VICTORIAN PLUMBING GROUP PLC

HALF YEAR RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2024

Further profitable growth in market share despite a subdued trading environment, whilst investing for a transformational year.

Victorian Plumbing Group plc ("Victorian Plumbing", the "Group"), the UK's leading bathroom retailer(1), announces its half year results for the six months ended 31 March 2024 ("H1 2024").

	H1 2024	H1 2023	Change
Revenue	**£144.6m**	£146.8m	(1%)
Gross profit(2)	**£72.3m**	£66.8m	8%
Gross profit margin(3)	**50%**	46%	4%pts
Adjusted EBITDA(4)	**£13.2m**	£9.9m	33%
Adjusted EBITDA margin(5)	**9%**	7%	2%pts
Operating profit	**£7.0m**	£5.5m	27%
Adjusted PBT(6)	**£11.5m**	£8.2m	40%
Adjusted PBT margin(7)	**8%**	6%	2%pts
Operating cash conversion(8)	**65%**	66%	(1%pt)
Net cash	**£36.1m**	£40.9m	(12%)
Adjusted diluted earnings per share(9)	**2.7p**	1.9p	42%
Interim dividend	**0.52p**	0.45p	16%

Financial highlights

- Resilient H1 2024 revenue down 1% to £144.6m (H1 2023: £146.8m) or flat on a like-for-like ("LFL") basis(10) when adjusting for the impact of Easter timing.
- Gross profit up 8% to £72.3m (H1 2023: £66.8m); gross profit margin increased 4%pts to 50% (H1 2023: 46%), representing the highest gross margin since listing in 2021, underpinned by own brand sales.
- Gross profit margin improvement drove a 33% increase in adjusted EBITDA to £13.2m (H1 2023: £9.9m); adjusted EBITDA margin increased 2%pts to 9% (H1 2023: 7%).
- Adjusted PBT increased 40% to £11.5m (H1 2023: £8.2m); adjusted PBT margin increased 2%pts to 8% (H1 2023: 6%).
- Operating cash conversion remained robust at 65% (H1 2023: 66%), with free cash flow(11) up 32% to £8.6m (H1 2023: £6.5m).
- Net cash (excluding IFRS 16) of £36.1m (H1 2023: £40.9m, FY 2023: £46.4m), reflecting strong operating cash conversion, offset by dividend payment (£3.1m) and warehouse transformation spend (£15.2m).
- Adjusted diluted EPS of 2.7p (H1 2023: 1.9p), reflecting a 42% increase.
- Interim dividend of 0.52p per share (H1 2023: 0.45p per share), reflecting a 16% increase, in line with capital allocation policy.

Operational and strategic highlights

- Total orders[12] increased 2% to 494,000 (H1 2023: 482,000) reflecting continued market share gains in a subdued trading environment[13].
- Customers continue to purchase proportionately more of our own brand products, reducing average order value ("AOV")[14] by 4% to £293 (H1 2023: £305); own brand products represented 79% of total revenue (H1 2023: 77%), which is supportive to gross margin.
- Further progress in strategic growth areas of 'trade' and 'expansion categories':
    - Trade revenue increased 9% to £32.3m (H1 2023: £29.6m) and now represents 22% of total revenue (H1 2023: 20%).
    - Expansion category revenue for tiles, lighting and décor increased 19% to £5.6m (H1 2023: £4.7m).
- Lower shipping costs and a shift to own brand products have contributed to improved gross margins.
- Marketing spend as a % of revenue broadly unchanged at 29%.
- Customer satisfaction increased with an average Trustpilot score[15] of 4.6 (H1 2023: 4.5, FY 2023: 4.5), whilst maintaining a Trustpilot rating of 'Excellent'.
- Fit-out of our new 544,000 square feet purpose-built distribution centre in Leyland, Lancashire (the "DC") is on time and within budget, with the DC set to be fully operational before the end of the financial year.

Investment in people, brand and technology:

- Bolstered our dedicated Trade team during H1 2024, helping us to attract new trade customers and to drive further growth in trade revenue.
- Our first foray into sports sponsorship, together with continued investment in brand across TV and outdoor advertising, has helped increase brand awareness[16].
- Ongoing development of our app will enhance efficiency and engagement for both trade customers and consumers.

Acquisition of Victoria Plum

As announced, the Group acquired Victoria Plum on 17 May 2024 for £22.5m on a cash free, debt free basis, subject to adjustment for normalised working capital (the "Acquisition"). The purchase price represents c.0.5x Victoria Plum's estimated annual revenue and reflects the significant strategic value of the Victoria Plum brand and associated intellectual property.

For the six months ended 31 March 2024, unaudited management accounts indicate that Victoria Plum held c.£10m of stock at provisional book value, cash of c.£3m, deposits with suppliers of c.£2m and tangible fixed assets of c.£1m.

Current trading and outlook

As customers continue to seek value, demand for 'big ticket' discretionary items is unchanged. The Group has continued to take market share organically; LFL revenue in April and the early part of May 2024 has been in line with H1 2024 trends, with order volume growth offset by lower AOVs.

The decline in AOV has shown early signs of levelling off, indicative of a slowdown in the shift by consumers to buy more of our own brand product range. Additionally, comparative shipping cost tailwinds have diminished over recent weeks, with both factors stabilising gross margin.

Looking forward, the Group will benefit from revenue growth as a result of further market share gains from the acquisition of Victoria Plum, albeit tempered by a continuation of recent trading trends in the market. While the ongoing Victoria Plum cost reduction programme is finalised, losses from the business will have a marginal impact on Group profitability in H2 2024, therefore adjusted EBITDA in FY 2024 is expected to be broadly in line with current consensus. The Acquisition is expected to be EPS accretive from FY 2025. Net cash (excluding IFRS 16) at the full year is expected to be in the range of £5m to £7m, reflecting the impact of the Acquisition and investment in the DC.

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

"I am pleased with the Group's performance in the first half, having increased profitability and consolidated our leading position as the UK's number one bathroom retailer. At the same time, we have embarked upon a year of transformational change with significant investment in our people, technology and operations.

"Our new distribution centre, once operational, will remove space constraints, enabling us to deliver on our strategic plans in expansion categories and our trade proposition. Moreover, the recent acquisition of Victoria Plum represents another exciting strategic milestone and provides a unique opportunity to accelerate our growth.

"Continued investment in our brand, epitomised by our three-year partnership with Bolton Wanderers Football Club, alongside our unrelenting approach to online marketing and an ever-improving customer experience, provides strong foundations for the future.

"This robust first half performance, our unchanged momentum into the rest of the year and the exciting developments scheduled for H2 2024, gives the Board confidence in our profitable growth strategy as we continue to deliver long-term value for all stakeholders."

Analyst and investor webinar

A webinar for analysts and investors will be held today, 28 May 2024, at 09.00am BST. If you wish to join the webinar, please contact FTI Consulting via: VictorianPlumbing@fticonsulting.com.

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About Victorian Plumbing

Victorian Plumbing is the UK's leading bathroom retailer, offering a wide range of over 44,000 products to B2C and trade customers. Now, through either the Victorian Plumbing or Victoria Plum brand offerings, customers can access a one-stop shop solution for the entire bathroom with more than 140 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 to drive significant and growing traffic to its platforms.

Headquartered in Skelmersdale, the Group employs over 700 people across nine other locations, including sites in Leyland, Doncaster, Manchester and Birmingham.

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 2024**	H1 2023	Change
Income statement				
Revenue	£m	**144.6**	146.8	(1%)
Gross profit	£m	**72.3**	66.8	8%
Gross profit margin	%	**50%**	46%	4%pts
Adjusted EBITDA	£m	**13.2**	9.9	33%
Adjusted EBITDA margin	%	**9%**	7%	2%pts
Profit before tax	£m	**5.9**	5.6	5%
Adjusted PBT	£m	**11.5**	8.2	40%
Adjusted PBT margin	%	**8%**	6%	2%pts
Earnings per share				
Adjusted diluted EPS	pence	**2.7**	1.9	42%
Statutory diluted EPS	pence	**1.4**	1.3	8%
Interim dividend per share	pence	**0.52**	0.45	16%
Cash flow				
Free cash flow	£m	**8.6**	6.5	32%
Operating cash conversion	%	**65%**	66%	(1%pt)
Net cash and cash equivalents	£m	**36.1**	40.9	(12%)
Key performance indicators				
Total orders	‘000	**494**	482	2%
Active customers[17]	‘000	**357**	352	1%
Average order value	£	**293**	305	(4%)
Average Trustpilot score	/ 5.0	**4.6**	4.5	N/A
Marketing spend as a % of revenue	%	**29%**	28%	1%pt
Trade revenue as a % of total revenue	%	**22%**	20%	2%pts
Own brand as a % of total revenue	%	**79%**	77%	2%pts

(1) Mintel (2023) *Bathrooms & Bathrooms Accessories UK*.

(2) 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 (which include mark to market movements on forward currency contractual arrangements in line with the Group's treasury policy).

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

(4) Adjusted earnings before interest, tax, depreciation and amortisation ("EBITDA") is defined as operating profit before depreciation, amortisation, exceptional items and IFRS 2 share-based payments (including associated National Insurance ("NI")).

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

(6) Adjusted profit before tax ("PBT") is defined as adjusted EBITDA less finance costs/(income), depreciation and amortisation.

(7) Adjusted PBT margin is defined as adjusted PBT as a percentage of revenue.

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

(9) Adjusted diluted earnings per share ("EPS") is defined as total adjusted profit after tax for the period divided by the total issued share capital. Total adjusted profit after tax for the period is defined as profit for the period before exceptional items and IFRS 2 share-based payments and after adjusting for the tax impact of those items.

(10) LFL adjustments are made to enable a meaningful and balanced comparison of metrics, eliminating distortion that has otherwise been caused by factors varying between the comparator time periods.

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

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

(13) Construction Products Association (April 2024) *Spring Forecasts*.

(14) AOV is defined as revenue divided by total orders in the period.

(15) The average Trustpilot score is defined as the monthly average of all scores on Trustpilot.

(16) YouGov *UK Awareness Score*, calculated as the monthly average of scores during the relevant period.

(17) Active customers are the number of unique customers who placed an order in the period.

CEO Statement

Overview

The business has continued to deliver on its strategy to grow profitably, achieving order growth of 2% and taking further market share against an unchanged 'Repair, Maintenance and Improvement' ("RMI") macroeconomic backdrop. Order growth has been offset by AOV decline of 4% as the mix of sales has shifted to the Group's higher margin own brand range. The consumer continues to choose Victorian Plumbing as the UK's number one bathroom retailer as a result of our fair pricing, unrivalled high quality product range, excellent availability and service. Order levels have increased beyond the highs achieved during the Covid period, and our Trustpilot rating has remained 'Excellent' while delivering this continued growth.

The continuation of a steady shift to own brand products, and the benefit arising from it, has supported the continued improvement in profitability through H1 2024, with a 1% decline in revenue achieving strong adjusted EBITDA growth. I am pleased our commitment to provide the most extensive choice of high quality bathroom products and the best customer experience continues to result in a successful and sustainable financial performance, irrespective of wider market conditions.

Summary of performance

Outperforming the wider RMI market, we reported broadly flat revenue of £144.6m (H1 2023: £146.8m) adjusting for Easter impacts, reflecting an increase in total orders of 2% and a decline in AOV of 4%.

This outcome, together with continued tailwinds from a reduction in shipping costs, resulted in gross profit increasing 8% to £72.3m (H1 2023: £66.8m), and gross margin improvement of 4%pts to 50% (H1 2023: 46%). Marketing costs as a % of revenue were broadly unchanged at 29.5% (H1 2023: 28.4%), with online marketing spend flat on an absolute basis and a £0.9m increase in brand spend. People, property and other underlying costs grew by 9% to £16.5m, driven predominantly by the April 2023 National Living Wage increase of 10%.

Adjusted EBITDA increased 33% to £13.2m (H1 2023: £9.9m) and adjusted EBITDA margin increased to 9% (H1 2023: 7%). Operating profit increased 27% to £7.0m (H1 2023: £5.5m); a financial performance that is testament to the resilience of our business model and competitive advantage, and which underpins our confidence in delivering short, medium and long-term profitable growth.

Our strategic focus

We continue to leverage our leading market and brand position and our strong cash generation to deliver on our clear strategic objectives, which remain unchanged and focus on three growth horizons: core B2C, expansion categories and trade.

Our core growth horizon is retailing bathroom products and accessories to consumers in the UK through our market leading online platform. Consumers are continuing to shift online to purchase bathroom products and accessories and there is still a considerable way to go before this transition reaches maturity. We are particularly well placed to continue to gain further market share in the short-term through these structural tailwinds and by taking share from traditional physical retailers, omni-channel players and other online competitors.

Following the successful re-platforming of our website in December 2022, we further enhanced the front end in June 2023 to improve the buying journey around our expansion categories. More recently, we have launched 'product detail pages' that better showcase the different options and specifications available to purchase within a selected range, and the search functionality has been developed to incorporate the latest advances in AI.

Our second horizon focuses on expansion categories. 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 a consumer's buying journey, such as tiles, lighting and décor, and kitchens. We were very pleased to see our expansion category revenue increase by 19% to £5.6m (H1 2023: £4.7m), despite the space constraints that we continue to operate within prior to the new DC being operational.

Finally, our third growth horizon focuses on the B2B opportunity to retail bathroom products and accessories to trade customers. During H1 2024, our trade revenue grew 9% to £32.3m (H1 2023: 29.6m), representing 22% (H1 2023: 20%) of our total revenue, compared with an estimated 50:50 split across the wider market(18). Whilst we primarily target smaller independent traders, the Victorian Plumbing brand has historically been consumer focused and so we believe we can make meaningful market share gains in this area by broadening our marketing approach, such as via targeted radio advertising, expanding the range of relevant products we offer to trade customers and by continually improving the platforms so that they are more tailored to suit trade customers' needs. The soft launch of the Victorian Plumbing app in October 2023 further enhances our proposition in this regard and, along with the investment into our dedicated Trade team during H1 2024, means we are well placed to attract trade customers and drive further growth in trade revenue.

Strengthening our competitive position

We have retained our position as the UK's leading bathroom retailer, we have continued to strengthen our competitive moat and we have improved the customer journey through innovative technology improvement and category expansion.

Our continued investment in marketing enhances brand awareness and supports customer acquisition, as consumers continue to respond positively to the bold and distinctive Victorian Plumbing brand. Our three-year partnership with Bolton Wanderers Football Club as its title and front of shirt sponsor further improves our brand awareness, not least given the recent run to the 2024 English Football League One Play Off Final at Wembley, as well as positioning us as a prominent employer in the North West.

We also complement our creative offline content by investing in increasingly targeted digital performance-based marketing. This ongoing and relentless marketing strategy, together with our bold marketing campaign to 'Boss Your Bathroom', has maintained our strong brand awareness score of 61% (H1 2023: 60%).

As an online retailer, we continue to benefit from the ongoing structural shift in consumer buying behaviour from offline to online. Online sales represented c.27% of total retail sales in 2023(19), and we expect our addressable market to grow even further in the coming years.

(18) Euromonitor International (2022) *State of the Industry Presentation*.

(19) Office for National Statistics (2023) *Internet sales as a percentage of total retail sales (ratio) (%)*.

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 shop solution when considering a bathroom-related purchase. At 31 March 2024, we stocked more than 34,000 products from over 130 brands, ensuring there is something available, affordable and suitable for everyone. No other UK bathroom retailer can match this breadth of product offer.

The relationships that we have developed over time with well-known third party brands 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 product development team, and these are increasingly popular with customers. In the period, 79% of revenue generated (H1 2023: 77%) came from own brand product ranges, including Stonehouse Studio, our in-house tile range. This unique own brand proposition alongside established well-known third party brands helps to ensure that profitability is maintained irrespective of wider market conditions and is testament to the resilience of the business model.

Agile supply chain

Geopolitical tensions have resulted in shipping costs starting to increase. However, by leveraging the positive working relationships we have with our shipping partners, as well as those built with our global suppliers over 20 years of trading, we have avoided supply chain disruption – also evidencing the benefit of scale we have achieved in recent years.

We also now work closely with tile, lighting and décor manufacturers, many of whom are based in Southern Europe, to expand this category at margins that are closely aligned with the existing Group margin.

Seamless customer journey

We are extremely proud that we continue to be rated 'Excellent' by Trustpilot and have improved our average score in the period to 4.6 out of 5.0 (H1 2023: 4.5).

We received a record number of reviews via Trustpilot during the period and have now surpassed 220,000 reviews in total, the highest of any specialist bathroom retailer on the site. The 'Excellent' rating we have across this volume of reviews is testament to the work that our colleagues do, whether that's in providing the buying experience for our customers, the speed and efficiency of delivery, quality of product or the swift resolution of any customer questions.

Development of technology platform

Our growing Technology Development and Infrastructure teams work hard to facilitate the continual development of our bespoke technology platforms to ensure we remain best in class across online retail.

There has been significant work over the last 18 months and beyond to completely re-platform our website to improve its functionality and scalability, introduce a newly designed structure to give prominence to our expansion categories, enhance our search functionality to include AI features and introduce other developments, such as improved courier software to enhance the customer experience. These targeted developments have supported an improvement in user conversion of 0.6%pts to 3.4% in H1 2024 (H1 2024: 2.8%).

The Victorian Plumbing app, designed with both trade and consumer in mind, was released successfully in October 2023 and will enable our customers to browse and purchase products more efficiently. Initial uptake of the app following its soft launch has been encouraging, and we will continue to develop functionality ahead of a fuller launch later in 2024.

In addition, the Technology Development team continues to enhance our existing warehouse management system alongside the larger project to transform warehouse operations, with the DC due to be operational by the end of the financial year. By performing this work in-house, we can better control costs, improve quality, and provide more certainty over the benefits that the improved technology brings.

New distribution centre

We achieved legal completion on the 20-year lease to operate from the DC on 4 October 2023. This building will enable us to grow our core offering, expansion categories and trade proposition. A semi-automated design, together with new ways of working and improved processes, will result in improved efficiency in our operations which will aid the progression of our profitability, most notably in 2025 and beyond.

As at 28 May 2024, we are approximately two-thirds of the way through the c.£26m capital expenditure fit-out (including software development), with much of the racking now in place. We have begun the task to transition from our existing infrastructure to the DC and are now 'double running' to ensure no variation in the customer experience.

The project remains on time and within budget and we look forward to updating the market at the full year results once we are fully operational and beginning to reap the benefits of another landmark investment in the Group's future.

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 communities in which we operate. Our ESG strategy is centred around three focus areas: environmental sustainability, diversity and inclusion, and governance and ethics.

We have made progress during the period with our people priorities through, for example, the continuation of our support for our chosen charity, Emmaus – the charity working to end homelessness. We are running a programme of employee volunteering days and have supported the development of our Mental Health Champions with training recognised by MHFA England, as well as helping our workforce more broadly by providing enhanced employee benefits.

All our electricity contracts are now 100% renewable, and we continue to work with suppliers to reduce the levels of plastic packaging on our products. We are installing photovoltaic panels on the new DC to ensure we are maximising the renewable energy source opportunities available to us.

Our people

As a Board, we continue to be impressed by the commitment of our people - 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.

We warmly welcome the Victoria Plum team to our Group, and thank all our employees, contractors, customers, suppliers and other stakeholders for their continued support. Whilst we are mindful of the macroeconomic conditions that many of our customers are facing, we remain confident in our ability to continue to execute our strategy, underpinned by our strong financial position, to take further market share and further consolidate our position as the UK's number one bathroom retailer.

Current trading and outlook

As customers continue to seek value, demand for 'big ticket' discretionary items is unchanged. The Group has continued to take market share organically; LFL revenue in April and the early part of May 2024 has been in line with H1 2024 trends, with order volume growth offset by lower AOVs.

The decline in AOV has shown early signs of levelling off, indicative of a slowdown in the shift by consumers to buy more of our own brand product range. Additionally, comparative shipping cost tailwinds have diminished over recent weeks, with both factors stabilising gross margin.

Looking forward, the Group will benefit from revenue growth as a result of further market share gains from the acquisition of Victoria Plum, albeit tempered by a continuation of recent trading trends in the market. While the ongoing Victoria Plum cost reduction programme is finalised, losses from the business will have a marginal impact on Group profitability in H2 2024, therefore adjusted EBITDA in FY 2024 is expected to be broadly in line with current consensus. The Acquisition is expected to be EPS accretive from FY 2025. Net cash (excluding IFRS 16) at the full year is expected to be in the range of £5m to £7m, reflecting the impact of the Acquisition and investment in the DC.

Financial review

Introduction

The performance of the Group continued to be strong through H1 2024 with ongoing momentum in both profit and cash generation.

	H1 2024	H1 2023	Change
	£m	£m	%
Revenue	**144.6**	146.8	(1%)
Cost of sales	**(72.3)**	(80.0)	(10%)
Gross profit	**72.3**	66.8	8%
Gross profit margin (%)	***50%***	*46%*	4%pts
Underlying costs	**(59.1)**	(56.9)	4%
Adjusted EBITDA	**13.2**	9.9	33%
Adjusted EBITDA margin (%)	***9%***	*7%*	2%pts
Depreciation and amortisation	**(2.3)**	(1.8)	28%
Share-based payments	**(1.6)**	(2.2)	(27%)
Exceptional items	**(2.3)**	(0.4)	475%
Operating profit	**7.0**	5.5	27%
Finance (costs)/income	(1.1)	0.1	(1,200%)
Profit before tax	**5.9**	**5.6**	**5%**
Adjusted profit before tax	**11.5**	**8.2**	**40%**

Revenue

Revenue declined from £146.8m to £144.6m during H1 2024. Order volume grew by 2% to 494,000 (H1 2023: 482,000) and AOV declined by 4% to £293 (H1 2023: £305).

Order growth reflects continued market share gain, driven by our unrelenting approach to online marketing, as well as improved brand awareness. The average number of items per basket remained stable YOY at 3.1.

The reduction in AOV is a continuation of the trend experienced in H2 2023 as customers continue to shift away from more expensive third party brands to our own brand product range, which carries a higher margin. The split between own brand vs. third party brands in revenue was 79% vs. 21% (H1 2023: 77% vs. 23%). Importantly, the Group has not passed on any price increases during the period as it looks to support the consumer during a difficult and uncertain period and to ensure our pricing remains competitive.

Trade revenue, driven by higher order volumes and flat AOV, grew by 9% to £32.3m (H1 2023: £29.6m) and now represents 22% of total revenue (H1 2023: 20%). Consumer revenue declined by 4% to £112.3m (H1 2023: £117.2m) and represents 78% of total revenue (H1 2023: 80%). A decline in consumer revenue is again symptomatic of customers trading down the range, resulting in lower AOV.

Revenue continued to grow at pace in our expansion categories, albeit from a small base given the space constraints we continue to face until the DC is operational, which is expected by the end of the financial year. Tiles, lighting and décor revenue grew by 19% to £5.6m (H1 2023: £4.7m), delivering a gross margin that is consistent with the wider core bathroom range.

Gross profit

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).

Cost of sales reduced by 10% to £72.3m (H1 2023: £80.0m). Gross profit margin increased to 50% (H1 2023: 46%; H2 2023: 49%), with gross profit for the period increasing by 8% to £72.3m (H1 2023: £66.8m). In addition to reduced shipping costs, the improvement in gross profit also reflects the product mix change throughout the year. Gross margin from own brand products increased to 55% (H1 2023: 51%), and gross margin from third party products increased to 31% (H1 2023: 29%).

We are proud to partner with some of the industry's leading names which, alongside our own brand offering, allows us to provide consumers with a wide range of price points. This dynamic is a compelling component of our unique ungeared operating model, protecting shareholder return and building the foundation for future growth.

Underlying costs

Underlying costs, which we define as administrative expenses before depreciation and amortisation, exceptional items and share-based payments, increased by 4% to £59.1m (H1 2023: £56.9m).

	H1 2024	H1 2023	Change
	£m	£m	%
Marketing costs	**42.6**	41.7	(2%)
People costs (excluding share-based payments)	**10.5**	9.4	(12%)
Property and other overhead costs	**6.0**	5.8	(3%)
Underlying costs	**59.1**	56.9	(4%)

Growing our brand awareness and increasing traffic to our site remains a focus for the Group. Total marketing costs increased by 2% to £42.6m (H1 2023: £41.7m) and represented 29.5% (H1 2023: 28.4%) of total revenue. Online marketing costs held flat during the period at £38.6m representing 26.7% (H1 2023: 26.3%) of total revenue. Investment in brand spend, including our three-year partnership with Bolton Wanderers Football Club and TV and outdoor advertising, increased to £4.0m (H1 2023: £3.1m) representing 3% (H1 2023: 2%) of total revenue.

People costs, excluding share-based payments but including costs relating to agency staff, increased 12% to £10.5m (H1 2023: £9.4m). This is in line with expectations given continued inflationary pressure from increases to the National Living Wage in a tight labour market felt, in particular, in our Warehouse and Customer Services teams, together with investments in certain other areas such as our dedicated Trade team. Overall FTE increased to 665 (H1 2023: 585).

Property and other overhead costs increased 3% to £6.0m (H1 2023: £5.8m).

Profit

Operating profit to adjusted EBITDA

Operating costs, comprising administrative expenses, are managed on a Group basis. The Executive Leadership Team ("ELT") measures the overall performance of the Group by reference to adjusted EBITDA, a non-GAAP measure. This adjusted profit measure is applied by the ELT to understand earnings trends and is considered an additional, useful measure under which to assess its true operating performance.

	H1 2024	H1 2023	Change
	£m	£m	%
Operating profit	**7.0**	5.5	27%
Amortisation	**1.3**	1.1	18%
Depreciation of property, plant and equipment	**0.3**	0.3	0%
Depreciation of right-of-use asset (not included in exceptional items)	**0.4**	0.4	0%
Depreciation of right-of-use asset (included in exceptional items as 'double running')	**0.3**	-	N/A
Warehouse transformation costs	**2.3**	0.4	475%
Share-based payments (including associated NI)	**1.6**	2.2	(27%)
Adjusted EBITDA	**13.2**	9.9	33%

Adjusted EBITDA increased by 33% to £13.2m (H1 2023: £9.9m) and adjusted EBITDA margin increased by 2%pts to 9% (H1 2023: 7%).

Adjusted EBITDA to adjusted PBT

The ELT also measures the overall performance of the Group by reference to adjusted PBT, a non-GAAP measure. This adjusted profit measure is applied by the ELT as an alternative profitability measure, which incorporates the impact of capital investment and the financing structure of the Group.

	H1 2024	H1 2023	Change
	£m	£m	%
Adjusted EBITDA	**13.2**	9.9	33%
Amortisation	**(1.3)**	(1.1)	18%
Depreciation of property, plant and equipment	**(0.3)**	(0.3)	0%
Depreciation of right-of-use asset	**(0.7)**	(0.4)	75%
Depreciation of right-of-use asset (included in exceptional items as 'double running')	**0.3**	-	N/A
Finance income	**0.5**	0.2	67%
Finance costs	**(1.6)**	(0.1)	700%
Finance costs (included in exceptional items as 'double running')	**1.4**	-	N/A
Adjusted PBT	**11.5**	8.2	40%

Adjusted PBT increased by 40% to £11.5m (H1 2023: £8.2m) and adjusted PBT margin increased by 2%pts to 8% (H1 2023: 6%). Adjusted PBT benefited from £0.5m of finance income as return on cash held on the balance sheet.

Exceptional items

	H1 2024	H1 2023	Change
	£m	£m	%
Warehouse transformation costs: double running and non-recurring costs – operating expenditure	**2.3**	0.4	475%
Double running – depreciation of right-of-use assets	**0.3**	-	N/A
Exceptional items recognised within administrative expenses	**2.6**	0.4	550%
Double running – finance costs	**1.4**	-	N/A
Exceptional items recognised within finance costs	***1.4***	-	N/A
Total exceptional items	**4.0**	0.4	900%

On 4 October 2023, the Group entered into a 20-year lease agreement for the DC and commenced a period of fit-out. In accordance with IFRS 16, a lease liability of £41.7m has been recognised, with a corresponding right-of-use asset recognised in non-current assets.

For the duration of the fit-out, the DC will not be generating economic benefit for the Group. Therefore, operating expenditure incurred during the fit-out period, together with non-recurring transformation costs such as associated legal and professional fees, totalling £2.3m (H1 2023: £0.4m) has been recognised as 'warehouse transformation costs' in the consolidated statement of comprehensive income. During H1 2024, associated exceptional cash outflows of £1.2m (H1 2023: £0.1m) have been incurred and recognised in the consolidated statement of cash flows.

The depreciation of properties considered to be non-underlying during the fit-out period has been recognised as 'double running - depreciation of right-of-use assets'. No associated cash flows have been recorded.

The imputed interest recognised against IFRS 16 lease liabilities for property considered to be non-underlying during the fit-out period have been recognised as 'double running - finance costs'. Associated cash outflows of £1.4m have been expended for double running – finance costs during the period (H1 2023: £nil).

These costs are being treated as exceptional to enable better LFL comparison. The double running costs incurred are temporary and will not continue once the warehouse transformation is complete.

	H1 2024	H1 2023
	£m	£m
Cash flows from operating activities		
Cash outflow from exceptional items: warehouse transformation costs	**(1.2)**	(0.1)
Cash flows from investing activities		
Purchase of intangible assets: assets under construction	**(0.2)**	-
Purchase of property, plant and equipment: assets under construction	**(12.2)**	-
Cash flows from financing activities		
Payment of interest portion of lease liabilities: double running – finance costs	**(1.4)**	-
Payment of principal portion of lease liabilities	**(0.2)**	-
Cash flows from exceptional items	**(15.2)**	(0.1)

Share-based payments

The Group incurred share-based payment charges (including associated NI) of £1.6m (H1 2023: £2.2m). Share-based payment charges for the period include £0.8m (H1 2023: £1.3m) for schemes relating to the Group's IPO in June 2021, along with £0.8m (H1 2023: £0.9m) for ongoing schemes put in place post IPO.

Depreciation and amortisation

The Group continues to invest in its platform and the development of bespoke in-house systems, with £2.0m intangible assets capitalised during H1 2024 (H1 2023: £1.3m). Depreciation and amortisation increased by £0.5m to £2.3m (H1 2023: £1.8m). Depreciation of right-of-use assets included in exceptional items as 'double running' in H1 2024 was £0.3m (H1 2023: £nil).

Finance income

Finance income of £0.5m during the period compares to a finance income of £0.2m in H1 2023 due to, *inter alia*, cash being placed on deposit to take advantage of recent high interest rates. Finance costs included in exceptional items as 'double running' in H1 2024 were £1.4m (H1 2023: £nil).

Taxation

The Group tax charge of £1.4m (H1 2023: £1.4m) represents an effective tax rate of 24% (H1 2023: 25%).

Earnings per share

Diluted EPS from continuing operations was 1.4 pence (H1 2023: 1.3 pence).

Adjusted diluted EPS grew by 42% to 2.7 pence (H1 2023: 1.9 pence).

Assets under construction

The warehouse transformation has given rise to £11.8m (H1 2023: £nil) of additions during the period (split as £0.2m intangibles and £11.6m property, plant and equipment) recognised as an asset under construction given the fit-out of the DC is ongoing and the building is not yet generating economic benefit. Of these additions, £12.4m were settled in cash during H1 2024.

Cash flow and net cash

The Group continues to achieve strong cash generation with an increase in free cash flow of 32% to £8.6m (H1 2023: £6.5m), resulting in robust operating cash conversion of 65% (H1 2023: 66%).

	H1 2024	H1 2023	Change
	£m	£m	%
Adjusted EBITDA	**13.2**	9.9	33%
Movement in working capital	**(0.6)**	(1.3)	54%
Repayment of lease liabilities (excluding non-underlying leases)	**(0.5)**	(0.6)	17%
Capital expenditure (excluding assets under construction)	**(2.0)**	(1.5)	(27%)
VAT not yet recovered on assets under construction	**1.0**	-	N/A
Non-underlying movements in working capital	**(2.5)**	-	N/A
Free cash flow	**8.6**	6.5	32%
Operating cash conversion	**65%**	66%	(1%pt)

Underlying changes in working capital resulted in a cash outflow of £0.6m (H1 2023: £1.3m). This movement is reflective of the short-term timing differences in receiving cash from our third party merchant services provider over the Easter public holiday.

Capital expenditure of £2.0m (H1 2023: £1.5m) included £1.7m (H1 2023: £1.2m) of capitalised salaries relating to development of the Group's platform and bespoke inventory management systems.

At the end of H1 2024, the Group had net cash (excluding IFRS 16 related liabilities) of £36.1m (H1 2023: £40.9m; FY 2023 £46.4m).

Events after the reporting period

As announced on 17 May 2024, Victorian Plumbing Limited, a subsidiary of Victorian Plumbing, acquired 100% of the issued share capital of AHK Designs Ltd, trading as Victoria Plum. The purchase price for the Acquisition was £22.5m, on a cash free, debt free basis, subject to adjustment for normalised working capital, funded from the Group's existing cash reserves. The purchase price represents c.0.5x Victoria Plum's estimated annual revenue and reflects the significant strategic value of the Victoria Plum brand and its associated intellectual property.

Unaudited management accounts indicate that annualised revenues of the Victoria Plum business had reduced from c.£100m to c.£40m in the six months ended 31 March 2024 and that annualised adjusted EBITDA losses had improved from c.£6m to c.£1m during the same period. A cost reduction programme is in progress, which will see the ongoing workforce of Victoria Plum reduce from c.400 at the end of September 2023 to c.150. The Group's current expectation is that the acquired business will be broadly break even by the end of 2024.

Given the date of the Acquisition, the initial accounting for the business combination is incomplete at the time of writing. For the six months ended 31 March 2024, unaudited management accounts indicate that Victoria Plum held c.£10m of stock at provisional book value, cash of c.£3m, deposits with suppliers of c.£2m and tangible fixed assets of c.£1m. The required disclosures per IFRS 3 *Business Combinations* will be provided at the full year announcement.

Dividend

Victorian Plumbing has a robust balance sheet, 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 Group's ongoing strength, future growth prospects and cash generation, Victorian Plumbing operates a capital allocation policy with an aim of maintaining a dividend cover ratio of c.3.0-3.5x. 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 0.52 pence per share (H1 2023: 0.45 pence per share), which represents a total cash distribution to shareholders of £1.7m (H1 2023: £1.5m). The dividend will be paid on 16 August 2024 to shareholders on the register of members at the close of business on 19 July 2024.

Mark Radcliffe	**Daniel Barton**
Chief Executive Officer	Chief Financial Officer
28 May 2024	28 May 2024

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 31 MARCH 2024

	Note	**Six months to 31 March 2024 £m**	Six months to 31 March 2023 £m	Year to 30 September 2023 £m
Revenue		**144.6**	146.8	285.1
Cost of sales		**(72.3)**	(80.0)	(150.5)
Gross profit		**72.3**	66.8	134.6
Administrative expenses	4	**(65.3)**	(61.3)	(119.3)
Operating profit		**7.0**	5.5	15.3
Finance income		**0.5**	0.2	0.6
Finance costs		**(1.6)**	(0.1)	(0.3)
Profit before tax		**5.9**	5.6	15.6
Income tax expense	6	**(1.4)**	(1.4)	(3.8)
Profit for the period		**4.5**	4.2	11.8
Basic earnings per share (pence)	8	**1.5**	1.5	4.1
Diluted earnings per share (pence)	8	**1.4**	1.3	3.7

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 2024

	Note	**Six months to 31 March 2024 £m**	Six months to 31 March 2023 £m	Year to 30 September 2023 £m
Assets				
Non-current assets				
Intangible assets	9	**4.7**	3.5	4.0
Property, plant and equipment	10	**16.3**	1.3	4.9
Right-of-use assets	11	**48.5**	4.1	4.3
Derivative financial instruments		**-**	-	0.4
Deferred tax asset		**-**	0.3	-
		69.5	9.2	13.6
Current assets				
Inventories		**33.2**	36.0	34.2
Trade and other receivables	12	**7.3**	5.2	4.8
Corporation tax recoverable		**0.4**	0.2	-
Cash and cash equivalents		**36.1**	40.9	46.4
		77.0	82.3	85.4
Total assets		**146.5**	91.5	99.0
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
Capital redemption reserve		**0.1**	0.1	0.1
Capital reorganisation reserve		**(320.6)**	(320.6)	(320.6)
Retained earnings		**360.5**	350.3	357.8
Total equity		**51.5**	41.3	48.8
Liabilities				
Non-current liabilities				
Lease liabilities	14	**42.9**	3.8	3.8
Derivative financial instruments		**-**	0.1	-
Deferred tax liability		**1.2**	-	-
Provisions		**1.9**	-	-
		46.0	3.9	3.8
Current liabilities				
Trade and other payables	13	**38.7**	39.2	38.0
Contract liabilities		**7.0**	6.2	5.4
Lease liabilities	14	**3.1**	0.7	1.0
Provisions		**0.2**	0.2	0.2
Corporation tax payable		**-**	-	1.8
		49.0	46.3	46.4
Total liabilities		**95.0**	50.2	50.2
Total equity and liabilities		**146.5**	91.5	99.0

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 MARCH 2024

	Share capital £m	Share premium £m	Capital redemption reserve £m	Capital reorganisation reserve £m	Retained earnings £m	Total equity £m
Balance at 1 October 2022	0.3	11.2	0.1	(320.6)	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**	**0.1**	**(320.6)**	**350.3**	**41.3**
Comprehensive income						
Profit for the period	-	-	-	-	7.6	7.6
Transactions with owners						
Dividends paid	-	-	-	-	(1.5)	(1.5)
Employee share schemes – value of employee services	-	-	-	-	1.3	1.3
Tax impact of employee share schemes	-	-	-	-	0.1	0.1
Total transactions with owners recognised directly in equity	-	-	-	-	(0.1)	(0.1)
Balance at 30 September 2023	**0.3**	**11.2**	**0.1**	**(320.6)**	**357.8**	**48.8**
Comprehensive income						
Profit for the period	-	-	-	-	4.5	4.5
Transactions with owners						
Dividends paid	-	-	-	-	(3.1)	(3.1)
Employee share schemes – value of employee services	-	-	-	-	1.3	1.3
Total transactions with owners recognised directly in equity	-	-	-	-	(1.8)	(1.8)
Balance at 31 March 2024	**0.3**	**11.2**	**0.1**	**(320.6)**	**360.5**	**51.5**

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 MARCH 2024

	Note	**Six months to 31 March 2024 £m**	Six months to 31 March 2023 £m	Year to 30 September 2023 £m
Cash flows from operating activities				
Cash generated from operating activities before exceptional items	19	**12.6**	8.6	19.8
Cash outflow from exceptional items		**(1.2)**	(0.1)	(0.6)
Cash outflow from share-based payments		**(0.1)**	-	-
Cash generated from operating activities		**11.3**	8.5	19.2
Income tax paid		**(2.5)**	(2.1)	(2.1)
Interest received on cash deposits		**0.5**	0.2	0.6
Net cash generated from operating activities		**9.3**	6.6	17.7
Cash flows from investing activities				
Purchase of intangible assets		**(2.0)**	(1.3)	(3.0)
Purchase of property, plant and equipment		**(12.4)**	(0.2)	(2.0)
Net cash used in investing activities		**(14.4)**	(1.5)	(5.0)
Cash flows from financing activities				
Dividends paid		**(3.1)**	(9.1)	(10.6)
Finance arrangement fees		**-**	-	(0.1)
Payment of interest portion of lease liabilities		**(1.5)**	(0.1)	(0.2)
Payment of principal portion of lease liabilities		**(0.6)**	(0.5)	(0.9)
Net cash used in financing activities		**(5.2)**	(9.7)	(11.8)
Net decrease in cash and cash equivalents		**(10.3)**	(4.6)	0.9
Cash and cash equivalents at the beginning of the period		**46.4**	45.5	45.5
Cash and cash equivalents at the end of the period		**36.1**	40.9	46.4

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 28 May 2024, and have been prepared as at, and for the six months ended, 31 March 2024. The comparative financial information presented has been prepared as at, and for the six months ended, 31 March 2023.

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 2024 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 2023 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 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 2023, 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 and considering the impact of the recent Acquisition of AHK Designs Ltd, trading as Victoria Plum, on 17 May 2024, 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 2023.

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 ELT, which is the chief operating decision-maker ("CODM"). The ELT 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 ELT measures the overall performance of the Operating Group by reference to adjusted EBITDA. This adjusted profit measure is applied by the ELT to understand the earnings trends of the Operating Group and is considered an additional, useful measure under which to assess its true operating performance.

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 2024 £m	Six months to 31 March 2023 £m
Operating profit	**7.0**	5.5
Amortisation of intangibles	**1.3**	1.1
Depreciation of property, plant and equipment	**0.3**	0.3
Depreciation of right-of-use assets (not included in exceptional items)	**0.4**	0.4
Depreciation of right-of-use assets (included in exceptional items)	**0.3**	-
Warehouse transformation costs	**2.3**	0.4
Share-based payments (including associated NI)	**1.6**	2.2
Adjusted EBITDA	**13.2**	9.9

Adjusted PBT

The ELT also measures the overall performance of the Operating Group by reference to adjusted PBT, a non-GAAP measure. This adjusted profit measure is applied by the ELT as an alternative profitability measure, which incorporates the capital investment and the financing structure of the Group.

	Six months to 31 March 2024 £m	Six months to 31 March 2023 £m
Adjusted EBITDA	**13.2**	9.9
Amortisation of intangibles	**(1.3)**	(1.1)
Depreciation of property, plant and equipment	**(0.3)**	(0.3)
Depreciation of right-of-use assets	**(0.7)**	(0.4)
Depreciation of right-of-use assets (included in exceptional items)	**0.3**	-
Finance income	**0.5**	0.2
Finance costs	**(1.6)**	(0.1)
Finance costs (included in exceptional items)	**1.4**	-
Adjusted PBT	**11.5**	8.2

4. Operating profit

Expenses by nature:

	Six months to 31 March 2024 £m	Six months to 31 March 2023 £m
Employee costs (excluding share-based payments)	**10.0**	8.7
Agency and contractor costs	**0.5**	0.7
Share-based payments (including associated NI)	**1.6**	2.2
Marketing costs	**42.6**	41.7
Property costs	**3.2**	3.1
Computer costs	**1.2**	1.2
Depreciation of property, plant and equipment	**0.3**	0.3
Depreciation of right-of-use assets	**0.7**	0.4
Amortisation of intangibles	**1.3**	1.1
Warehouse transformation costs	**2.3**	0.4
Other costs	**1.6**	1.5
Total administrative expenses	**65.3**	61.3
Share-based payments (including associated NI)	**(1.6)**	(2.2)
Exceptional items within administrative expenses	**(2.6)**	(0.4)
Total administrative expenses before separately disclosed items	**61.1**	58.7

5. Exceptional items

	Six months to 31 March 2024 £m	Six months to 31 March 2023 £m
Warehouse transformation costs: double running and non-recurring costs – operating expenditure	**2.3**	0.4
Double running - depreciation of right-of-use assets	**0.3**	-
Exceptional items recognised within administrative expenses	***2.6***	0.4
Double running - finance costs	**1.4**	-
Exceptional items recognised within finance costs	***1.4***	-
Total exceptional items	**4.0**	0.4

On 4 October 2023, the Group entered into a 20-year lease agreement for the DC and commenced a period of fit-out. In accordance with IFRS 16, a lease liability of £41.7m has been recognised, with a corresponding right-of-use asset recognised in non-current assets.

For the duration of the fit-out, the DC will not be generating economic benefit for the Group. Therefore, operating expenditure incurred during the fit-out period, together with non-recurring transformation costs such as associated legal and professional fees, totalling £2.3m (H1 2023: £0.4m) has been recognised as ‘warehouse transformation costs’ in the consolidated statement of comprehensive income. During H1 2024, associated exceptional cash outflows of £1.2m (H1 2023: £0.1m) have been incurred and recognised in the consolidated statement of cash flows.

The depreciation of properties considered to be non-underlying during the fit-out period has been recognised as ‘double running - depreciation of right-of-use assets’. No associated cash flows have been recorded.

The imputed interest recognised against IFRS 16 lease liabilities for property considered to be non-underlying during the fit-out period have been recognised as ‘double running - finance costs’. Associated cash outflows of £1.4m have been expended for double running – finance costs during the period (H1 2023: £nil).

These costs are being treated as exceptional to enable better LFL comparison. The double running costs incurred are temporary and will not continue once the warehouse transformation is complete.

	Six months to 31 March 2024 £m	Six months to 31 March 2023 £m
Cash flows from operating activities		
Cash outflow from exceptional items: warehouse transformation costs	**(1.2)**	(0.1)
Cash flows from investing activities		
Purchase of intangible assets: assets under construction	**(0.2)**	-
Purchase of property, plant and equipment: assets under construction	**(12.2)**	-
Cash flows from financing activities		
Payment of interest portion of lease liabilities: double running – finance costs	**(1.4)**	-
Payment of principal portion of lease liabilities	**(0.2)**	-
Cash flows from exceptional items	**(15.2)**	(0.1)

6. Taxation

	Six months to 31 March 2024 £m	Six months to 31 March 2023 £m
Corporation tax		
Current tax on profits for the period	**0.3**	1.2
Total current tax	**0.3**	1.2
Deferred tax		
Origination and reversal of timing differences	**1.1**	0.2
Total deferred tax	**1.1**	0.2
Taxation on profit	**1.4**	1.4

Factors affecting tax charge for the period

The Group tax charge of £1.4m (H1 2023: £1.4m) represents an effective tax rate of 24% (H1 2023: 25%). The tax assessed for the period is lower (2023: higher) than the standard rate of corporation tax in the UK of 25% (2023: 22%). The differences are explained below:

	Six months to 31 March 2024 £m	Six months to 31 March 2023 £m
Profit before tax	**5.9**	5.6
Profit multiplied by the blended standard rate of corporation tax for the full year in the UK of 25% (2023: 22%)	**1.5**	1.2
Effects of:		
Tax effect of accelerated capital allowances	**(0.2)**	-
Expenses not deductible for tax purposes	**-**	0.1
Share options	**0.1**	0.1
Total tax charge for the period	**1.4**	1.4

7. Dividends

	Six months to 31 March 2024 Pence per share	Six months to 31 March 2023 Pence per share	**Six months to 31 March 2024 £m**	Six months to 31 March 2023 £m
Final ordinary dividend recognised as distributions in the period	**0.95**	1.10	**3.1**	3.6
Special dividend recognised as distributions in the period	–	1.80	–	5.5
Interim ordinary dividend recognised as distributions in the period	–	–	–	–
Total dividend paid in the period	**0.95**	2.90	**3.1**	9.1
Interim ordinary dividend	**0.52**	0.45	**1.7**	1.5
Final ordinary dividend	–	–	–	–
Total ordinary dividend	**0.52**	0.45	**1.7**	1.5
Special dividend	**–**	–	**–**	–
Total dividend	**0.52**	0.45	**1.7**	1.5

The Board has declared an interim dividend of 0.52 pence per share (2023: 0.45 pence per share), which is a total cash distribution of £1.7m and will be paid out of the Company's available distributable reserves on 16 August 2024, to shareholders on the register of members at 19 July 2024. In accordance with IAS 1 *Presentation of Financial Statements*, dividends are recorded only when paid and are shown as a movement in equity rather than as a charge to the consolidated statement of comprehensive income.

8. Earnings per share

Basic and diluted earnings per share

Basic EPS is calculated by dividing the profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the 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 2024			
Basic EPS	**291,952,115**	**4.5**	**1.5**
Diluted EPS	**325,791,272**	**4.5**	**1.4**
Half year ended 31 March 2023			
Basic EPS	282,060,246	4.2	1.5
Diluted EPS	322,972,802	4.2	1.3
Year ended 30 September 2023			
Basic EPS	284,604,317	11.8	4.1
Diluted EPS	317,483,119	11.8	3.7

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:

	Weighted average number of shares
Weighted average number of shares for basic EPS	**291,952,115**
Dilutive impact of unvested shares in relation to restricted share awards	33,839,157
Weighted average number of shares for diluted EPS	**325,791,272**

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 diluted earnings per share

Adjusted diluted EPS is an Alternative Performance Measure ("APM") and has been calculated using profit for the purpose of basic EPS, adjusted for total adjusting items and the tax effect of those items.

	Six months to 31 March 2024 £m	Six months to 31 March 2023 £m
Profit for the period	**4.5**	4.2
Exceptional items	**4.0**	0.4
Share-based payments	**1.6**	2.2
Tax effect	**(1.4)**	(0.5)
Total adjusted profit for the period	**8.7**	6.3

	Number	Number
Total issued share capital for the purposes of adjusted diluted EPS	**326,334,279**	325,227,984
Adjusted diluted EPS	**2.7**	1.9

9. Intangible assets

	Computer software £m	Assets under construction £m	Total £m
Cost			
At 30 September 2022	10.1	-	10.1
Additions	1.3	-	1.3
At 31 March 2023	11.4	-	11.4
Additions	1.5	0.2	1.7
At 30 September 2023	12.9	0.2	13.1
Additions	1.8	0.2	2.0
At 31 March 2024	**14.7**	**0.4**	**15.1**
Accumulated amortisation			
At 30 September 2022	6.8	-	6.8
Charge for the period	1.1	-	1.1
At 31 March 2023	7.9	-	7.9
Charge for the period	1.2	-	1.2
At 30 September 2023	9.1	-	9.1
Charge for the period	1.3	-	1.3
At 31 March 2024	**10.4**	**-**	**10.4**
Net book value			
At 30 September 2022	3.3	-	3.3
At 31 March 2023	3.5	-	3.5
At 31 March 2024	**4.3**	**0.4**	**4.7**

Computer software comprises both internal salaries and external development capitalised in relation to the Group's bespoke operational software. The Group capitalised internal salaries of £1.7m in the six months ended 31 March 2024 (H1 2023: £1.2m) for development of computer software. Assets under construction represent costs incurred in the development of software for the warehouse transformation project.

For the six-month period to 31 March 2024, the amortisation charge of £1.3m (H1 2023: £1.1m) 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	Assets under construction £m	Total £m
Cost						
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
Additions	-	-	-	0.1	3.9	4.0
Disposals	-	(0.2)	(0.3)	(0.5)	-	(1.0)
At 30 September 2023	0.1	1.3	0.5	1.2	3.9	7.0
Additions	-	0.1	-	-	11.6	11.7
At 31 March 2024	**0.1**	**1.4**	**0.5**	**1.2**	**15.5**	**18.7**
Accumulated depreciation						
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
Charge for the period	-	0.1	–	0.2	-	0.3
Disposals	-	(0.1)	(0.3)	(0.5)	-	(0.9)
At 30 September 2023	-	0.9	0.5	0.7	-	2.1
Charge for the period	-	0.2	-	0.1	-	0.3
At 31 March 2024	**-**	**1.1**	**0.5**	**0.8**	-	**2.4**
Net book value						
At 30 September 2022	0.1	0.6	0.1	0.6	-	1.4
At 31 March 2023	0.1	0.6	-	0.6	-	1.3
At 31 March 2024	**0.1**	**0.3**	**-**	**0.4**	**15.5**	**16.3**

Assets under construction wholly represent capital expenditure for the fit-out of the new DC. This project remains ongoing as at 31 March 2024.

11. Right-of-use assets

	Right-of-use assets £m
Cost	
At 30 September 2022	8.3
Modifications	-
At 31 March 2023	8.3
Modifications	0.7
At 30 September 2023	**9.0**
Additions	**44.8**
Modifications	**0.1**
At 31 March 2024	**53.9**
Accumulated depreciation	
At 30 September 2022	3.8
Charge for the period	0.4
At 31 March 2023	4.2
Charge for the period	0.5
At 30 September 2023	4.7
Charge for the period	0.7
At 31 March 2024	**5.4**
Net book value	
At 30 September 2022	4.5
At 31 March 2023	4.1
At 31 March 2024	**48.5**

On 4 October 2023, the Group entered into a 20-year lease agreement for the DC. An addition of £44.8m has been recognised as a right-of-use asset, in accordance with IFRS 16 *Leases*, representing the discounted future cashflows under the contract including stamp duty paid and an asset retirement obligation.

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 £0.1m to reflect the value of the asset after the modification and the corresponding lease liability increased by £0.1m.

12. Trade and other receivables

	Six months ended 31 March 2024 £m	Six months ended 31 March 2023 £m
Trade receivables	**4.4**	2.0
Right-of-return asset	**0.2**	0.4
Accrued income	**0.9**	0.9
Prepayments	**1.8**	1.9
	7.3	5.2

The Group provides against trade receivables using the forward-looking expected credit loss model under IFRS 9 *Financial Instruments*. 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. Accrued income relates to rebates earned but not yet received.

13. Trade and other payables

	Six months ended 31 March 2024 £m	Six months ended 31 March 2023 £m
Trade payables	**23.4**	25.2
Other taxation and social security	**7.6**	8.3
Refund liability	**0.8**	1.1
Other payables	**1.6**	1.3
Accruals	**5.3**	3.3
	38.7	39.2

14. Lease liabilities

	Lease liability £m
At 30 September 2022	5.0
Finance costs	0.1
Lease payment	(0.6)
At 31 March 2023	4.5
Modifications	0.7
Finance costs	0.1
Lease payment	(0.5)
At 30 September 2023	4.8
Modifications	0.1
Additions	41.7
Finance costs (not included in exceptional items)	0.1
Finance costs (included in exceptional items)	1.4
Lease payment	(2.1)
At 31 March 2024	**46.0**

On 4 October 2023, the Group entered into a 20-year lease agreement for the DC. An addition of £44.8m has been recognised as a right-of-use asset, in accordance with IFRS 16 *Leases*, representing the discounted future cashflows under the contract including stamp duty paid and an asset retirement obligation.

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 £0.1m to reflect the value of the asset after the modification and the corresponding lease liability increased by £0.1m. The Group had total cash outflows for leases of £2.1m (H1 2023: £0.6m).

Lease liabilities as at 31 March were classified as follows:

	Six months ended 31 March 2024 £m	Six months ended 31 March 2023 £m
Non-current	**42.9**	3.8
Current	**3.1**	0.7
Total	**46.0**	4.5

15. Borrowings

	Six months ended 31 March 2024 £m	Six months ended 31 March 2023 £m
Amounts drawn under revolving credit facility	**-**	-
Unamortised debt issue costs	**(0.1)**	(0.1)
	(0.1)	(0.1)

On 6 July 2023, we successfully completed an extension of the Group's Revolving Credit Facility ("RCF"), which has total commitments of £10.0m and a termination date of 31 December 2025. The facility is secured by a debenture dated 7 June 2021. Interest on the RCF is charged at Sterling Overnight Index Average ("SONIA") plus a margin based 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 2024, the Group had not utilised the RCF.

Unamortised debt issue costs of £0.1m (H1 2023: £0.1m) are included in prepayments.

16. Ordinary share capital

	Six months ended 31 March 2024 £	Six months ended 31 March 2023 £
Allotted, called up and fully paid		
326,334,279 ordinary shares of 0.1p	**326,334**	325,228

The share capital of the Group is represented by the share capital of the parent company, Victorian Plumbing Group plc (the "Parent Company"). The Parent 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.

On 1 December 2023, the Parent Company issued and allotted 1,044,056 new ordinary shares of £0.001 each in the Parent Company in connection with the Victorian Plumbing Deferred Bonus Plan (the "DBP") and Long-Term Incentive Plan (the "LTIP").

On 28 December 2023, the Parent Company issued and allotted 62,239 new ordinary shares of £0.001 each in the Company in connection with the DBP.

17. Own shares held

The Employee Share Option Trust ("ESOT") purchases shares to fund the Share Incentive Plan (the "SIP"). At 31 March 2024, the ESOT held 635,504 (H1 2023: 635,504) ordinary shares with a book value of £636 (H1 2023: £636). The market value of these shares as at 31 March 2024 was £0.5m (H1 2023: £0.5m).

	Number of shares	**£**
ESOT shares reserve		
Own shares held at 30 September 2023 and 31 March 2024	635,504	636

18. Share-based payments

The Group operates four share plans being the SIP, a Sharesave scheme ("SAYE"), the DBP and the 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 *Share-Based Payment* (the "Restricted Share Awards").

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 £1.6m (H1 2023: £2.2m). This included associated NI at 13.8% (H1 2023: 13.8%), which management expects to be the prevailing rate when the awards are exercised, and apprenticeship levy at 0.5%, based on the share price at the reporting date.

	Six months ended 31 March 2024 £m	Six months ended 31 March 2023 £m
SIP	**0.1**	0.1
SAYE	**-**	-
DBP	**0.4**	0.5
LTIP	**0.1**	0.1
Restricted Share Awards	**0.8**	1.2
Total IFRS 2 charge	**1.4**	1.9
NI and apprenticeship levy on applicable schemes	**0.2**	0.3
Total charge	**1.6**	2.2

19. Cash generated from operating activities

Cash flows from operating activities	**Six months ended 31 March 2024 £m**	Six months ended 31 March 2023 £m
Profit before taxation	**5.9**	5.6
Adjustments for:		
Amortisation of intangible assets	**1.3**	1.1
Depreciation of property, plant and equipment	**0.3**	0.3
Depreciation of right-of-use assets (not included in exceptional items)	**0.4**	0.4
Depreciation of right-of-use assets (included in exceptional items)	**0.3**	-
Warehouse transformation costs	**2.3**	0.4
Share-based payments (including NI)	**1.6**	2.2
Finance income	**(0.5)**	(0.2)
Finance costs (not included in exceptional items)	**0.2**	0.1
Finance costs (included in exceptional items)	**1.4**	-
Adjusted EBITDA	**13.2**	9.9
Fair value loss on financial derivatives	**0.4**	0.8
Decrease/(increase) in inventories	**1.0**	(2.1)
Increase in receivables	**(2.5)**	(0.1)
Increase in payables	**0.5**	0.1
Cash generated from operating activities before exceptional items	**12.6**	8.6

Free cash flows	**Six months ended 31 March 2024 £m**	Six months ended 31 March 2023 £m
Cash generated from operating activities before exceptional items	**12.6**	8.6
Repayment of lease liabilities (excluding non-underlying leases)	**(0.5)**	(0.6)
Purchase of intangible assets (excluding assets under construction)	**(1.8)**	(1.3)
Purchase of property, plant and equipment (excluding assets under construction)	**(0.2)**	(0.2)
VAT not yet recovered on assets under construction	**1.0**	-
Non-underlying movements in working capital	**(2.5)**	-
Free cash flows	**8.6**	6.5
Adjusted EBITDA	**13.2**	9.9
Cash conversion	**65%**	66%

VAT not yet recovered on assets under construction relates to timing differences on warehouse transformation expenditure.

20. Events after the reporting period

On 17 May 2024, Victorian Plumbing Limited, a subsidiary of Victorian Plumbing, acquired 100% of the issued share capital of AHK Designs Ltd, trading as Victoria Plum. The purchase price for the Acquisition was £22.5m, on a cash free, debt free basis, subject to adjustment for normalised working capital, funded from the Group's existing cash reserves. The purchase price represents c.0.5x Victoria Plum's estimated annual revenue and reflects the significant strategic value of the Victoria Plum brand and its associated intellectual property.

Unaudited management accounts indicate that annualised revenues of the Victoria Plum business had reduced from c.£100m to £40m in the six months ended 31 March 2024 and that annualised adjusted EBITDA losses had improved from £6m to £1m during the same period. A cost reduction programme is in progress, which will see the ongoing workforce of Victoria Plum fall from c.400 at the end of September 2023 to c.150. The Group's current expectation is that the acquired business will be broadly break even by the end of 2024.

Given the date of the Acquisition, the initial accounting for the business combination is incomplete at the time of writing. For the six months ended 31 March 2024, unaudited management accounts indicate that Victoria Plum held c.£10m of stock at provisional book value, cash of c.£3m, deposits with suppliers of c.£2m and tangible fixed assets of c.£1m. The required disclosures per IFRS 3 *Business Combinations* will be provided at the full year announcement.