 is a non-GAAP measure 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 2023 £m	Six months to 31 March 2022 £m
Operating profit	5.5	2.9
Amortisation	1.1	0.9
Depreciation of property, plant and equipment	0.3	0.3
Depreciation of right-of-use assets	0.4	0.5
Exceptional items	0.4	-
Share-based payments (including associated NI)	2.2	2.1
Adjusted EBITDA	9.9	6.7

4. Operating profit

Expenses by nature including exceptional items:

	Six months to 31 March 2023 £m	Six months to 31 March 2022 £m
Employee costs (excluding share-based payments)	8.7	7.5
Agency and contractor costs	0.7	0.5
Marketing costs	41.7	40.2
Property costs	3.1	2.5
Share-based payments (including associated NI)	2.2	2.1
Depreciation of property, plant and equipment	0.3	0.3
Depreciation of right-of-use assets	0.4	0.5
Amortisation charge	1.1	0.9
Gain on foreign exchange	-	(0.2)
Other costs	3.1	1.7
Total administrative expenses	61.3	56.0
Share-based payments	(2.2)	(2.1)
Included within exceptional items	(0.4)	-
Total administrative expenses before separately disclosed items	58.7	53.9

5. Exceptional items

	Six months to 31 March 2023 £m	Six months to 31 March 2022 £m
Warehouse transformation costs	0.4	-

Warehouse transformation costs relate to legal and other costs associated with entering into a 20-year lease for a new, 544,000 square foot, purpose-built UK distribution centre in Lancashire.

6. Taxation

	Six months to 31 March 2023 £m	Six months to 31 March 2022 £m
Corporation tax		
Current tax on profits for the period	1.2	0.7
Total current tax	1.2	0.7
Deferred tax		
Origination and reversal of timing differences	0.2	-
Total deferred tax	0.2	-
Taxation on profit	1.4	0.7

Factors affecting tax charge for the period

The tax assessed for the period is higher (2022: higher) than the standard rate of corporation tax in the UK of 22% (2022: 19%). The differences are explained below:

	Six months to 31 March 2023 £m	Six months to 31 March 2022 £m
Profit before tax	5.6	2.7
Profit multiplied by the blended standard rate of corporation tax for the full year in the UK of 22% (2022: 19%)	1.2	0.5
Effects of:		
Expenses not deductible for tax purposes	0.1	-
Share options	0.1	0.2
Total tax charge for the period	1.4	0.7

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.

7. Dividends

	Six months to 31 March 2023 Pence per share	Six months to 31 March 2022 Pence per share
Final ordinary dividend recognised as distributions in the period	1.10	-
Final special dividend recognised as distributions in the period	1.80	-
Total dividends paid in the period	2.90	-
Interim dividend declared	0.45	-

	Six months to 31 March 2023 £m	Six months to 31 March 2022 £m
Final ordinary dividend recognised as distributions in the period	3.6	-
Final special dividend recognised as distributions in the period	5.5	-
Total dividends paid in the period	9.1	-
Interim dividend declared	1.5	-

The Board has approved an interim dividend of 0.45 pence per share (H1 2022: £nil) which is a total cash distribution of £1.5m and will be paid out of the Company's available distributable reserves on 7 July 2023, to shareholders on the register of members at 9 June 2023. In accordance with IAS 1, dividends are recorded only when paid and are shown as a movement in equity rather than as a charge to the Income Statement.

8. 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 weighted average number of ordinary shares 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 2023			
Basic EPS	282,060,246	4.2	1.5
Diluted EPS	322,972,802	4.2	1.3
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 2022			
Basic EPS	275,832,944	9.2	3.3
Diluted EPS	315,898,691	9.2	2.9

	Weighted average number of shares
Weighted average number of shares for basic EPS	282,060,246
Dilutive impact of unvested shares in relation to restricted share awards	40,912,556
Weighted average number of shares for diluted EPS	322,972,802

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 2023 £m	Six months to 31 March 2022 £m
Profit for the period	4.2	2.0
Exceptional items	0.4	-
Share-based payments	2.2	2.1
Tax effect	(0.5)	(0.4)
Total adjusted profit for the period	6.3	3.7
Adjusted basic earnings per share (pence)	2.2	1.4
Adjusted diluted earnings per share (pence)	1.9	1.2

9. Intangible assets

	Computer software £m
Cost	
At 30 September 2021	7.5
Additions	1.3
At 31 March 2022	8.8
Additions	1.3
At 30 September 2022	10.1
Additions	1.3
At 31 March 2023	11.4
Accumulated amortisation	
At 30 September 2021	4.8
Charge for the period	0.9
At 31 March 2022	5.7
Charge for the period	1.1
At 30 September 2022	6.8
Charge for the period	1.1
At 31 March 2023	7.9
Net book value	
At 30 September 2021	2.7
At 31 March 2022	3.1
At 31 March 2023	3.5

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 £1.2m in the six months ended 31 March 2023 (H1 2022: £1.1m) for development of computer software.

For the six-month period to 31 March 2023, the amortisation charge of £1.1m (H1 2022: £0.9m) has been charged to administrative expenses in the income statement.

10. Property, plant and equipment

	Leasehold improvements £m	Plant and machinery £m	Fixtures and fittings £m	Office equipment £m	Total £m
Cost					
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
Additions	–	–	–	0.1	0.1
Disposals	–	(0.1)	(0.4)	(0.1)	(0.6)
At 30 September 2022	0.1	1.4	0.8	1.5	3.8
Additions	–	0.1	–	0.1	0.2
At 31 March 2023	0.1	1.5	0.8	1.6	4.0
Accumulated depreciation					
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
Charge for the period	–	0.1	–	0.2	0.3
Disposals	–	(0.1)	(0.4)	(0.1)	(0.6)
At 30 September 2022	–	0.8	0.7	0.9	2.4
Charge for the period	–	0.1	0.1	0.1	0.3
At 31 March 2023	–	0.9	0.8	1.0	2.7
Net book value					
At 30 September 2021	0.1	0.7	0.2	0.7	1.7
At 31 March 2022	0.1	0.7	0.1	0.7	1.6
At 31 March 2023	0.1	0.6	-	0.6	1.3

11. Right-of-use assets

	Right-of-use assets £m
Cost	
At 30 September 2021	8.2
Modifications	0.1
At 31 March 2022 and 30 September 2022	8.3
At 31 March 2023	8.3
Accumulated depreciation	
At 30 September 2021	2.9
Charge for the period	0.5
At 31 March 2022	3.4
Charge for the period	0.4
At 30 September 2022	3.8
Charge for the period	0.4
At 31 March 2023	4.2
Net book value	
At 30 September 2021	5.3
At 31 March 2022	4.9
At 31 March 2023	4.1

The right of use asset and lease for the new 544,000 sq. ft UK distribution centre in Lancashire will be recognised on the date of Practical Completion.

12. Trade and other receivables

	Six months ended 31 March 2023 £m	Six months ended 31 March 2022 £m
Trade receivables	2.0	2.2
Right-of-return asset	0.4	0.3
Accrued income	0.9	0.8
Prepayments	1.9	1.1
	5.2	4.4

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

13. Trade and other payables

	Six months ended 31 March 2023 £m	Six months ended 31 March 2022 £m
Trade payables	25.2	25.2
Other taxation and social security	8.3	7.0
Refund liability	1.1	0.8
Other payables	1.3	1.1
Accruals	3.3	2.6
	39.2	36.7

14. Lease liabilities

	Lease liability £m
At 30 September 2021	5.8
Modifications	0.1
Interest expense	0.1
Lease payment	(0.6)
At 31 March 2022	5.4
Interest expense	0.1
Lease payment	(0.5)
At 30 September 2022	5.0
Interest expense	0.1
Lease payment	(0.6)
At 31 March 2023	4.5

The Group had total cash outflows for leases of £0.6m (H1 2022: £0.6m).

Lease liabilities as at 31 March were classified as follows:

	Six months ended 31 March 2023 £m	Six months ended 31 March 2022 £m
Current	0.7	0.9
Non-current	3.8	4.5
Total	4.5	5.4

The right of use asset and lease for the new 544,000 sq. ft UK distribution centre in Lancashire will be recognised on the date of Practical Completion.

15. Borrowings

	Six months ended 31 March 2023 £m	Six months ended 31 March 2022 £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 £10m 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 2023 the Group had not utilised the RCF.

Unamortised debt issue costs of £0.1m (H1 2022: £0.1m) are included in prepayments.

16. Ordinary share capital

	Six months ended 31 March 2023 £	Six months ended 31 March 2022 £
Allotted, called up and fully paid		
325,227,984 ordinary shares of 0.1p	325,228	325,063
	325,228	325,063

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.

17. Own shares held

The Employee Share Option Trust purchases shares to fund the Share Incentive Plan. At 31 March 2023, the trust held 635,504 (H1 2022: 635,504) ordinary shares with a book value of £636 (H1 2022: £636). The market value of these shares as at 31 March 2023 was £0.5m (H1 2022: £0.3m).

	Number of shares	£
ESOT shares reserve		
Own shares held at 30 September 2022 and 31 March 2023	635,504	636

18. Share-based payments

The Group operates four share plans being the Share Incentive Plan ('SIP'), a Sharesave scheme ('SAYE'), 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 £2.2m (H1 2022: £2.1m). This included associated national insurance ('NI') at 13.8% (H1 2022: 15.1%), 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 2023	Six months ended 31 March 2022
	£m	£m
Share Incentive Plan ('SIP')	0.1	0.2
Sharesave schemes	-	-
Deferred bonus plans	0.5	0.1
Long term incentive plans	0.1	-
IPO restricted share awards	1.2	1.9
Total IFRS 2 charge	1.9	2.2
National insurance and apprenticeship levy on applicable schemes	0.3	(0.1)
Total charge	2.2	2.1

19. Cash generated from operating activities

Cash flows from operating activities	Six months	Six months
	ended 31	ended 31
	March 2023	March 2022
	£m	£m
Profit before taxation for the financial period	5.6	2.7
Adjustments for:		
Amortisation of intangible assets	1.1	0.9
Depreciation of property, plant and equipment	0.3	0.3
Depreciation of right-of-use assets	0.4	0.5
Exceptional costs	0.4	-
Share-based payments (including NI)	2.2	2.1
Net finance expense	(0.1)	0.2
Adjusted EBITDA	9.9	6.7
Fair value profit on financial derivatives	0.8	(0.1)
Increase in inventories	(2.1)	(2.9)
(Increase)/decrease in receivables	(0.1)	0.6
Decrease in payables	0.1	(0.9)
Increase in provisions	-	0.1
Cash generated from operating activities before exceptional operating items	8.6	3.5

Free cash flows	Six months	Six months
	ended 31	ended 31
	March 2023	March 2022
	£m	£m
Cash generated from operating activities before exceptional operating items	8.6	3.5
Repayment of lease liabilities	(0.6)	(0.6)
Purchase of intangible assets	(1.3)	(1.3)
Purchase of property, plant and equipment	(0.2)	(0.2)
Free cash flows	6.5	1.4
Cash conversion	66%	21%

20. 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.