VICTORIAN PLUMBING GROUP PLC

FULL YEAR RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2021

Victorian Plumbing Group plc ('Victorian Plumbing', 'the Group'), the UK's leading online specialist bathroom retailer, announces its full year results for the year ended 30 September 2021 ('2021')

	2021	2020 (restated)*	Change
Revenue	**£268.8m**	£208.7m	29%
Gross profit margin[1]	**49%**	44%	5 ppts
Adjusted EBITDA[2]	**£40.1m**	£26.2m	53%
Adjusted EBITDA margin[3]	**15%**	13%	2 ppts

Financial highlights

- Revenue up 29% to £268.8 million (2020*: £208.7 million)
- Gross profit[4] up 42% to £130.5 million (2020*: £92.0 million) with a gross profit margin[1] of 49% (2020*: 44%)
- Adjusted EBITDA[2] up 53% to £40.1 million (2020*: £26.2 million) with adjusted EBITDA margin[3] of 15% (2020*: 13%)
- Operating cash flow[5] up 18% to £32.6 million (2020*: £27.6 million). Operating cash conversion[6] of 81% (2020*: 105%)
- After accounting for £9.4 million of exceptional costs relating to the IPO in June 2021 and share-based payments of £7.7 million, profit before tax reduced by 17% to £19.7 million (2020*: £23.7 million)

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

Operational highlights

- Total orders[7] up 17% to 906,000 (2020: 776,000)
- Active customers[8] up 13% to 638,000 (2020: 565,000)
- Average order value[9] up 10% to £297 (2020: £269)
- Marketing spend as a percentage of revenue increased marginally to 26% (2020: 25%) with increased investment in more focused digital performance-based marketing to complement offline creative content
- Trustpilot rating[10] remains 'Excellent' with an average score of 4.3 across the year (2020: 4.3)
- We introduced enhanced point-of-sale functionality to support customer purchasing decisions, adding realistic CGI imagery and 360 degree product views, more detailed product descriptions, and upgraded interaction with our consumer finance partner

Outlook

As we reported in our full year trading update on 7 October 2021, we experienced more subdued market conditions during the summer months following the easing of restrictions, before customer demand improved somewhat during September.

Through the first two months of FY22, whilst consumers have continued to spend more on leisure and less on big ticket material homeware purchases, demand and revenue have been broadly the same as last year and 41% ahead of FY20.

The adaptability of our supply chain and investment in-stock inventory means we are currently operating from a position of strength relative to others. Given the popularity of our own brand offering, we are able to absorb most of the current supply chain pressures. However, as we look to balance revenue growth with profitability in the short-term, gross margins may move closer to those achieved in FY20.

As we move through this changing consumer environment, we are being even more aggressive on our marketing approach to further increase our market share in line with our long-term growth ambitions.

We continue to be focused on our long-term goals and to make progress on all of our strategic areas and we are confident of the future growth prospects of the Group.

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

“This has been a milestone year for Victorian Plumbing as we accelerated our growth, supported by the continued dedication and agility of colleagues around the business, and successfully completed our listing on the London Stock Exchange. Our distinctive brand and extensive choice of quality bathroom products have been key drivers in attracting consumers to our platform, whilst the strength of our supply chain and our investment in inventory means that the majority of our products have remained immediately available.

“Although the short-term outlook is difficult to predict as the world normalises from the events of the last two years, it is inevitable that consumer buying behaviour will continue to move online. As the UK’s largest online bathroom specialist retailer, Victorian Plumbing is uniquely placed to help consumers obtain exactly what they need for their dream bathroom.

“The Board remains confident in the medium to long-term growth prospects for Victorian Plumbing.”

Analyst presentation

A presentation for analysts will be held virtually at 8:15am, Thursday 9 December 2021. If you wish to attend, please contact FTI Consulting via VictorianPlumbing@fticonsulting.com.

For further information please contact:

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About Victorian Plumbing

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

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

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

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

Cautionary statement

This announcement of annual 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	2021	2020 (restated)*	Change
Income statement				
Revenue	£m	268.8	208.7	29%*
Gross profit(4)	£m	130.5	92.0	42%*
Gross profit margin(1)	%	49%	44%	5%pts*
Adjusted EBITDA(2)	£m	40.1	26.2	53%*
Adjusted EBITDA margin(3)	%	15%	13%	2%pts*
Profit before tax	£m	19.7	23.7	(17%)*
Earnings per share				
Basic earnings per share	pence	5.3	7.4	(28%)*
Adjusted basic earnings per share	pence	11.0	7.4	49%*
Cash flow				
Operating cash flow(5)	£m	32.6	27.6	18%*
Cash conversion(6)	**%**	81%	105%	(24%pts) *
Net cash and cash equivalents	£m	32.7	10.5	
Key performance indicators				
Total orders(7)	'000	906	776	17%
Active customers(8)	'000	638	565	13%
Average order value(9)	£	297	269	10%
Average Trustpilot rating(10)	Score / 5	4.3	4.3	-
Marketing spend as a % of revenue	**%**	26%	25%	1%pt

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

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

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

(4) 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.

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

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

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

(8) Active customers is the number of unique customers who placed an order in the year.

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

(10) The average Trustpilot rating is defined as the monthly average of all ratings made through Trustpilot.

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

Summary of FY21 operating performance

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

We have strengthened our position as the UK's largest online bathroom specialist and we have deepened our competitive moat over the past year. The bold, distinctive and quirky Victorian Plumbing brand continues to be well received by consumers. We have complemented our creative offline content by investing in more focused digital performance-based marketing. This ongoing and relentless marketing strategy has led to an increase in brand awareness, which reached 64% in the year[2], up from 58% in 2020.

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

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

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

A one-stop shop for bathroom products and accessories

Customers can use our platform to browse an extensive choice of quality products across a wide range of price points, meaning Victorian Plumbing offers customers a one-stop solution for bathrooms. During the year, we increased consumer choice to more than 24,000 products from over 125 brands, including strategic additions of two well known third-party brands: Duravit and Villeroy & Boch. This unrivalled product range increases the likelihood that consumers can find the product which is right for them and also reduces the impact of any stock-outs as popular products can be easily substituted.

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

Agile supply chain

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

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

Seamless customer journey

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

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

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

Our data-driven approach

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

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

Our strategic focus

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

Our core market is retailing bathroom products and accessories to consumers in the UK through our online platform. The Covid-19 pandemic has shifted consumers' buying behaviour online for bathroom products and accessories, and we believe that there is still some way to go before this transition reaches maturity. We are well placed to continue to gain market share in the short term through both these structural tailwinds and by taking share from traditional physical retailers and other online competitors by leveraging our market and brand position.

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

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

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

ESG

Taking 'responsibility' is one of our core values, and every one of us has a role to play in making a difference to the environment and the communities in which we operate. During the year we established our ESG strategy, which is centred around three pillars: governance and ethics, diversity and inclusion, and environmental sustainability. Initiatives undertaken within each area this year include supplier audits, the employer engagement survey, and partnering with a waste management provider.

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

Our people

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

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

(1) Adjusted EBITDA is a non-GAAP measure. Adjusted EBITDA is operating profit before depreciation, amortisation, exceptional items and IFRS 2 share-based payments along with associated national insurance.
(2) YouGov prompted brand awareness – February 2021. Comparative as of February 2020
(3) SimiliarWeb – average unique visitors per month

Financial review

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

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

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

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

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

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

Gross profit
Gross profit increased by 42% to £130.5 million (2020*: £92.0 million) and gross profit margin increased by five percentage points to 49% (2020: 44%). We define gross profit as revenue less cost of sales. Cost of sales includes all direct costs incurred in purchasing products for resale along with packaging, distribution and transaction costs.

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

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

Underlying costs

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

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

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

People costs, excluding share-based payments but including costs relating to agency staff and contractors, increased by 47% to £13.8 million (2020*: £9.4 million). This was mostly as a result of an increased number of full-time equivalent employees ('FTEs') in demand-based roles relating to customer service and warehouse operations. Total FTEs increased by 44% year on year to 532 (2020: 369). Property costs increased by 58% to £4.1 million (2020: £2.6 million). The majority of this increase was as a result of the Group increasing its warehouse capacity on a short-term basis. Other overheads increased by 56% to £2.8 million (2020*: £1.8 million).

Other operating income

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

Adjusted EBITDA

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

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

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

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

Exceptional items

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

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

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

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

Profit before taxation
Profit before taxation decreased by 17% to £19.7 million (2020: £23.7 million). This decrease results from the operating profit performance while net finance costs remained flat at £0.3 million (2020: £0.3 million). Interest charged on the Group's lease arrangements under IFRS 16 increased to £0.3 million (2020: £0.2 million).

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

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

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

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

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

Cash flow and net cash

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

The Group continues to see strong cash generation with operating cash flow 18% higher at £32.6 million (2020*: £27.6 million), resulting in cash conversion of 81% (2020*: 105%).

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

Capital expenditure of £3.2 million (2020: £2.6 million) included £1.2 million of capitalised salaries relating to development of the Group's platform and bespoke inventory management systems (2020: £0.6 million). At the year end the Group had net cash of £32.7 million (2020: £10.5 million).

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

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

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

Mark Radcliffe
Chief Executive Officer
9 December 2021

Paul Meehan
Chief Financial Officer
9 December 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Note	2021 £m	2020 (restated) £m
Revenue	4	**268.8**	208.7
Cost of sales		**(138.3)**	(116.7)
Gross profit		**130.5**	92.0
Administrative expenses before separately disclosed items	5	**(93.4)**	(68.2)
Other operating income		**-**	0.2
Adjusted operating profit		37.1	24.0
Separately disclosed items:			
Share-based payments	19	(7.7)	**-**
Exceptional items	6	(9.4)	**-**
Operating profit	5	**20.0**	24.0
Finance costs		**(0.3)**	(0.3)
Profit before tax		**19.7**	23.7
Income tax expense	7	**(5.4)**	(4.0)
Profit for the year		**14.3**	19.7
Basic earnings per share (pence)	9	5.3	7.4
Diluted earnings per share (pence)	9	4.5	7.4

All amounts relate to continuing operations.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2021

	Note	2021 £m	2020 (restated) £m	As at 1 Oct 2019 (restated) £m
Assets				
Non-current assets				
Intangible assets	10	**2.7**	2.5	1.8
Property, plant and equipment	11	**1.7**	0.8	0.5
Right-of-use assets	12	**5.3**	6.0	3.5
		9.7	9.3	5.8
Current assets				
Inventories		**32.4**	23.0	18.3
Trade and other receivables	13	**4.9**	10.0	5.2
Tax recoverable		**1.0**	2.3	-
Cash and cash equivalents		**32.7**	10.5	2.7
		71.0	45.8	26.2
Total assets		**80.7**	55.1	32.0
Equity and liabilities				
Equity attributable to the owners of the Company				
Share capital	17	**0.3**	-	-
Share premium		**11.2**	-	-
Capital redemption reserve		**0.1**	-	-
Capital reorganisation reserve		**(320.6)**	-	-
Retained earnings		**339.8**	13.0	2.8
Total equity		**30.8**	13.0	2.8
Liabilities				
Non-current liabilities				
Lease liabilities	15	**4.9**	5.7	3.3
Deferred taxation liability		**0.1**	0.1	-
		5.0	5.8	3.3
Current liabilities				
Trade and other payables	14	**36.0**	28.1	21.2
Contract liabilities		**7.9**	7.3	3.8
Lease liabilities	15	**0.9**	0.7	0.5
Provisions		**0.1**	0.2	0.1
Corporation tax		**-**	-	0.3
		44.9	36.3	25.9
Total liabilities		**49.9**	42.1	29.2
Total equity and liabilities		**80.7**	55.1	32.0

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

Paul Meehan
Chief Financial Officer

Victorian Plumbing Group plc
Registered number: 13379554

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Share capital £m	Share premium £m	Capital reorganisation reserve £m	Share-based payment reserve £m	Retained earnings £m	Total equity £m
Balance at 1 October 2019	-	-	-	-	4.7	4.7
Impact of prior year restatement (note 2)	-	-	-	-	(1.9)	(1.9)
Balance at 1 October 2019 (restated)	-	-	-	-	2.8	2.8
Comprehensive income						
Profit for the year	-	-	-	-	19.7	19.7
Transactions with owners						
Dividends paid (note 8)	-	-	-	-	(9.5)	(9.5)
Balance at 30 September 2020 (restated)	**-**	**-**	**-**	**-**	**13.0**	**13.0**
Comprehensive income						
Profit for the year	-	-	-	-	14.3	14.3
Transactions with owners						
Employee share schemes – value of employee services (note 19)	-	-	-	-	6.5	6.5
Tax impact of employee share schemes	-	-	-	-	0.7	0.7
Capital transaction – Group restructure, share-for-share exchange and issue of Victorian Plumbing Group plc shares (note 17)	0.3	11.2	(320.6)	0.1	320.2	11.2
Dividends paid on ordinary shares (note 8)	-	-	-	-	(14.9)	(14.9)
Total transactions with owners recognised directly in equity	0.3	11.2	(320.6)	0.1	312.5	3.5
Balance at 30 September 2021	**0.3**	**11.2**	**(320.6)**	**0.1**	**339.8**	**30.8**

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2021

	Note	2021 £m	2020 (restated) £m
Cash flows from operating activities			
Cash generated from operating activities before exceptional operating items		**36.9**	30.9
Cash outflow from exceptional operating items		**(9.1)**	-
Cash generated from operating activities	20	**27.8**	30.9
Income tax paid		**(3.4)**	(6.5)
Net cash generated from operating activities		**24.4**	24.4
Cash flows from investing activities			
Purchase of intangible assets	10	**(1.8)**	(2.0)
Purchase of property, plant and equipment	11	**(1.4)**	(0.6)
Amounts received/(paid) in respect of related party loans		**5.9**	(3.8)
Net cash generated by/(used in) investing activities		**2.7**	(6.4)
Cash flows from financing activities			
Dividends paid	8	**(14.9)**	(9.5)
Finance arrangement fees	16	**(0.1)**	-
Proceeds from the issue of shares, net of costs	17	**11.2**	-
Payment of interest portion of lease liabilities	15	**(0.3)**	(0.2)
Payment of principal portion of lease liabilities	15	**(0.8)**	(0.5)
Net cash used in financing activities		**(4.9)**	(10.2)
Net increase in cash and cash equivalents		**22.2**	7.8
Cash and cash equivalents at the beginning of the year		**10.5**	2.7
Cash and cash equivalents at the end of the year		**32.7**	10.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

Basis of preparation

The consolidated financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, and in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/202 as it applies in the European Union.

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

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

The adoption of these amendments has had no material effect on the Group's consolidated financial statements. There are a number of amendments to IFRS that have been issued by the IASB that become mandatory in a subsequent accounting period including: COVID-19 Related Rent Concessions – Amendment to IFRS 16 and Interest Rate Benchmark Reform Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. The Group has evaluated these changes and none are expected to have a significant impact on these consolidated financial statements.

The consolidated financial statements have been prepared on the going concern basis and under the historical cost convention.

On 27 May 2021, the Company obtained control of the entire share capital of VIPSO Limited via a share-for-share exchange. There were no changes in rights or proportion of control exercised as a result of this transaction. Although the share-for-share exchange resulted in a change of legal ownership, this was a common control transaction and therefore outside the scope of IFRS 3. In substance these financial statements reflect the continuation of the pre-existing Group, headed by VIPSO Limited, and the financial statements have been prepared applying the principles of predecessor accounting ownership. This was a common control transaction and therefore outside the scope of IFRS 3.

As a result of the above, the comparatives presented in these financial statements are the consolidated results of VIPSO Limited. The prior year statement of financial position reflects the share capital structure of VIPSO Limited. The current period balance sheet presents the legal change in ownership of the Group, including the share capital of Victorian Plumbing Group plc and the capital reorganisation reserve arising as a result of the share-for-share exchange transaction. The consolidated statement of changes in equity and the additional disclosures in note 17 explain the impact of the share-for-share exchange in more detail.

The financial information set out in this document does not constitute the statutory accounts of the Group for the financial years ended 30 September 2021 or 30 September 2020 but is derived from the 2021 Annual Report and Financial Statements. The Annual Report and Financial Statements for 2021 will be delivered to the Registrar of Companies in due course. The auditors have reported on those accounts and have given an unqualified report, which does not contain a statement under Section 498 of the Companies Act 2006.

Going concern

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

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

2. Accounting policies, estimates and judgements

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

Restatement of prior year comparatives

Following a review of the Group's historical financial information for the Group's IPO in June 2021, a number of adjustments have been made to correct errors in balances previously reported within the Group's consolidated financial statements. These adjustments have been corrected by restating each of the affected financial statement line items for the prior period as follows. The Group's statement of cash flows was not impacted.

Reconciliation of equity and total comprehensive income as at 30 September 2020

Statement of financial position as at 30 September 2020

	Notes	Previously reported 30 September 2020 £m	Impact of adjustments £m	Restated 30 September 2020 £m
Non-current assets				
Intangible assets	A	2.3	0.2	2.5
Property, plant and equipment		0.8	–	0.8
Right-of-use assets	B	2.9	3.1	6.0
		6.0	3.3	9.3
Current assets				
Inventories	C, D, E	24.0	(1.0)	23.0
Trade and other receivables	F, G	9.4	0.6	10.0
Tax recoverable	K	1.4	0.9	2.3
Cash and cash equivalents		10.5	–	10.5
		45.3	0.5	45.8
Current liabilities				
Trade and other payables	D, G	(26.7)	(1.4)	(28.1)
Provision	H	–	(0.2)	(0.2)
Contract liability	C, F	(4.7)	(2.6)	(7.3)
Lease liabilities	B	(0.5)	(0.2)	(0.7)
		(31.9)	(4.4)	(36.3)
Non-current liabilities				
Lease liabilities	B	(2.7)	(3.0)	(5.7)
Deferred taxation liabilities		(0.1)	–	(0.1)
		(2.8)	(3.0)	(5.8)
Net assets		16.6	(3.6)	13.0
Equity attributable to the owners of the Company				
Share capital		–	–	–
Retained earnings		16.6	(3.6)	13.0
Total equity		16.6	(3.6)	13.0

Statement of total comprehensive income year ended 30 September 2020

	Notes	Previously reported 30 September 2020 £m	Impact of adjustments £m	Restated 30 September 2020 £m
Revenue	C, G, I	209.9	(1.2)	208.7
Cost of sales	C, D, E, G, H, J	(167.7)	51.0	(116.7)
Gross profit		42.2	49.8	92.0
Administrative expenses	A, B, J	(16.2)	(52.0)	(68.2)
Other operating income	I	0.1	0.1	0.2
Operating profit		26.1	(2.1)	24.0
Finance costs	B	(0.2)	(0.1)	(0.3)
Profit before tax		25.9	(2.2)	23.7
Tax on profit		(4.5)	0.5	(4.0)
Profit for the financial year		21.4	(1.7)	19.7

A Intangible assets

The Group has intangible assets relating to purchased software and internal capitalised development spend. On review, the Group recorded amortisation in the year ended 30 September 2020 in excess of what was required as per the Group's amortisation policy. An adjustment has been included to increase the level of intangible assets by £0.2 million and reduce the amount of amortisation included within administrative expenses.

B Recognition of a lease under IFRS 16

During the year, the Group agreed the terms to lease warehouse and office space from Radcliffe Property Management, a related party. The lease agreement was signed in October 2020, after the reporting date of 30 September 2020, and so the Group did not recognise a right-of-use asset or lease liability in the year ended 30 September 2020.

On review, the Group had been given control of the asset prior to the reporting date and, although the lease agreement had not been signed, terms had been agreed. The Group has therefore made an adjustment to recognise the lease in the statement of financial position at the reporting date. A right-of-use asset of £3.1 million has been recorded as at 30 September 2020 with a corresponding lease liability of £3.2 million. Depreciation of £0.1 million and interest of £0.1 million have been charged to the income statement and are presented within administrative expenses and net finance costs respectively.

C Recognition of revenue on delivery of items

The Group has previously recognised revenue on dispatch of goods from the Group's warehouses. On review, management believe that control is only passed to the customer on delivery of items. As a result of this change in policy, an adjustment has been made for the year ended 30 September 2020.

Revenue recognised has been reduced by £2.3 million, with a corresponding increase of £2.3 million in the Group's contract liability. Offsetting this was £1.6 million of revenue now recognised in the year ended 30 September 2020 for which an adjustment was made to the opening statement of financial position. The total impact to revenue of this change in policy was therefore a reduction in revenue of £0.7 million.

The reduction in revenue has an associated reduction in cost of sales. Cost of sales was reduced by £1.3 million, with a corresponding increase in inventory. Offsetting this was £0.9 million of cost of sales now recognised in the year ended 30 September 2020, for which an adjustment was made to the opening statement of financial position. The total impact to cost of sales of this change in policy was therefore a reduction of £0.4 million.

D Inventory adjustments

On review, the Group has identified some differences between the financial statements and the stock listing as at 30 September 2020 along with misstatements in relation to purchase cut-off and the recognition of import duties. The net result of these differences is an increase to inventory of £0.3 million, an increase in cost of sales of £0.2 million and an increase to trade payables of £0.5 million.

E Adjustment to deferred costs recognised in other receivables

The Group had deferred costs of £2.7 million in the year ended 30 September 2020. On review, these costs should have been recognised within cost of sales in the year ended 30 September 2020. An adjustment has therefore been made to reduce inventory by £2.7 million, with a corresponding increase in cost of sales.

Offsetting this is a £1.3 million reduction in cost of sales as a result of the corresponding adjustment to the year ended 30 September 2019.

F Reclassification of receivables
The Group has reclassified £0.2 million to trade receivables relating to a debtor balance with a customer. This balance had been offset against the Group's 'contract liability' in the financial statements for the year ended 30 September 2020.

G Recognition of an accrual for returns
On review, the Group believes that it is necessary to recognise an accrual for returns made after the reporting date that related to sales made during the period. This change has had an impact on the statement of financial position as at 30 September 2020.

The Group has recognised an adjustment to increase the returns accrual by £1.0 million and a right-of-return asset of £0.4 million has been recorded within trade and other receivables. After considering the impact of the adjustment made to the statement of financial position as at 30 September 2019, this adjustment results in a reduction in revenue of £0.5 million and gross profit of £0.3 million.

H Recognition of a provision for assurance warranties
The Group has historically not provided for any potential liability relating to assurance-type warranties offered to customers. On review, the Group believes it is necessary to provide for these potential liabilities. A total of £0.1 million was charged to the income statement in the year in respect of this provision.

I Other adjustments to revenue
On review, the Group identified a contract liability of £0.1 million of revenue recognised in the year ended 30 September 2019 which should have been deferred to the year ended 30 September 2020. An adjustment has been made to recognise an additional £0.1 million of revenue in the year ended 30 September 2020.

The Group recognised an amount of £0.1 million relating to supplier promotions as revenue in the year ended 30 September 2020. On review, this amount has been reclassified as 'Other operating income'.

J Reclassification of marketing costs
The Group classified marketing costs as cost of sales in the year ended 30 September 2020. On review, the Group believes that costs relating to marketing are an administrative expense and not directly attributable to the goods sold. Marketing costs of £52.1 million have therefore been reclassified from cost of sales to administrative expenses.

K Tax impact of adjustments
The impact of the adjustments proposed decreases the income tax expense by £0.5 million. The corporation tax liability decreased by £0.9 million.

Statement of cash flows for the year ended 30 September 2020

	Previously reported 30 September 2020 £m	Impact of adjustments £m	Restated 30 September 2020 £m
Cash generated from operating activities	27.1	3.8	30.9
Income tax paid	(6.5)	–	(6.5)
Net cash generated from operating activities	20.6	3.8	24.4
Net cash used in investing activities	(2.6)	(3.8)	(6.4)
Net cash used in financing activities	(10.2)	–	(10.2)
Net increase in cash and cash equivalents	7.8	–	7.8
Cash and cash equivalents at the start of the year	2.7	–	2.7
Cash and cash equivalents at the end of the year	10.5	–	10.5

The cash flows for operating activities and investing activities have been restated in relation to 30 September 2020. This is due to cash flows relating to advances made to related parties being incorrectly classified as operating cash flows instead of investing cash flows. This has resulted in previously reported total cash outflows from investing activities increasing by £3.8 million and total cash inflows from operating activities decreasing by £3.8 million. This has no effect on the financing cashflows, total cash flows or the cash position at 30 September 2020.

Reconciliation of opening equity - Statement of financial position as at 01 October 2019

	Notes	Previously reported 1 October 2019 £m	Impact of adjustments £m	Restated 1 October 2019 £m
Non-current assets				
Intangible assets		1.8	–	1.8
Property, plant and equipment		0.5	–	0.5
Right-of-use assets		3.5	–	3.5
		5.8	–	5.8
Current assets				
Inventories	A, B	16.4	1.9	18.3
Trade and other receivables	C, D	6.2	(1.0)	5.2
Tax recoverable	G	0.2	(0.2)	–
Cash and cash equivalents		2.7	–	2.7
		25.5	0.7	26.2
Current liabilities				
Trade and other payables	B, D	(19.8)	(1.4)	(21.2)
Provision	F	–	(0.1)	(0.1)
Contract liability	E	(2.1)	(1.7)	(3.8)
Lease liabilities		(0.5)	–	(0.5)
Corporation tax	G	(0.9)	0.6	(0.3)
		(23.3)	(2.6)	(25.9)
Non-current liabilities				
Lease liabilities		(3.3)	–	(3.3)
		(3.3)	–	(3.3)
Net assets		4.7	(1.9)	2.8
Equity attributable to the owners of the Company				
Share capital		–	–	–
Retained earnings		4.7	(1.9)	2.8
Total equity		4.7	(1.9)	2.8

A Recognition of revenue on delivery of items

The Group has previously recognised revenue on dispatch of goods from the Group's warehouses. On review, management believes that control is only passed to the customer on delivery of items. As a result of this change in policy, an adjustment has been made for the year ended 30 September 2019.

Revenue recognised has been reduced by £1.6 million, with a corresponding increase of £1.6 million in the Group's contract liability. The reduction in revenue has an associated reduction in cost of sales. Cost of sales was reduced by £0.9 million, with a corresponding increase in inventory.

B Inventory adjustments

On review, the Group has identified some differences between the financial statements and the stock listing as at 30 September 2019, along with misstatements in relation to purchase cut-off and the recognition of import duties. The net result of these differences is an increase to inventory of £1.0 million and an increase to trade payables of £0.8 million.

The Group had classified a balance of £0.1 million that related to goods in transit as a prepayment in the year ended 30 September 2019. An adjustment has been made to increase inventory by £0.1 million, with a corresponding decrease in trade and other receivables.

C Adjustment to deferred costs recognised in other receivables

The Group had deferred costs of £1.3 million in the year ended 30 September 2019. On review, these costs should have been recognised within cost of sales in the year ended 30 September 2019. An adjustment has therefore been made to reduce other receivables by £1.3 million, with a corresponding increase in cost of sales.

D Recognition of an accrual for returns
On review, the Group believes that it is necessary to recognise an accrual for returns made after the reporting date that related to sales made during the period. The change has had an impact on the statement of financial position as at 30 September 2019.

The Group has recognised an adjustment to increase the returns accrual by £0.5 million and a right-of-return asset of £0.2 million has been recorded within trade and other receivables.

E Contract liability adjustment
On review, the Group identified £0.1 million of revenue recognised in the year ended 30 September 2019 which should have been deferred. An adjustment has therefore been made to increase the contract liability by £0.1 million, with the corresponding reduction being made to revenue.

F Recognition of a provision for assurance warranties
The Group has historically not provided for any potential liability relating to assurance-type warranties offered to customers. On review, the Group believes it is necessary to provide for these potential liabilities. The result of this change on the statement of financial position as at 30 September 2019 is an increase of £0.1 million.

G Tax impact of adjustments
The corporation tax liability decreased by £0.4 million.

Judgements in applying accounting policies

Intangible assets
Intangible assets include capitalised internal salaries and third-party costs for computer software development. A certain proportion of the total costs are capitalised, as they relate to development costs, whilst the remaining costs are deemed to be maintenance costs and are expensed to the statement of comprehensive income. The proportion is calculated using a combination of management's best estimate and information provided by the third party.

Revenue cut-off
The Group's management information systems are configured to recognise revenue upon dispatch of the inventory items from the Group's warehouse, which may not be aligned to when control has transferred to the customer. Management therefore performs an assessment in order to capture items that may have been dispatched from the Group's warehouse but not delivered by the reporting date, and subsequently defers the recognition of revenue and associated costs into the following year. This gives rise to deferred income, which is recognised as a contract liability, and associated inventory in the consolidated statement of financial position. The assessment performed by management includes assumptions, which management believes are reasonable, in order to identify items that fit the criteria for deferral. Management limits the review to a fixed number of distributors and extrapolates the shipment delay identified in the distributors tested to the remaining distributors.

Share-based payments
Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions. The fair value of services received in return for share options is calculated with reference to the fair value of the award on the date of grant. A Black-Scholes model has been used where appropriate to calculate the fair value and the Directors have therefore made estimates with regard to the inputs to that model and the period over which the share award is expected to vest (note 19) of the consolidated Group financial statements.

On 15 April 2020, 845 ordinary A shares were issued at a price of £0.10 per share, which is the nominal value of the shares. Of the 845 shares issued, 800 of the A ordinary shares were issued to the existing shareholders by way of bonus issue so as not to dilute their existing holding. These shares are considered outside the scope of IFRS 2, on the basis that these shareholders do not receive any additional value for their shares. This is considered to be a key judgement.

Judgements in applying accounting policies

Refund liability
The refund liability that is recognised within the historical financial information relates to the obligation to refund some or all of the consideration received from a customer. The liability is measured at the amount the Group ultimately expects it will have to return to the customer. The refund liability therefore requires management to estimate the amount expected to be returned to customers after the reporting date. The refund liability is estimated using historical rates of the level of refunds relative to revenue. The table below shows the percentage of average quarterly sales in the period and the impact that increasing the refund rate by 1% of quarterly sales would have on the consolidated statement of comprehensive income.

	2021	2020 (restated)
Refund liability (£m)	**0.9**	1.0
Revenue (£m)	**268.8**	208.7
Refund liability % average quarterly sales	**1.3%**	1.9%
Impact of increasing the refund rate by 1% of quarterly sales on PBT (£m)	**(0.7)**	(0.5)

Warranty provision
The Group provides for the cost expected to be incurred in order to replace damaged or faulty items that existed at the time of sale. The provision related to these assurance-type warranties are recognised when the product is sold. Initial recognition is based on historical experience.

The table below shows the percentage of average quarterly sales in the period and the impact that increasing the warranty rate by 0.5% of quarterly sales would have on profit before tax ('PBT').

	2021	2020 (restated)
Warranty provision (£m)	**0.1**	0.2
Revenue (£m)	**268.8**	208.7
Warranty provision % average quarterly sales	**0.2%**	0.4%
Impact of increasing the warranty provision by 0.5% of quarterly sales on PBT (£m)	**(0.3)**	(0.3)

3. Segmental information

IFRS 8 'Operating Segments' requires the Group to determine its operating segments based on information which is provided internally. Based on the internal reporting information and management structures within the group, it has been determined that there is only one operating segment, being the Group, as the information reported includes operating results at a consolidated Group level only (the 'Operating group'). There is also considered to be only one reporting segment, which is the Group, the results of which are shown in the consolidated statement of comprehensive income.

Management has determined that there is one operating and reporting segment based on the reports reviewed by the Senior Leadership Team ('SLT') which is the chief operating decision-maker ('CODM'). The SLT is made up of the Executive Directors and Key Management and is responsible for the strategic decision-making of the Group.

Adjusted EBITDA
Operating costs, comprising administrative expenses, are managed on a Group basis. The SLT measures the overall performance of the Operating group by reference to the following non-GAAP measure:

- Adjusted EBITDA, which is EBITDA (earnings before interest, tax, depreciation and amortisation) less exceptional items and IFRS 2 charges in respect of share-based payments along with associated national insurance.

This adjusted profit measure is applied by the SLT to understand the earnings trends of the Operating group and is considered an additional, useful measure under which to assess the true operating performance of the Operating group.

In addition to annual bonuses which are linked to the Operating group's financial performance, the Operating group has implemented a number of longer-term share-based payment incentives linked to changes in ownership of the Operating group rather than the achievement of individual or Company specific financial performance targets.

The Directors believe that these items and adjusted measures of performance should be separately disclosed in order to assist in the understanding of financial performance achieved by the Operating group and for consistency with prior years.

	2021 £m	2020 (restated) £m
Operating profit	**20.0**	24.0
Depreciation of property, plant and equipment	**0.6**	0.3
Depreciation of right-of-use assets	**0.8**	0.6
Amortisation	**1.6**	1.3
Exceptional items	**9.4**	-

Share-based payments (including associated NI)	**7.7**	-
Adjusted EBITDA	**40.1**	26.2

4. Revenue

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

	2021 £m	**2020 (restated) £m**
Online	**267.9**	207.7
Showroom	**0.9**	1.0
	268.8	208.7

All revenue arose within the United Kingdom.

5. Operating profit

Expenses by nature including exceptional items:

	2021 £m	**2020 (restated) £m**
Employee costs (excluding share-based payments)	**12.6**	8.3
Share-based payments	**7.7**	-
Agency and contractor costs	**1.1**	1.1
Marketing costs	**69.7**	52.2
Depreciation of property, plant and equipment (note 11)	**0.6**	0.3
Depreciation of right-of-use assets (note 12)	**0.9**	0.6
Amortisation charge (note 10)	**1.6**	1.3
Loss/(gain) on foreign exchange	**0.1**	(0.7)
Other costs	**16.2**	5.1
Total administrative expenses	**110.5**	68.2
Share-based payments (note 19)	**(7.7)**	–
Included within exceptional items (note 6)	**(9.4)**	–
Total administrative expenses before separately disclosed items	**93.4**	68.2

6. Exceptional items

	2021 £m	2020 £m
IPO costs	**9.4**	–

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

7. Taxation

	2021 £m	2020 (restated) £m
Corporation tax		
Current tax on profits for the year	**5.4**	4.5
Adjustments in respect of previous periods	**–**	(0.6)
Total current tax	**5.4**	3.9
Deferred tax		
Adjustments in respect of previous periods	**–**	0.1
Total deferred tax	**–**	0.1
Taxation on profit	**5.4**	4.0

Factors affecting tax charge for the year

The tax assessed for the period is higher (2020: lower) than the standard rate of corporation tax in the UK of 19% (2020: 19%). The differences are explained below:

	2021 £m	2020 (restated) £m
Profit on ordinary activities before tax	19.7	23.7
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2020: 19%)	3.7	4.5
Effects of:		
Expenses not deductible for tax purposes	1.4	–
Share options	0.3	–
Adjustments to tax charge in respect of prior periods	–	(0.5)
Total tax charge for the year	**5.4**	**4.0**

Taxation on items taken directly to equity was a credit of £0.7m (2020: £nil) relating to tax on share-based payments.

Factors that may affect future tax charges

The rate of corporation tax in the UK throughout the period was 19%. Changes to the UK corporation tax rates were substantively enacted as part of the Finance Act 2021 on 24 May 2021. The rate applicable from 1 April 2023 will increase from 19% to 25%. Deferred taxes at the reporting date have been measured using these enacted tax rates.

Tax recoverable

Tax recoverable represents overpaid corporation tax and Section 455 tax which has been paid and is to be reclaimed.

8. Dividends

	2021 £m	2020 £m
Dividends paid	**14.9**	9.5

Prior to the Group restructure, ordinary dividends of £14.9 million (2020: £9.5 million) were paid in respect of the year ended 30 September 2020 to the shareholders of VIPSO Limited. Certain shareholders have waived their right to receive dividends and therefore the dividends paid are not based on the total number of ordinary shares in issue at the time. No dividends were paid to the shareholders of Victorian Plumbing Group plc during the year ended 30 September 2021.

9. Earnings per share

Basic and diluted earnings per share

Basic earnings per share ('EPS') is calculated by dividing the profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

As a consequence of a share-for-share exchange on 27 May 2021 (note 17) in preparation for the IPO, these consolidated financial statements reflect the continuation of the pre-existing Group, headed by VIPSO Ltd. In order for EPS to be comparable year on year, the shares allotted and vested at Admission have been used to calculate basic EPS for the year ended 30 September 2020 and for the period between 1 October 2020 and Admission on 22 June 2021.

Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the number of incremental ordinary shares, calculated using the treasury stock method, that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The following table reflects the income and share data used in the EPS calculations:

	Weighted average number of ordinary shares	Total earnings £m	Pence per share
Year ended 30 September 2021			
Basic EPS	**267,781,231**	**14.3**	**5.3**
Diluted EPS	**315,755,339**	**14.3**	**4.5**
Year ended 30 September 2020			
Basic EPS	265,559,733	19.7	7.4
Diluted EPS	265,559,733	19.7	7.4

The number of shares in issue at the time of listing on 22 June 2021 is reconciled to the basic and diluted weighted average number of shares below:

	Weighted average number of shares
Number of ordinary shares in issue immediately prior to IPO	305,943,729
Weighted effect impact of shares issued for primary offering	1,237,269
Weighted effect of ordinary shares issued for share based payments	3,501,409
Weighted effect of shares issued but unvested	(42,901,176)
Weighted average number of shares for basic EPS	**267,781,231**
Dilutive impact of unvested shares in relation to restricted share awards	47,970,764
Impact of ordinary shares held in ESOT	3,344
Weighted average number of shares for diluted EPS	**315,755,339**

The average market value of the Group's shares for the purposes of calculating the dilutive effect of share-based incentives was based on quoted market prices for the period during which the share-based incentives were outstanding.

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

	2021 £m	**2020 (restated) £m**
Profit for the year	**14.3**	19.7
Exceptional items	**9.4**	–
Share-based payments	**7.7**	–
Tax effect	**(1.9)**	–
Total adjusted profit for the year	**29.5**	19.7
Adjusted basic earnings per share (pence)	**11.0**	7.4
Adjusted diluted earnings per share (pence)	**9.3**	7.4

10. Intangible assets

	Computer software £m
Cost	
At 30 September 2019	3.7
Additions (restated)	2.0
At 30 September 2020 (restated)	5.7
Additions	1.8
At 30 September 2021	**7.5**
Accumulated amortisation	
At 30 September 2019	1.9
Charge for the year	1.3
At 30 September 2020	3.2
Charge for the year	1.6
At 30 September 2021	**4.8**
Net book value	
At 30 September 2019	1.8
At 30 September 2020 (restated)	2.5
At 30 September 2021	**2.7**

Computer software comprises both internal salaries and external development capitalised in relation to the Group's bespoke operational software. The Group capitalised internal salaries of £1.2 million in the year ended 30 September 2021 (2020: £0.6 million) for development of computer software.

For the year to 30 September 2021, the amortisation charge of £1.6 million (2020: £1.3 million) has been charged to administrative expenses in the income statement. At 30 September 2021, there were no software and website development costs representing assets under construction (2020: £nil).

11. Property, plant and equipment

	Leasehold improvements £m	Plant and machinery £m	Fixtures and fittings £m	Office equipment £m	Total £m
Cost					
At 30 September 2019	–	0.5	0.9	0.6	2.0
Additions	–	0.2	0.1	0.3	0.6
At 30 September 2020	–	0.7	1.0	0.9	2.6
Additions	0.1	0.7	0.2	0.5	1.5
At 30 September 2021	**0.1**	**1.4**	**1.2**	**1.4**	**4.1**
Accumulated depreciation					
At 30 September 2019	–	0.3	0.8	0.4	1.5
Charge for the year	–	0.1	0.1	0.1	0.3
At 30 September 2020	–	0.4	0.9	0.5	1.8
Charge for the year	–	0.3	0.1	0.2	0.6
At 30 September 2021	**–**	**0.7**	**1.0**	**0.7**	**2.4**
Net book value					
At 30 September 2019	–	0.2	0.1	0.2	0.5
At 30 September 2020	–	0.3	0.1	0.4	0.8
At 30 September 2021	**0.1**	**0.7**	**0.2**	**0.7**	**1.7**

12. Right-of-use assets

	Right-of-use assets £m
Cost	
At 30 September 2019	5.0
Additions (restated)	3.1
At 30 September 2020 (restated)	8.1
Additions	0.6
Modifications	(0.4)
Disposals	(0.1)
At 30 September 2021	**8.2**
Accumulated depreciation	
At 30 September 2019	1.5
Charge for the year	0.6
At 30 September 2020	2.1
Charge for the year	0.9
On disposals	(0.1)
At 30 September 2021	**2.9**
Net book value	
At 30 September 2019	3.5
At 30 September 2020 (restated)	6.0
At 30 September 2021	**5.3**

During the year the Group reassessed the likelihood of executing the termination option on one of its properties. It is now deemed likely that the termination option will be exercised and as a result this represents a modification under IFRS 16. The right-of-use asset was decreased by £0.4 million to reflect the value of the asset after the modification and the corresponding lease liability reduced by £0.4 million.

13. Trade and other receivables

	2021 £m	2020 (restated) £m
Trade receivables	**2.3**	1.9
Amounts owed by related parties	**–**	5.9
Other receivables	**–**	0.2
Right-of-return asset	**0.3**	0.3
Accrued income	**0.9**	1.0
Prepayments	**1.4**	0.7
	4.9	10.0

The Group provides against trade receivables using the forward-looking expected credit loss model under IFRS 9. An impairment analysis is performed at each reporting date. Trade receivables, accrued income, amounts owed by related parties and other receivables expected credit losses have been reviewed by management and have been determined to have an immaterial impact on these balances.

14. Trade and other payables

	2021 £m	2020 (restated) £m
Trade payables	**23.5**	21.7
Other taxation and social security	**8.8**	3.7
Refund liability	**0.9**	1.0
Other payables	**1.2**	0.7
Accruals	**1.6**	1.0
	36.0	28.1

15. Lease liabilities

	Lease liability £m
At 30 September 2019	3.8
Additions (restated)	3.1
Interest expense	0.2
Lease payment	(0.7)
At 30 September 2020 (restated)	6.4
Additions	0.6
Modifications	(0.4)
Interest expense	0.3
Lease payment	(1.1)
At 30 September 2021	**5.8**

During the year the Group reassessed the likelihood of executing the termination option on one of its properties. It is now deemed likely that the termination option will be exercised and as a result this represents a modification under IFRS 16. The right-of-use asset was decreased by £0.4 million to reflect the value of the asset after the modification and the corresponding lease liability reduced by £0.4 million.

The Group had total cash outflows for leases of £1.1 million (2020: £0.7 million). The Group also had non-cash additions to right-of-use assets and lease liabilities of £0.6 million (2020: £3.1 million).

Lease liabilities as at 30 September were classified as follows:

	2021 £m	2020 £m
Current	**0.9**	0.7
Non-current	**4.9**	5.7
Total	**5.8**	6.4

16. Borrowings

	2021 £m	2020 £m
Amounts drawn under revolving credit facility	**–**	–
Unamortised debt issue costs	**(0.1)**	–
	(0.1)	–

On 7 June 2021, the Group signed into a new Revolving Credit Facility (the 'RCF'). The RCF has total commitments of £10 million and a termination date of June 2024. The facility is secured by a debenture dated 7 June 2021. Interest on the RCF is charged at SONIA plus a margin of between 2.3% and 2.8% depending on the consolidated leverage of the Group. A commitment fee of 40% of the margin applicable to the RCF is payable quarterly in arrears on unutilised amounts of the RCF. There is no requirement to settle all, or part, of the debt earlier than the termination date. At 30 September 2021 the Group had not utilised the RCF.

Unamortised debt issue costs of £0.1 million (2020: £nil) are included in prepayments (note 13).

17. Share capital

	2021 £	2020 £
Allotted, called up and fully paid		
325,062,985 ordinary shares of 0.1p (2020: £nil)	**325,063**	–
Nil ordinary shares of £1.00 (2020: 800)	**–**	800
Nil A ordinary shares of £0.10 (2020: 845)	**–**	85
	325,063	885

The share capital of the Group is represented by the share capital of the parent company, Victorian Plumbing Group plc. The Company was incorporated on 6 May 2021 to act as the holding company of the Group. Prior to this the share capital of the Group was represented by the share capital of the previous parent, VIPSO Limited. The table below summarises the movements in share capital during the year ended 30 September 2021.

	£
At 1 October 2020	885
Change in capital as a result of the Group restructure	410,365
Ordinary shares of 0.1p issued on Admission	11,260
Ordinary shares of 0.1p issued for the Share Incentive Plan	636
Cancellation of ordinary deferred shares of 0.1p	(98,083)
At 30 September 2021	**325,063**

Victorian Plumbing Group plc was incorporated on 6 May 2021 and issued one ordinary share of £1.45 at par.

On 27 May 2021 as part of the Group restructuring, the following steps took place:

- Victorian Plumbing Group plc issued 199,999,999 ordinary shares of £1.45 and 211,250,000 A ordinary shares of £0.145 in exchange for the entire share capital of VIPSO Limited.
- The 200,000,000 of ordinary shares were sub-divided into 200,000,000 of 0.1p ordinary shares and 200,000,00 of £1.449 deferred ordinary shares.
- The 211,250,000 of A ordinary shares were sub-divided into 211,250,000 A ordinary shares of 0.1p and 211,250,000 A ordinary deferred shares of £0.144.
- Victorian Plumbing Group plc undertook a capital reduction by cancelling 200,000,000 ordinary deferred shares of £1.449 each and 211,250,000 A ordinary deferred shares of £0.144 each. In total, these shares had an aggregate nominal value of £320,220,000.

On 22 June 2021, the date of Admission, the following steps took place:

- The 200,000,000 ordinary shares of 0.1p and 211,250,000 A ordinary shares of 0.1p were consolidated to 313,166,698 new ordinary shares of 0.1p and 98,083,302 new deferred ordinary shares of 0.1p.
- Victorian Plumbing Group plc cancelled the 98,083,302 ordinary deferred shares of 0.1p with an aggregate nominal value of £98,083.
- Victorian Plumbing Group plc issued 11,260,783 of 0.1p ordinary shares at an aggregate nominal value of £11,260. Of the shares issued 6,833,302 were to satisfy share awards and 4,427,481 for a primary issue. The issue raised gross proceeds of £11.6 million for the Company, or £11.2 million net of all fees incurred. Share premium of £11.2 million has been recorded.

On 2 August 2021 the Company issued 635,504 ordinary shares of 0.1p at an aggregate nominal value of £636, which are held by the Employee Share Option Trust (ESOT).

18. Own shares held

The Employee Share Option Trust purchases shares to fund the Share Incentive Plan. At 30 September 2021, the trust held 635,504 (2020: nil) ordinary shares with a book value of £636 (2020: £nil). The market value of these shares as at 30 September 2021 was £1.6 million (2020: £nil). During the year the ESOT purchased 635,504 shares of the Company at a cost of £636, representing 0.2% of issued share capital.

	Number of shares	£
ESOT shares reserve		
Own shares held at 1 October 2020	–	–
Shares acquired by the ESOT in relation to the SIP	635,504	636
Own shares held at 30 September 2021	635,504	636

On 27 July 2021, Victorian Plumbing Group plc issued 635,504 ordinary shares of 0.1p each to eligible employees in connection with the Share Incentive Plan (‘SIP’). On the same date, the ordinary shares were acquired by the Employee Share Option Trust (‘ESOT’) at nominal value.

19. Share-based payments

During the year the Group operated two share plans being the Share Incentive Plan (‘SIP’) and a Management Incentive Plan (‘MIP’). In addition, both prior to and following Admission to AIM in June 2021, the Group awarded shares to the Chairman and certain members of Key Management which had restrictions placed against them that bring the awards into the scope of IFRS 2.

All share-based incentives carry a service condition. Such conditions are not taken into account in the fair value of the service received. The fair value of services received in return for share-based incentives is measured by reference to the fair value of share-based incentives granted. The estimate of the fair value of the share-based incentives is measured using the Black-Scholes pricing model as is most appropriate for each scheme.

Sensitivity analysis has been performed in assessing the fair value of the share-based incentives. There are no changes to key assumptions that are considered by the Directors to be reasonably possible, which give rise to a material difference in the fair value of the share-based incentives.

The total charge in the year was £7.7m (2020: £nil) with a Company charge of £0.7m (2020: £nil). This included associated national insurance ('NI') at 13.8%, which management expects to be the prevailing rate when the awards are exercised, and apprenticeship levy at 0.5%, based on the share price at the reporting date.

	2021 £m	**2020 £m**
Share Incentive Plan ('SIP')	**0.1**	–
A ordinary growth shares award - April 2020	**0.4**	–
Management incentive Plan award - December 2020	**4.4**	–
IPO restricted share awards	**1.6**	–
Total IFRS 2 charge	**6.5**	–
National insurance and apprenticeship levy on applicable schemes	**1.2**	–
Total charge	**7.7**	–

During the year, the Directors in office in total had gains of £5.9m (2020: £nil) arising on the exercise of share-based incentive awards.

Share Incentive Plan

The Group operates a Share Incentive Plan ('SIP') scheme that was made available to all eligible employees following Admission to AIM in June 2021. On 27 July 2021, all eligible employees were awarded free shares valued at £3,600 each based on the closing share price on 26 July 2021 of £2.67. A total of 635,504 shares were awarded under the scheme, subject to a three-year service period (the 'Vesting Period').

The SIP awards have been valued using the Black-Scholes model and the resulting share-based payments charge spread evenly over the Vesting Period. The SIP shareholders are entitled to dividends over the Vesting Period. No performance criteria are applied to the vesting of SIP shares. Fair value at the grant date was measured to be £2.67.

	2021 number	**2020 number**
Outstanding at 1 October 2020	–	–
Shares awarded	635,504	–
Forfeited	(58,772)	–
Outstanding at 30 September 2021	**576,732**	**–**
Vested and outstanding at 30 September 2021	**–**	**–**

The total charge in the year, included in operating profit, in relation to these awards was £0.1m (2020: £nil). The Company charge for the year was £nil (2020: £nil).

A ordinary shares

On 15 April 2020 (the 'grant date'), 845 A ordinary shares in VIPSO Ltd, the former ultimate parent company, were issued at a price of £0.10 per share which was the nominal value of the shares. Of the 845 shares issued, 800 of the A ordinary shares were issued to the existing shareholders by way of bonus issue so as not to dilute their existing holding. These 800 shares are considered outside the scope of IFRS 2, on the basis that these shareholders do not receive any additional value for their shares.

The remaining 45 A ordinary shares were awarded to certain members of Key Management (together the 'A ordinary shareholders'). In order to realise value from the shares awarded, a participant must remain employed until an 'Exit' event is achieved. The equity value on 'Exit' must also be in excess of the equity hurdle which has been set at £130 million. The 'Exit' requirement is a non-market performance vesting condition and the hurdle amount is considered to be a market-based performance condition.

The fair value of services received in return for shares awarded is measured by reference to the fair value of the shares at the date of the award. The fair value of the shares awarded has been calculated with reference to a Black-Scholes pricing model.

The significant inputs into the model were:

- a 1- to 5-year time frame for 'Exit'. Three scenarios were modelled with equal probability of an 'Exit' after 1 year, 3 years and 5 years. An average of the three scenarios was then calculated;
- an equity value of £99 million at the date of award;
- an exercise price of £nil;
- volatility of between 34% and 40%, depending on the expected time frame to 'Exit'. The expected volatility is based on the average annualised historic equity value volatility of comparable companies over a period equal to the exit horizon;
- a dividend yield of 0%; and
- a risk-free rate of between 0.07% and 0.14% depending on the time period to 'Exit'.

The fair value of each share was determined to be £8,475 per share. The resulting share-based payments charge was to be spread evenly over the period between the award and the date at which an 'Exit' event occurs. No charge was recognised if an 'Exit' event was not deemed to be probable as the performance vesting condition would not be met.

On 27 May 2021 the Group undertook a reorganisation, through which the A ordinary shareholders exchanged their shares for an equivalent value in Victorian Plumbing Group plc. After all of the steps relating to the reorganisation were executed, the A ordinary shareholders had exchanged their 45 A ordinary shares in VIPSO Ltd for 7,222,969 ordinary shares in Victorian Plumbing Group plc. The share-for-share exchange does not represent a modification of the award under IFRS 2 as the value of the award, and the related service and performance conditions, remained unchanged.

On 11 June 2021 the A ordinary shareholders entered into a deed (the 'deed'), which would become effective on Victorian Plumbing Group plc's Admission to AIM, to modify the terms of the award. The performance condition would no longer be relevant since an Exit event would have already occurred. The service condition for the A ordinary shareholders was modified so as to restrict the number of shares that vest on Admission. The vesting profile of the remaining shares (the 'restricted shares') was defined to be as follows:

- 10% of the restricted shares will vest on the first anniversary of Admission;
- 10% of the restricted shares will vest on the second anniversary of Admission;
- 15% of the restricted shares will vest on the third anniversary of Admission;
- 25% of the restricted shares will vest on the fourth anniversary of Admission; and
- 40% of the restricted shares will vest on the fifth anniversary of Admission.

On 22 June 2021 Victorian Plumbing Group plc was admitted to AIM, which was an Exit event under the terms of the award. On Admission 1,059,369 shares vested. The deed agreed to by the A ordinary shareholders took effect.

The execution of the deed represents a modification of the award under IFRS 2. Management considered the fair value of the existing awards in accordance with IFRS 2. The modification resulted in additional vesting conditions and as a result the value of the award decreased on modification. As the fair value of the award decreased, the original grant date fair value was recognised over the original vesting period (the date of the Exit event) in accordance with IFRS 2.

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

The total charge in the year, included in operating profit, in relation to these awards was £0.4 million (2020: £nil). The Company charge for the year was £nil (2020: £nil). The restricted share awards outstanding at 30 September 2021 have a weighted average remaining vesting period of 3.5 years.

Management Incentive Plan
An Executive Director was awarded share options under a management incentive plan ('MIP') prior to Admission.

On 2 December 2020, VIPSO Ltd (the former ultimate parent company of the Group) awarded eight nil cost ordinary share options and nine nil cost A ordinary share options under the MIP. All of the options awarded were to vest on the earlier of an 'Exit' event or three years from the date of grant. Options would be forfeited if the employee leaves the Group before the options vest, unless under exceptional circumstances.

The fair value of services received in return for the share options granted has been measured by reference to the fair value of the options at the grant date. The fair value of the options has been calculated with reference to a Black-Scholes pricing model.

The significant inputs into the model were:

- a 1- to 3-year time frame for exit. Three scenarios were modelled with equal probability of an exit after 10 months, 1.8 years and 3 years. An average of the three scenarios was then calculated;
- an equity value of £453 million at the date of award;
- an exercise price of £nil;
- volatility of between 45% and 53% depending on the expected timeframe to exit. The expected volatility is based on the average annualised historic equity value volatility of comparable companies over a period equal to the exit horizon;
- a dividend yield of 0%; and
- a risk-free rate of 0%.

The value of each ordinary share option was determined to be £344,651 and each A ordinary share option has been determined to be £184,993. The resulting share-based payments charge was to be spread evenly over the period between the grant date and the vesting date.

On 27 May 2021 the Group undertook a reorganisation, through which the options granted under the MIP were converted to be options over ordinary shares and ordinary deferred shares in Victorian Plumbing Group plc. After all of the steps relating to the reorganisation were executed, the participant of the MIP had exchanged its eight ordinary shares and none A ordinary shares in VIPSO Ltd for 3,219,948 ordinary share options in Victorian Plumbing Group plc. The exchange does not represent a modification of the award under IFRS 2 as the value of the award, and the related service and performance conditions remained unchanged.

On 11 June 2021 the MIP participant entered into a deed ('the MIP deed'), which would become effective on Victorian Plumbing Group plc's Admission to AIM, to modify the terms of the award. All of the options would convert when the performance condition was satisfied (i.e. on Admission) resulting in the participant being awarded ordinary shares. However, 30% of the shares would remain restricted and subject to a service condition (the 'restricted shares').

The vesting profile of the restricted shares was defined to be as follows:

- 30% of the restricted shares will vest on the first anniversary of Admission;
- 30% of the restricted shares will vest on the second anniversary of Admission; and
- 40% of the restricted shares will vest on the third anniversary of Admission.

On 22 June 2021 Victorian Plumbing Group plc was admitted to AIM which was an Exit event under the terms of the award. The deed agreed to by the MIP participants took effect.

On Admission the options converted to 3,219,948 ordinary shares and 2,253,964, or 70%, of those shares vested at an average price of £2.62.

The execution of the deed represents a modification of the award under IFRS 2. Management considered the fair value of the existing awards in accordance with IFRS 2. The modification resulted in additional vesting conditions and as a result the value of the award decreased on modification. As the fair value of the award decreased, the original grant date fair value was recognised over the original vesting period (the date of the Exit event) in accordance with IFRS 2.

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

The weighted average market value per ordinary share for the restricted shares awarded under the MIP that vested in the year was £2.62. The restricted share awards outstanding under the MIP at 30 September 2021 have a weighted average remaining vesting period of 1.8 years.

The total charge in the year, included in operating profit, in relation to these awards was £4.4m (2020: £nil). The Company charge for the year was £0.1 million (2020: £nil).

IPO restricted share awards

During the year, the Chairman and certain members of Key Management were granted restricted share awards. The restricted share awards do not have a performance condition attached to them but the extent to which they vest depends on a service condition being satisfied. The restricted shares are forfeited if the employee leaves the Group before the vesting date, unless under exceptional circumstances.

On 22 June 2021, the date of Admission, 3,613,354 ordinary shares in Victorian Plumbing Group plc were granted to the Chairman and other Key Management personnel. Of the total number of shares awarded, 208,664 vested immediately. The remaining 3,404,690 ordinary shares became restricted share awards with the following vesting profile:

- 569,477 of the restricted shares vest on the first anniversary of Admission;
- 663,375 of the restricted shares vest on the second anniversary of Admission;
- 663,375 of the restricted shares vest on the third anniversary of Admission;
- 851,173 of the restricted shares vest on the fourth anniversary of Admission; and
- 657,290 of the restricted shares vest on the fifth anniversary of Admission.

The fair value of the award was determined using a Black-Scholes pricing model and was £2.62 per share. The resulting share-based payments charge is being spread evenly over the period between the grant date and the vesting date.

On 10 August 2021, an agreement was reached to award certain Key Management 38,168 restricted ordinary shares in Victorian Plumbing Group plc. The restricted shares would not be subject to a performance condition, but the extent to which they vest depends on a service condition being satisfied. The restricted shares are forfeited if the employee leaves the Group before the vesting date, unless under exceptional circumstances. Of the 38,168 restricted shares awarded:

- 19,084 (50%) restricted shares vest on 30 September 2022; and
- 19,084 (50%) restricted shares vest on 30 September 2023.

The fair value of the award was determined using a Black-Scholes pricing model and was £2.59 per share. The resulting share-based payments charge is being spread evenly over the period between the grant date and the vesting date.

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

The number of restricted shares outstanding at 30 September 2021 was as follows:

	2021 Number
Outstanding at 6 May 2021 (incorporation)	–
Awarded	3,651,522
Vested	(208,664)
Outstanding and unvested at 30 September 2021	**3,442,858**

The weighted average market value per ordinary share for restricted shares that vested in the year was £2.62. The IPO restricted share awards outstanding at 30 September 2021 have a weighted average remaining vesting period of 2.8 years.

The total charge in the year, included in operating profit, in relation to these awards was £1.6m (2020: £nil). The Company charge for the year was £0.6m (2020: £nil).

20. Cash generated from operating activities

	2021 £m	2020 (restated) £m
Cash flows from operating activities		
Profit before taxation for the financial year	**19.7**	23.7
Adjustments for:		
Amortisation of intangible assets (note 10)	**1.6**	1.3
Depreciation of property, plant and equipment (note 11)	**0.6**	0.3
Depreciation of right-of-use assets (note 12)	**0.9**	0.6
Share-based payments	**7.7**	–
Finance costs	**0.3**	0.3
Increase in inventories	**(9.4)**	(4.7)
Increase in receivables	**(0.8)**	(1.0)
Increase in payables	**7.3**	10.3
(Decrease)/increase in provisions	**(0.1)**	0.1
Cash generated from operating activities	**27.8**	30.9

21. Post balance sheet events

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

PRINCIPAL RISKS AND UNCERTAINTIES

RISK	POTENTIAL IMPACT	CHANGES IN THE YEAR
1. Macroeconomic trends	Specific macroeconomic factors and changes due to geopolitical uncertainty can have an impact on how customers behave and can also have an impact on our operations and the operations of our supply chain. In turn this could impact our overall financial performance.	Over the past 12 months Brexit and the Covid-19 pandemic have provided challenges to both our operations and those of our supply chain. Although both issues have evolved from 12 months ago, there is no increased risk to the Group.
2. Failure to innovate and changes in consumer buying behaviour	Failure to innovate new desirable products may impact our ability to attract new customers or retain our existing customers. A failure to maintain and enhance our customer journey in a manner that responds to our customers' evolving needs could also have a material adverse effect on our financial performance.	We remain at the forefront of innovation in the sector and we have strengthened our position through partnerships with additional well known bathroom product brands. Through the year we have innovated and launched several new products across a number of our brands with good levels of success. We have adapted the consumer experience to make purchasing easier and evolved our 'pay later' proposition with our partner Klarna to give consumers a near real-time response to their application for credit. Overall, there has been no change to the level of risk in the year.
3. Pandemic	The Covid-19 pandemic has caused unprecedented levels of disruption to every aspect of the economy, our customers, our suppliers and the way we operate our business. There is a risk that further restrictions or a stricter and more prolonged lockdown could adversely impact the ability for our business and our supply chain to operate efficiently. As an e-commerce business we benefitted from the acceleration of consumers towards online retail. As restrictions lift there remains a risk that consumer buying behaviour reverts and the size of the online market reduces.	Our business was able to operate fully throughout the year, although at times this was at reduced capacity due to isolation requirements in relation to COVID-19. Our suppliers were also impacted from time to time by these restrictions. The overall situation has improved from a year ago but there are still a significant number of infections in the UK. There is a chance that additional measures could be brought in through the winter months and so we have determined there to be no change in the level of risk.
4. Brand and reputation	Our brand is one of our biggest assets. Failure to maintain and protect our brand, or negative publicity that affects our reputation, could diminish the confidence that customers have in our products and the service we provide, resulting in a reduction in revenue and profit.	Our prompted brand awareness has consistently increased over the last three years, according to YouGov, and was at 64% in February 2021 when measured as part of our annual brand health survey. Our bold, differentiated and quirky marketing content alongside our data-driven pay-per-click strategy helps us to stay front-of-mind with consumers. During the year we have maintained our high Trustpilot score at 4.3/5 despite the increase in order volumes. There has been no overall change to this risk in the year.
5. Cyber security and data protection	As an e-commerce business, we are reliant on our IT infrastructure to continue to operate. Any significant downtime of our systems would	We continue to invest in our technology and infrastructure team.

	result in an interruption to the services we provide. A significant data breach, whether as a result of our own failures or a cyber attack, would lead to a loss in confidence by both customers and suppliers. This could result in reputational damage, loss of audience, loss of revenue and potential financial losses in the form of penalties.	We have made substantial progress in re-platforming our website which, once completed, will increase our resilience and allow us to implement updates more easily. We have migrated a number of our applications to the cloud, which increases the resilience of our systems and the security of our data. During the year we performed an independent review of our IT infrastructure and implemented new solutions to mitigate risks identified. There has been no overall change to this risk in the year.
6. Supply chain	We are reliant on multiple third-party suppliers and service providers throughout the customer journey, from website to fulfilment, to the product itself. This means that if there is a failure on their part, we may suffer from a disruption to our operations and overall business. Any failure in day-to-day operations risks negatively impacting our ability to process or fulfil customer orders, resulting in reduced customer proposition, lost opportunity and a loss of customer confidence. Our customers expect us to provide quality products without compromising on the integrity of how they are produced. They want to feel confident about where their products come from and know that the people who make them are not being exploited. Failure to monitor our supply chain could lead to extensive reputational damage and ultimately financial loss.	As our business grows, we increase our reliance on third parties, most notably suppliers of our stock and the distribution channels we use to deliver items to customers. We have invested in our purchasing team in the year, which has increased the level of experience in the team and broadened our relationships with suppliers. We have also invested in a team based in China, which allows us to more readily perform due diligence on suppliers. We implemented an auditing programme in the first half of the year with key Chinese suppliers and have since audited 34 factories. Different macroeconomic factors, such as Covid-19 and rising energy costs, have put significant pressure on supply chains, and these pressures continue to exist at the date of this report. The Group has mitigated its risk through expanding its supplier base and increasing inventory held, whilst we have increased retail prices to maintain gross profit margin. Our website relies on third-party cloud infrastructure as well as a number of other third-party providers. Our increasing traffic levels mean that a drop in service from any of these providers would have a greater impact than it would have previously. Supply chain pressures have increased in the year and as such we recognise an increase in this area.
7. Increase in competition	The UK market for bathroom products and accessories is highly competitive, particularly with respect to customer experience, price, quality, availability, product and delivery options, as well as digital capabilities. Increased competition could lead to an increase in customer acquisition costs. Competitors could also develop either a customer experience or products that we were	The competitive landscape continues to develop, particularly as more of the market moves online. The impact of Covid-19 has resulted in some traditional store-based retailers reiterating their focus on providing an omni-channel experience that includes an online element. Our diversification into adjacent products and a larger focus on trade sales also results in a wider competitor set.

	unable to replicate. All of these factors could impact our financial performance.	Small increase in risk given our expansion into adjacent products and increasing focus on digital channels from traditional offline retailers.
8. Sustainability and climate change	The focus on climate change and sustainability is growing, and is in the spotlight more now than ever before. We recognise that we need to play our part in combating climate change and if we fail to do this, we risk adversely impacting our brand and reputation.	The climate change crisis is one of the biggest we have ever faced. The UN's IPCC published a report in August 2021 that reiterated the ever increasing and irreversible impact human activity is having on our climate. The report warned that time is running out to cut emissions and called on governments, businesses and individuals to do their part in ensuring the goals of the Paris climate change agreement are met. As such we have recognised an increased level of risk.