Annual Report and Financial Statements 2023

Victorian Plumbing Group plc

victorian plumbing.co.uk

Victorian Plumbing is the UK's leading bathroom retailer, offering a one-stop shop solution for the entire bathroom.

Victorian Plumbing offers its customers a choice of over 34,000 products spanning the entire bathroom, with more than 130 own and third party brands across a wide spectrum of price points.

What's inside...

Find out more on our website

victorianplumbingplc.com

Our purpose

Our purpose is to improve the quality of home life.

We provide affordable bathrooms to every home by sustainably investing in a broad range of products, advanced logistics and a values-driven, customer-focused and data-oriented culture.

Our strategy

Our strategy focuses on three horizons:

- **Core B2C** (see pages 18–19)
- **Trade** (see page 20)
- **Expansion categories** (see page 21)

Our values

Everything we do is driven by a set of shared values:

- We take responsibility
- We innovate
- We respect people
- We develop and grow
- We're humble
- We celebrate success

All of which is underpinned by our way of working, based on an unwavering commitment to:

- Our stakeholders
- Our people and culture
- Risk management
- Governance

Our history

Milestone events · Notable own brand launches · Notable third party partnerships

- **2000** – Victorian Plumbing begins in Mark's garden shed
- **2004** – victorian plumbing.co.uk; Hudson Reed
- **2009** – First showroom opens in Formby; MILAN
- **2011** – Burlington
- **2013** – Operations move to Skelmersdale
- **2014** – First TV advert aired
- **2016** – Listed 16th in The Sunday Times Fast Track 100 – fastest growing companies; GROHE; CHATSWORTH; AURORA; KESWICK
- **2017** – 1 million orders; Digital Growth Hub opened in Birmingham
- **2018** – Tech Hub opened in Manchester; hansgrohe; AREZZO
- **2020** – New HQ opened and launch of recruitment drive; >500 employees
- **2021** – Listed 24th in The Sunday Times Fast Track 100 – fastest growing private companies; 3 million orders; Admission to AIM – June 2021; DURAVIT; Villeroy & Boch
- **2022** – #1 bathroom retailer in the UK
- **2023** – >200k Trustpilot reviews; New 544k sq ft distribution centre; Release of the Victorian Plumbing app; VitrA; Stonehouse Studio

Financial highlights

Revenue
£285.1m
+6%

	Revenue
2023	£285.1m
2022	£269.4m
2021	£268.8m
2020	£208.7m
2019	£151.4m

Adjusted EBITDA[1]
£23.8m
+22%

	Adjusted EBITDA
2023	£23.8m
2022	£19.5m
2021	£40.1m
2020	£26.2m
2019	£11.5m

Net cash
£46.4m
+2%

	Net cash
2023	£46.4m
2022	£45.5m
2021	£32.7m
2020	£10.5m
2019	£2.7m

Gross profit margin[2]
47%
+2ppts

	Gross profit margin
2023	47%
2022	45%
2021	49%
2020	44%
2019	41%

Adjusted profit before tax[3]
£20.3m
+29%

	Adjusted profit before tax
2023	£20.3m
2022	£15.7m
2021	£36.8m
2020	£23.7m
2019	£9.6m

Total ordinary dividend per share
1.40p
+27%

	Total ordinary dividend per share
2023	1.40p
2022	1.10p[4]
2021	–
2020	n/a
2019	n/a

Operational highlights

Total orders ('000)
932
+6%

	Total orders ('000)
2023	932
2022	880
2021	906
2020	776
2019	573

Marketing as a % of revenue
27.8%
-0.5ppts

Year	Marketing as a % of revenue
2023	27.8%
2022	28.3%
2021	25.9%
2020	25.0%
2019	26.9%

Active customers ('000)
634
+4%

Year	Active customers ('000)
2023	634
2022	608
2021	638
2020	565
2019	422

Average order value (£)
£306
-%

Year	Average order value (£)
2023	306
2022	306
2021	297
2020	269
2019	264

Trustpilot score (out of 5.0)
4.5
-%

	Trustpilot score
2023	4.5
2022	4.5
2021	4.3
2020	4.3
2019	4.6

Trade revenue as a % of total
21%
+1ppt

Year	Trade revenue as a % of total
2023	21%
2022	20%
2021	16%
2020	14%
2019	13%

1. Adjusted EBITDA is a non-GAAP measure – please refer to the glossary on page 122.
2. Gross profit margin is defined as gross profit as a percentage of revenue. Gross profit is defined as revenue less cost of sales.
3. Adjusted profit before tax is a non-GAAP measure – please refer to the glossary on page 122.
4. A special dividend was approved for 2022 (1.70p per share) in addition to the total ordinary dividend of 1.10p per share.

Why invest in us?

1. Digitally native leading brand

We are the leading retailer of bathroom products and accessories in a large market where consumer buying behaviour continues to shift to online channels. We have a highly recognisable brand with a reputation for quality products and great service.

2. Agile supply chain

Long-standing relationships with our global supplier base allow us to manage and work effectively with our supply chain, bringing choice and differentiated products to both the consumer and trade audience.

3. Significant product range

Our extensive range of own and third party brands enables customers to complete their entire basket of bathroom purchases. We currently offer more than 34,000 products from over 130 brands to provide a one-stop solution for our broad customer base. We also have an exciting opportunity to expand our reach into products that often come later in the buying journey, such as tiles and décor, heating and kitchens.

4. Seamless customer journey

Our convenient and intuitive website provides a seamless, fully digital journey from homepage to payment and beyond. The website is optimised across multiple devices and tracks each customer's behaviour to intelligently provide visitors with complementary products, maximising conversion and customer satisfaction. The release of our app in October 2023 further develops the buying experience for customers.

5. Entrepreneurial and collaborative approach

Our Executive Leadership Team comprises the Group's founder, Mark Radcliffe, his brother, Neil (Product Director), other long-standing members of Victorian Plumbing management and senior hires brought into the business over recent years; who all work together to grow the business and maintain our market leading positioning.

6. Robust financial position

With an unbroken track record of profitability and strong cash generation, no external debt and a robust balance sheet, we are in a strong position to continue to invest and grow our share of the bathroom market.

Chair's statement

We are pleased with the growth of the business in 2023 and that the financial year finished in line with market expectations.

Philip Bowcock
Chair

Highlights

- Increased revenue and strong growth in profits
- Results in line with market expectations
- New distribution centre and technology improvements support our profitable growth ambitions
- Voluntarily committed to adopting the UK Corporate Governance Code
- Full year final ordinary dividend recommended for 2023

Introduction

The last 12 months have been ones of continued progress for Victorian Plumbing, with a return to revenue growth for the year, strong free cash flow, substantial net cash and a robust balance sheet, and proving itself for the second year running as the largest retailer of bathrooms in the UK[1].

In addition, we have entered into a 20-year lease for a 544,000 square feet distribution centre in Lancashire and rolled out key technology improvements, both of which will improve the customer lifecycle and support our profitable growth ambition.

2023 performance

Revenue returned to growth (6%) compared to the prior year at £285.1 million (2022: £269.4 million) reflecting an increase in total orders of 6% and flat average order value. Adjusted EBITDA[2] increased by 22% to £23.8 million (2022: £19.5 million) and adjusted EBITDA margin increased to 8% (2022: 7%). Operating profit increased by 26% to £15.3 million (2022: £12.1 million).

In a challenging macroeconomic environment, we retained our position as the UK's number one retailer of bathroom products, delivering revenue growth throughout the year, along with a good improvement in gross margin and marketing spend efficiency. Our market position validates our strategy, unwavering customer focus and dedicated management team effort.

Our people

The hard work of our people across the organisation have enabled the Group to deliver another year of strong strategic progress. On behalf of the Company's Board of Directors (the "Board"), I'd like to thank all the Group's employees, agents and contractors for their contribution during the year.

Our Board and corporate governance

The Board is committed to upholding the highest level of corporate governance, and this has already been demonstrated by our undertaking to adopt the UK Corporate Governance Code (the "Code") from Admission. Although this is not required for companies on AIM, we believe that it is important to hold ourselves to high standards in all areas of our business, including governance.

The continued presence of two independent Non-Executive Directors along with myself, also independent on appointment, means that the composition of the Board remains compliant with this area of the Code.

1. Bathrooms and Bathroom Accessories UK, 2023, Mintel Group Ltd.
2. Adjusted EBITDA is a non-GAAP measure – please refer to the glossary on page 122.

> "We retained our position as the UK's number one retailer of bathroom products."

We recognise that only 20% of our Board members are women, which is below the target of 33% set by the Hampton-Alexander Review. Diversity, whether it be gender or ethnicity, is important to us at all levels. As the current Board becomes established, we will review the composition of the Board with the ultimate objective to be in line with codes set out for good corporate governance.

Looking ahead

In light of a softening consumer demand environment, the Board is pleased with the start to the new financial year. It is confident that the Group is well positioned to drive sustained profitable growth as it moves forward with its warehouse transformation programme, continues to lead the shift in its markets from offline to online, and takes advantage of opportunities in the trade sector and in complementary product categories. The Board looks forward to making strong strategic and operational progress in the year ahead.

Dividend

In order to distribute a total ordinary dividend for the year of 1.40 pence per share (2022: 1.10 pence per share), the Board is pleased to recommend a full year final ordinary dividend of 0.95 pence per share for the 2023 financial year (2022: 1.10 pence). The Board considered that a special dividend was not appropriate for the 2023 financial year in light of the scheduled investment in the new distribution centre, which is due to become operational in 2024.

I would like to take this opportunity to express my thanks to all the employees of Victorian Plumbing for what has been an extremely busy and successful year.

Philip Bowcock
Chair
21 November 2023

Governance

On Admission the Company agreed to comply with the Code, and details of our compliance with the Code are set out on page 57.
The Board's composition is as follows:

Philip Bowcock
Chair of the Board and the Nomination Committee

Mark Radcliffe
Chief Executive Officer

Daniel Barton
Chief Financial Officer

Damian Sanders
Senior Independent Non-Executive Director and Audit and Risk Committee Chair

Dianne Walker
Independent Non-Executive Director and Remuneration Committee Chair

Board composition

- 1 Chair (independent on appointment)
- 2 Independent Non-Executive Directors
- 2 Executive Directors

We have further strengthened our position in the market and maintained our position as the number one UK bathroom retailer for the second year running.

Mark Radcliffe
Chief Executive Officer

Highlights

- Remain the number one bathroom retailer in the UK
- Continued to improve the customer experience through innovative technology and category expansion
- Retained our 'Excellent' Trustpilot rating and high score of 4.5
- Raised brand awareness via sports sponsorship and bold new marketing campaign
- Pleased with the progress made on our people priorities, as well as in other key areas of our ESG strategy

Overview

The business has continued to deliver on its strategy to grow profitably, achieving revenue growth of 6%. This has been supported by continued order growth, with average order value ("AOV") flat as the mix of sales shifted to our own brand range. The consumer continues to choose Victorian Plumbing as the number one bathroom retailer ahead of the competition[1] as a result of our fair pricing, unrivalled high quality product range and excellent product availability. Order levels have returned to the highs achieved during the Covid period, and our Trustpilot scores have remained high alongside this continued growth.

Consumers have been switching to our own brand product range, which retails at a higher margin comparable to third party brands, and this has supported the continued improvement in our profitability throughout the year. Our commitment to provide the most extensive choice of high quality bathroom products and the best customer experience sets us up well for the next phase of profitable growth, irrespective of wider market conditions.

Summary of operating performance

Revenue returned to growth (6%) compared to the prior year at £285.1 million (2022: £269.4 million) reflecting an increase in total orders of 6% and flat AOV. Adjusted EBITDA[2] increased by 22% to £23.8 million (2022: £19.5 million) and adjusted EBITDA margin increased to 8% (2022: 7%). Operating profit increased by 26% to £15.3 million (2022: £12.1 million).

The first half of the financial year saw an increase in both order volume (6%) and AOV (3%) resulting in revenue growth of 10%. The second half of the financial year saw order volume grow by 6% vs. the second half of 2022 as momentum continued from the first half, but AOV reduced by 3% in the same period due to the shift in mix between third party and own brand products, resulting in revenue growth of 2%.

This shift, together with continuing tailwinds from shipping and foreign exchange rate improvement, resulted in gross margin improvement of two percentage points to 47% (2022: 45%). Marketing cost as a % of revenue declined from 28.3% in 2022 to 27.8% in 2023.

This financial performance demonstrates the resilience of our business model and our competitive advantage, underpinning our confidence in short, medium and long-term profitable growth.

Our strategic focus

We are able to leverage our market and brand position and our strong balance sheet to deliver on our clear strategic objectives, which remain unchanged and focus on three growth horizons: core B2C, expansion categories and trade.

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

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

Our second horizon focuses on expansion categories that consumers look for when renovating the home. 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 décor, heating and kitchens. We were pleased to see tiles and lighting revenue significantly increase in 2023 by 35% to £7.3 million.

> "The consumer continues to choose Victorian Plumbing as the number one bathroom retailer ahead of the competition."

Mark Radcliffe
Chief Executive Officer

Following the successful re-platforming of our website in December 2022, we enhanced the front end in June 2023 to improve the customer journey around our expansion categories. We have also improved the search functionality to incorporate the latest advances in AI technology. These website enhancements, together with other 'UX' improvements, have resulted in improved conversion[3] as consumers use Victorian Plumbing for everything they need to complete their bathroom. We have also continued to make good progress in extending the product ranges in each expansion category, though space remains a limiting factor. The new distribution centre, due to become operational in 2024, will remove this constraint.

Finally, our third growth horizon focuses on the B2B opportunity to retail bathroom products and accessories to trade customers. The Victorian Plumbing brand has historically been mainly consumer focused. In the year ended 30 September 2023, 21% (2022: 20%) of our revenue came from trade accounts, compared with an estimated 50% of the market[4]. We believe we can make further meaningful market share gains in this area by broadening our marketing approach, such as via targeted radio advertising, expanding the range of relevant products we offer to trade customers and in particular by providing the best platforms tailored for trade customers' needs. The release of the Victorian Plumbing app in October 2023 further enhances our proposition and is well placed to attract trade customers, alongside consumers.

Strengthening our competitive position

Over the past year, we have retained our position as the UK's largest bathroom specialist, we have continued to strengthen our competitive moat and we have improved the customer journey through innovative technology improvement and category expansion.

Our investment in marketing has enhanced brand awareness and supported customer acquisition, and consumers continue to respond positively to the bold, distinctive, and quirky Victorian Plumbing brand. Our three-year partnership with Bolton Wanderers Football Club as their title and front of shirt sponsor further improves our brand awareness, as well as positioning us as a prominent employer in the North West.

1. Bathrooms and Bathroom Accessories UK, 2023, Mintel Group Ltd.
2. Adjusted EBITDA is a non-GAAP measure – please refer to the glossary on page 122.
3. Google Analytics G4A.
4. State of the Industry (2022), Euromonitor International.

CEO's statement continued

We complement our creative offline content by investing in increasingly targeted digital performance-based marketing. This ongoing and relentless marketing strategy, together with a bold new marketing campaign to 'Boss Your Bathroom', has led to a brand awareness score of 64%[5] (2022: 60%), which is the only increase amongst our closest competitors this year.

As an online retailer, we continue to benefit from the ongoing structural shift in consumer buying behaviour from offline to online. Online sales represent c.26% of total retail sales in 2023[6], and we expect our addressable market to grow even further in the coming years.

A one-stop shop for bathroom products and accessories

Offering customers a wide selection of products across a variety of price points ensures that we are the true one-stop solution when considering a bathroom-related purchase. At 30 September 2023, we had increased the number of available products to more than 34,000 from over 130 brands, ensuring there is something available, affordable and suitable for everyone.

Relationships that we have developed over time with well-known third party brands enable us to complement our own brand offerings, which are exclusively available on the Victorian Plumbing website. We have developed over 25 own brands using our in-house product development team, and these are increasingly popular with customers. In the year to 30 September 2023, 78% of revenue generated (2022: 75%) came from own brand products, including Stonehouse Studio, our new in-house designed tile range.

> "Our customers' experience with us throughout their buying journey is of paramount importance to us."

Mark Radcliffe
Chief Executive Officer

Agile supply chain

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

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

We have been working more closely with tile and décor manufacturers, many of whom are based in Southern Europe, to expand this category at margins that are closely aligned with the existing Group margin.

Seamless customer journey

Our customers' experience with us throughout their buying journey is of paramount importance to us. We are extremely proud that we continue to be rated 'Excellent' by Trustpilot and have maintained our average score in the year of 4.5 (2022: 4.5) out of 5.0.

We received a record number of reviews via Trustpilot in the year ended 30 September 2023 and have now surpassed 200,000 reviews in total, the highest of any specialist bathroom retailer listed. The 'Excellent' rating we have across this volume of reviews is testament to the work that our colleagues do, whether providing the on-site experience for the customer, speed and efficiency of delivery, quality of product or swift resolution of any customer questions throughout the process.

5. Internal prompted brand awareness research.
6. ONS, SCM Research.

Development of our technology platform

The systems that drive the performance of the business are primarily bespoke platforms that we improve continually. Our growing Technology and Infrastructure team help to facilitate this continual development to ensure we remain best in class across e-commerce retail platforms.

There has been significant work over the last 12 months and beyond to completely re-platform our website to improve its functionality and scalability, introduce a newly designed structure to give prominence to our expansion categories, enhance our search functionality to include AI features and introduce other developments.

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

In addition, the Development Technology team continues to improve our existing warehouse management system alongside the larger project to transform the warehouse operations, with the new distribution centre in Lancashire due to be operational in 2024. By performing this work in-house, we can control costs, improve quality and provide more certainty over the benefits that the improved technology brings.

New distribution centre

We achieved legal completion on the 20-year lease to operate from our new purpose-built 544,000 square feet distribution centre in Lancashire on 4 October 2023. Whilst the investment necessitates a short period of elevated capital expenditure, this building will enable us to grow our core offering, expansion categories and trade offering. A semi-automated design, together with new ways of working and improved processes, will result in improved efficiency in our operations which will aid the progression of our profitability, most notably in 2025.

> "We are proud of the values-led, principles-driven culture that is deep-rooted throughout Victorian Plumbing."

Mark Radcliffe
Chief Executive Officer

Entrepreneurial approach

Our entrepreneurial approach and our desire to trial new ideas has played a key part in the success of the business to date, for instance feeding into the designs for our technology developments, such as the new Victorian Plumbing app.

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

ESG

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

Our ESG strategy is centred around three focus areas: environmental sustainability, diversity and inclusion, and governance and ethics.

We have made particular progress during the year with our people priorities through, for example, the launch of a Charity Committee and a programme of employee volunteering days, and the introduction of Mental Health Champions, as well as supporting our workforce with life and family events through the launch of enhanced employee benefits.

We have transitioned all our electricity contracts to 100% renewable energy and continue to work with suppliers to reduce the levels of plastic packaging. We have also transitioned to a new finance system, further strengthening our internal controls and governance framework.

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

Our people

As a Board, we continue to be impressed by the commitment and capability of our people – collectively, their innovation and hard work have been the driving force behind the growth and success experienced by the Group over recent years. We are proud of the values-led, principles-driven culture that is deep-rooted throughout Victorian Plumbing, and it is this culture that underpins our ability to adapt to change and respond positively to challenges.

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

We remain committed to further improving our people experience and helping to fuel our future growth. Employee engagement targets feature as part of the Executive management incentive targets.

We would like to thank our employees, contractors, customers, suppliers and other stakeholders for their continued support. Whilst we are mindful of the current macroeconomic conditions that many of our customers are battling against, we remain confident in our ability to continue to execute our strategic plan, underpinned by our strong financial position, to take further market share and consolidate our position as the UK's number one bathroom retailer.

Board change

Daniel Barton replaced Paul Meehan as Chief Financial Officer during the year. The Board would like to thank Paul for his significant contribution to Victorian Plumbing since he joined the business in 2020. Paul's work preparing the Finance function and the wider Group for its IPO in 2021 has ensured that the business has the necessary systems and structures in place to deliver its growth ambitions. We wish Paul all the best in his future endeavours.

Mark Radcliffe
Chief Executive Officer
21 November 2023

Market review

Overview

The UK bathroom and bathroom accessories market was estimated by Mintel to have shrunk at the start of the Covid-19 pandemic in 2020 but then saw an accelerated rate of growth in 2021 (+8%). In 2023, the market was estimated to be £1.7 billion (including VAT), growing by 3.9% from 2022. In the coming years, the overall market is forecast to have a reduced rate of growth, increasing by 2% between 2024 and 2028. While the majority of spend is still offline, we can expect the proportion of sales being generated from online specialists to continue to increase by c.2ppts year-on-year. Consumer priorities are changing: the market is seeing a shift towards smaller-scale projects aimed at personalising the home, with a focus on affordability, wellness and sustainability.

Victorian Plumbing remains the leading UK bathroom retailer, outperforming those with shops, omnichannel retailers and other online competitors.

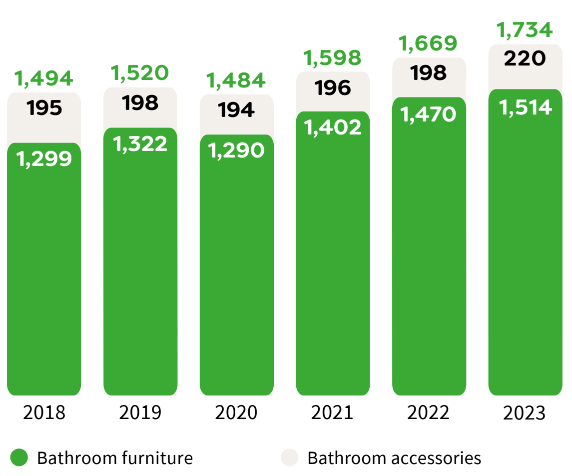
Market size and key drivers

The housing market is a key indicator and driver of spending in the bathroom market. Mintel suggests that consumers who have lived in their homes for two years or less lead the spending on bathroom projects. Due to high inflation and increased interest rates, house transactions are estimated to have fallen by 18% since February 2022. In previous similar trading environments, history suggests that consumers will instead turn to renovating key rooms, such as a bathroom, to create a new look and feel in their living space. However, as personal finances remain under scrutiny and discretionary funds are reduced, it is expected that many consumers will defer spending on 'big-ticket' renovation, instead focusing on smaller-scale projects to personalise their home.

Bathroom furniture leads the market, accounting for £1.5 billion (87%) of spend in this category in 2023, with a 3% year-on-year increase attributed to inflation-driven price hikes. In contrast, bathroom accessories represent 13% of the market, but spend on these products is expected to grow by 11% in line with the shift to smaller cosmetic projects.

Market value (£m inc. VAT)

Source: Mintel



Market issues and insights

The current market climate is characterised by a challenging cost-of-living crisis, impacting consumer spending patterns within the bathroom retail sector. The home remains an important area of spending for consumers, but with escalating costs affecting disposable income there is a noticeable shift in consumer spending preferences towards more affordable bathroom accessories.

Retailers in the bathroom sector have an opportunity to support consumers who are more affected by the financial strains brought on by the cost-of-living crisis by implementing flexible payment options, such as buy-now-pay-later schemes, to accommodate diverse consumer budgets. For 'big-ticket' items or larger bathroom projects, consumers have the ability to pay in instalments to ease their financial concerns. This also allows consumers to 'trade-up' in quality without making a sizeable one-off payment.

Businesses must recognise the importance of aligning their offerings with the consumers' evolving needs and values, focusing on affordability, wellness and sustainability to secure a strong position in a competitive market. Victorian Plumbing has an extensive product range from over 130 brands across a variety of price points. This, together with our agile supply chain, means the Group is well-equipped to satisfy the constantly evolving consumer demand.

Changing consumer priorities

Consumers have increased their awareness of environmental issues in recent years and more people than ever before are putting a focus on sustainability. Coupled with the increase in energy costs, consumers are more aware of energy usage when purchasing products around the home. When considering a bathroom related project, 40% of consumers would be interested in adding fixtures that save energy or water. Consumers are also embracing technology more, with 26% of consumers being interested in bathroom innovations that offer smart technology upgrades.

Innovation in the bathroom

Source: Mintel

"Thinking about carrying out a bathroom, shower room or separate toilet/cloakroom project, I would be interested in…"

… adding fixtures that save energy/water	40%
… adding smart technology upgrades (e.g. anti-fog mirrors, smart shower heads)	26%
… adding a filter to my shower head (e.g. for softer hair)	24%
… adding accessibility features (e.g. handles on bathtubs)	22%
… adding fixtures that support tired muscles (e.g. whirlpool tub, massage shower)	16%
… adding wellness areas (e.g. sauna, meditation)	12%
… none of these	21%

In addition, whilst 38% of consumers have recently added new or replacement accessories in their bathrooms as a smaller upgrade to their homes, 32% have undertaken a complete or partial refit suggesting there is still a healthy demand for larger household projects.

Most recent consumer projects

Source: Mintel

"And which of these was done most recently? If more than one was done simultaneously, please select the one that costs the most."

… Added free-standing bathroom accessories (e.g. soap holder, toilet brush)	24%
… Complete refit	20%
… Installed new/replaced fitted bathroom accessories (e.g. bath screen, wire shelves)	14%
… Partial refit (e.g. replaced sink or toilet)	12%
… Added new free-standing bathroom furniture (e.g. cupboards, drawers)	11%
… Installed new/replaced fitted bathroom furniture (e.g. cabinets built-in)	10%
… Installed new bathroom/shower rooms (e.g. in an extension)	8%
… Don't know/can't remember	1%

Online penetration

The pandemic provided the opportunity for online specialists to appeal to consumers who had not previously considered using these channels to research and ultimately purchase products for their bathrooms.

Whilst the online specialist sector was already growing rapidly before the pandemic, this changing consumer behaviour accelerated the transition. Equally, this change in consumer behaviour has continued following the easing of lockdowns, with online specialists increasing their market share year-on-year, transitioning the revenue from shops and omnichannel retailers.

Across the wider retail environment, and equally so within the bathroom and bathroom accessories market, it is anticipated that online penetration will continue to grow as technology advances and consumers increase their trust in and appreciate the convenience of online channels. This provides growth opportunities for the business, given Victorian Plumbing's position as the clear number one retailer in the online space.

Market opportunities

Consumer appetite for discretionary spend on home improvements in the midst of the current macroeconomic environment may influence the overall market growth over the forthcoming year. This may naturally create pressure on the performance of some smaller less well financed companies in the sector. Whilst there has been some consolidation in the market in recent years, and our largest online competitor entered administration as recently as September 2023, it is likely that further opportunities will arise out of the current trading environment. Given our unrivalled range, excellent availability and strong financial health, the Group is well placed to capitalise on opportunities that may arise.

In recent years, there has been a renewed focus on physical and mental wellbeing, particularly with 'Gen Z' consumers. This age group is more interested in enhancing their bathrooms to create a more relaxing environment, whether that is adding fixtures to support tired muscles or filters to their shower head. In addition, the Covid-19 pandemic and the associated national lockdowns, have led to many people spending more time than ever inside their own homes. For many, this has included an increase in working from home, a trend that is not showing signs of completely reversing. As such, consumers classed as home workers are more likely to take on a complete refit of their bathrooms while those in a hybrid working environment are more likely looking to accessorise their bathrooms.

Improving the online experience

In general, considered purchases, such as bathroom products, are still more likely to be purchased or collected at physical locations than online when compared with other items. As technology advances, we will be able to make the customer experience more immersive and continue to help consumers shift their spending habits online. The use of artificial intelligence is opening the door for a new era of shopping by personalising the customer experience. From sophisticated customer service chat bots that resolve queries to online shopping assistants able to suggest items of relevance, artificial intelligence is able to enhance the consumer journey experience and offer customer service like no other. For example, 3D room design plans or augmented reality may help some consumers visualise their room and remove the need for physical showrooms.

Supply chains and operations

Over the past 12 months, there have been several challenges that have disrupted supply chains both in the UK and across the world. Disruption caused by inflation, labour shortages, the Russia-Ukraine conflict, domestic and international political and economic instability, and the cost-of-living crisis, have all put strain on supply chains, no matter what the industry. We have an extensive supply chain spread across multiple regions, so that we mitigate exposure to localised disruption. The deep and trusted relationships that we have built with our global suppliers have enabled us to navigate these challenges well.

In the UK, as the demand for staff across most areas, most notably warehouse personnel and developers, has increased, companies are continuing to have to make themselves attractive from both a remuneration and wellbeing perspective to ensure they attract and retain the appropriate amount of resource.

Business model

How we create value

Our resources

Inputs

Trusted consumer brand
Our bold and distinctive brand is a trusted platform to shop for bathroom products.

64%
Prompted brand awareness

Product range
Our extensive range of products offers a one-stop shop for consumers.

>34,000
Products available

Scalable technology platform
We operate a technology platform that serves our core business and is capable of supporting new growth opportunities.

100%
Website uptime

People and culture
Our values-led culture underpins a collaborative environment which allows us to react quickly to market changes.

612
Number of full-time equivalent employees on average in 2023

Cash generation
The highly cash-generative nature of the business allows us to invest in long-term growth drivers for the Group.

£16.1m
Free cash flow
See note 30 for reconciliation of this number

Employees
We care about our employees, operate with a values-led culture and have introduced three initiatives to support the mental wellbeing of our workforce.

3
wellbeing initiatives

Suppliers
We operate in a transparent way with our suppliers, who are able to participate in our success as we grow.

>100
Third party brands

The community & environment
We support our wider community and are putting an increasing focus on our environmental impact.

1.66 tCO_2e
Carbon intensity measured as absolute carbon emissions divided by revenue in millions

Customers
We provide customers with an extensive range of quality bathroom products and accessories.

932,000
Total orders in 2023

Investors
We continually invest in our marketing, platform and people to create a long-term sustainable business.

£46.4m
Net cash at 30 September 2023

Value we create

Outputs

Our strategy

We think about our strategy with reference to three horizons

Horizon 1
Core B2C

Customer acquisition, new product development and innovation

Improved customer lifecycle experience

Further market share gains through wide range and unrivalled product availability

Horizon 2
Trade

Focus on sole traders and small and medium-sized enterprises

Victorian Plumbing app launched to better support our trade customers

Increase range of trade-specific products and targeted trade marketing approach

Horizon 3
Expansion categories

Increasing both the range and availability of the expansion category SKUs

Improved prominence on the new look website

Tailored marketing strategy to become a destination for improvements beyond the bathroom

Core B2C

Our extensive product range and unrivalled availability, coupled with our creative and bold marketing strategy, has enabled the Group to rapidly gain market share and solidify its position as the number one UK bathroom retailer.

Whilst proud of this achievement, our core focus is to ensure that we continue to grow, which means evolving our marketing offering, growing our product range, improving the customer experience and our efficiency.

Focus areas

1. Grow our brand by providing the best customer journey, great customer service and investing in bold campaigns
2. Provide the largest choice of bathroom products
3. Improve warehouse and supply chain efficiency

2023 progress

We have invested in our brand and supplemented this with targeted performance spend to attract more visitors than ever before to our platform with our brand awareness score increasing in a tough market.

Our Trustpilot rating maintained as ‘Excellent’ and our score at 4.5 (out of 5.0).

We have expanded our range of SKUs to over 34,000 offerings and introduced nine additional brands to our range, including Radius, a new range of own brand taps.

The proportion of orders dispatched from the warehouse within seven days of order date increased vs. 2022.

How we measure[1]

- Revenue
- Gross profit and gross profit margin
- Adjusted EBITDA and adjusted EBITDA margin
- Adjusted profit before tax
- Operating cash conversion
- Total orders
- Average order value
- Marketing as a % of revenue
- Trustpilot score
- Active customers

Risks[2]

- Macroeconomic trends
- Innovation and changes in consumer buying
- Business interruption
- Brand and reputation
- Cyber security and data protection
- Supply chain
- Increase in competition
- Sustainability and climate change

Trade

The proportion of our revenue that is derived from trade customers, who will typically have a higher repeat rate, order frequency and average order value, continues to grow in absolute terms and as a proportion of the Group’s overall revenue.

By continuing to take a proactive approach to the trade segment, the Group believes that it can continue to penetrate this segment of the market.

Focus areas

4. Adapt our customer journey to better serve the trade segment
5. Extend our product offering for trade customers

2023 progress

We have grown trade revenue to 21% of total revenue (2022: 20%).

We have widened the product offering to provide greater choice for existing and new trade customers.

We have invested in a new purpose-built distribution centre to remove the constraints on improving the customer experience.

How we measure[1]

- Trade revenue
- Trade revenue as a % of total revenue
- Gross profit and gross profit margin
- Adjusted EBITDA and adjusted EBITDA margin
- Adjusted profit before tax
- Operating cash conversion
- Total orders
- Average order value
- Marketing as a % of revenue

Risks[2]

- Macroeconomic trends
- Innovation and changes in consumer buying
- Business interruption
- Brand and reputation
- Cyber security and data protection
- Supply chain
- Increase in competition
- Sustainability and climate change

Expansion categories

We specialise in bathroom products but have also made progress to extend our products in expansion categories (such as tiles and décor, heating and kitchens), with further revenue benefit still to be achieved.

Increasing our offering more broadly across the home will allow us to capture a greater share of the customer wallet, as well as attracting new customers who are shopping exclusively in these expansion categories.

Focus areas

6. Increase our product range in our expansion categories

2023 progress

We have grown our range of tile offerings in the year and increased revenue from tiles and lighting by 35% to £7.3 million (2022: £5.4 million).

How we measure[1]

- Revenue from expansion categories
- Gross profit and gross profit margin
- Adjusted EBITDA and adjusted EBITDA margin
- Adjusted profit before tax
- Operating cash conversion
- Total orders
- Average order value
- Marketing as a % of revenue
- Number of offerings

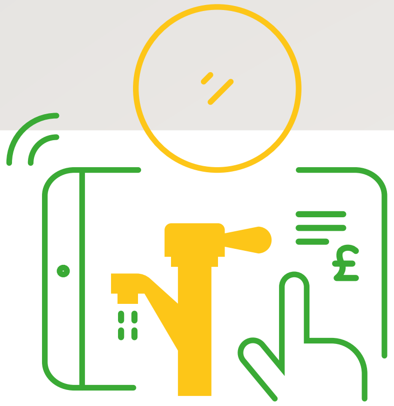
Risks[2]

- Macroeconomic trends
- Innovation and changes in consumer buying
- Brand and reputation
- Supply chain
- Increase in competition
- Sustainability and climate change

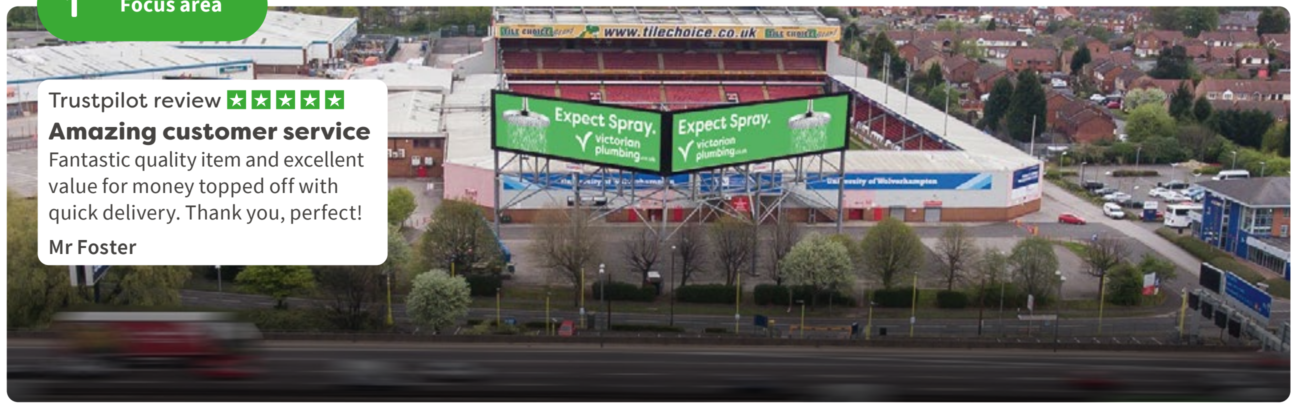
1. Key performance indicators are detailed on pages 24 to 27.
2. For details on the Group’s principal risks, see pages 46 to 50.

Core B2C

Our core B2C market continues to offer a strong runway for growth, underpinned by continuous improvement of the customer journey and the steady ongoing transition of consumers to online channels.



1 Focus area



Grow our brand by providing the best customer journey, great customer service and investing in bold campaigns

What we have done

Chat functionality and customer service
We have consolidated the platforms used for e-mail and chat enquiries so that we can continue to improve the service offered to consumers who reach out with questions to our customer service team. We continue to invest in our customer service team to improve our service level. Our average Trustpilot score was maintained at 4.5 out of 5.0 (2022: 4.5). We have now generated over 200,000 Trustpilot reviews with an overall rating of 'Excellent'.

Payment options
We continue to review the payment options available to consumers, seeking out the most cost-efficient and convenient payment methods to improve our customers' experience when buying on site.

Data-driven performance marketing
We utilised the data from our large active customer base to focus our performance-based marketing spend which spans across 200,000 keywords. This relentless approach to pay-per-click advertising complements our bold and quirky offline marketing, which we have refreshed with a new creative approach to be seen on TV screens and Video on Demand.

Technology advancements on site
As the transition to online continues and technology available also improves, we have ensured that we have the ability for customers to visualise what their bathroom products would look like through our on-site 3D room planner. Customers can swap in and out products available on site for a room that matches their own layout and visualise what the end product will look like prior to confirming their order. We believe that embracing this technology early and becoming a leader in its deployment will deliver future growth.

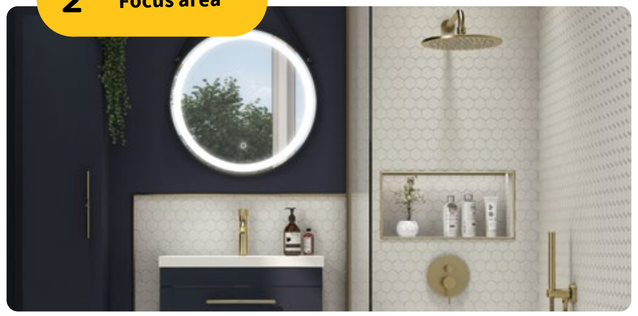
Following the successful website re-platforming earlier in the year, we have also re-designed the layout to better showcase our expansion categories and improved our search functionality utilising the latest AI developments to aid customer experience.

Opportunities

Further penetration in the UK and overseas
Our brand awareness remains strong and we believe we have a good opportunity for growth in our UK core market. In the medium-term, we are confident that the model we have honed in the UK can be just as successful in overseas markets that are further behind in their transition to online.

4.5
Average Trustpilot score
(out of 5.0)

2 Focus area



Provide the largest choice of bathroom products

What we have done

Expanded the number of products we offer
We continue to expand our product range. We now offer over 34,000 SKUs (2022: 32,000), providing customers with a one-stop shop regardless of their budget.

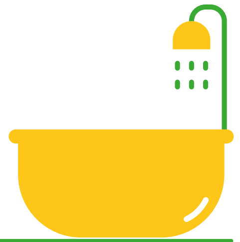
Provide a wide choice of brands
Partnerships with well-known names in the industry continue to be strengthened, and we have introduced seven new third party brands to our site in the year.

Opportunities

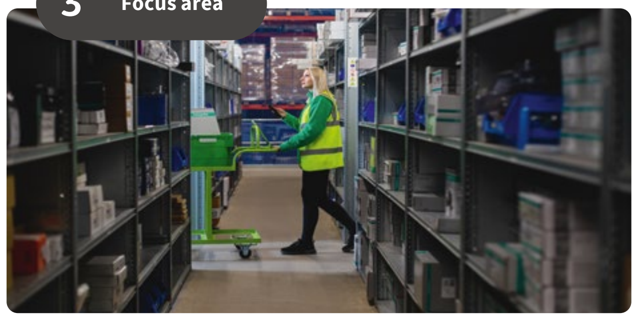
Furniture fashion
Now more than ever before, the bathroom is becoming a 'statement' room for consumers. Our continued product research and innovation ensures we remain on the pulse with consumer trends.

Eco-products
Consumers are increasingly looking for sustainable products. In a recent Mintel survey, 40% of consumers indicated they are looking for ways to reduce their energy and water usage. We have increased the number of products we hold with water-saving technology, with further opportunity to expand this range over time.

>34,000
SKU offerings available



3 Focus area



Improve warehouse and supply chain efficiency

What we have done

Audit of supplier factories
Consultants that we engage in the Far East allow us to proactively manage our key supplier relations in that region. Having local experts available to us has also been key in undertaking a full cycle of rigorous audit checks of suppliers' factories and quality checks over the products they produce, with remediations required if any fail the standards set.

New distribution centre
Our newest purpose-built 544,000 square feet distribution centre in Leyland, Lancashire was secured in December 2022 and the fit-out has commenced in October 2023. We are aiming to be operational in 2024. The new warehouse is being designed to incorporate semi-automation to improve the customer experience and obtain efficiencies.

Management of shipping agents
As well as benefitting from reduced shipping costs, by actively managing our relationships across multiple suppliers, we ensured availability of products for our customers throughout the year.

Opportunities

Delivery management solution
Ensuring our customers receive their goods in the most efficient manner and without damage is a key business objective. Having a portfolio of courier networks where we can actively manage both their operational effectiveness and cost requirements will support future growth, as well as providing an improved customer experience through updates to order tracking.

932,000
Orders dispatched during 2023

Trade

Our proposition has traditionally been targeted to the end consumer, and so we are underpenetrated in the trade segment. Whilst we have seen strong growth across the year in trade, we believe there remains further opportunity to take a proportionate share of the trade market.

4 Focus area

Adapt our customer journey to better serve the trade segment

What we have done

Trade account management
We have expanded our trade team to provide additional support to our growing trade segment. Trade revenue increased to be 21% of total revenue (2022: 20%).

Repeat orders and on-the-go convenience
Trade customers often make repeat orders, which is efficient from a customer acquisition perspective. Trade customers often need to place orders on the move. A Victorian Plumbing app that will serve trade customers, as well as our broader consumer base, was soft launched in October 2023. This will provide a more effective mobile experience to allow us to help our trade customers find what they need more efficiently.

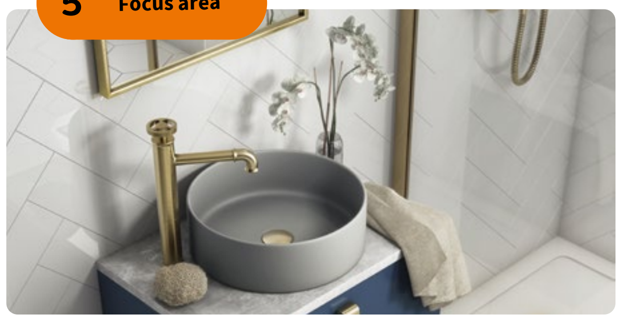
Trade dashboard
Trade account holders have access to their own dashboard when logged in, which we continue to improve. The dashboard includes order history, order tracking and information on the current discount available.

Opportunities

Improved next day delivery cut off time
Trade customers often need to place orders at short notice. An extended next day delivery cut off time would provide a more compelling reason to shop with us. The new distribution centre in Leyland, Lancashire is being designed to enable us to improve in this area.

21%
Trade revenue as a proportion of total revenue

5 Focus area



36,000
Trade accounts active in 2023

Extend our product offering for trade customers

What we have done

One-stop shop for the trade
To become a one-stop shop for the trade segment, we recognise that we will be required to provide the smaller plumbing parts that they use frequently. Over the last year, we have increased our supplier network around these products and now offer over 800 plumbing supply products. We will look to increase our offerings of these products in future.

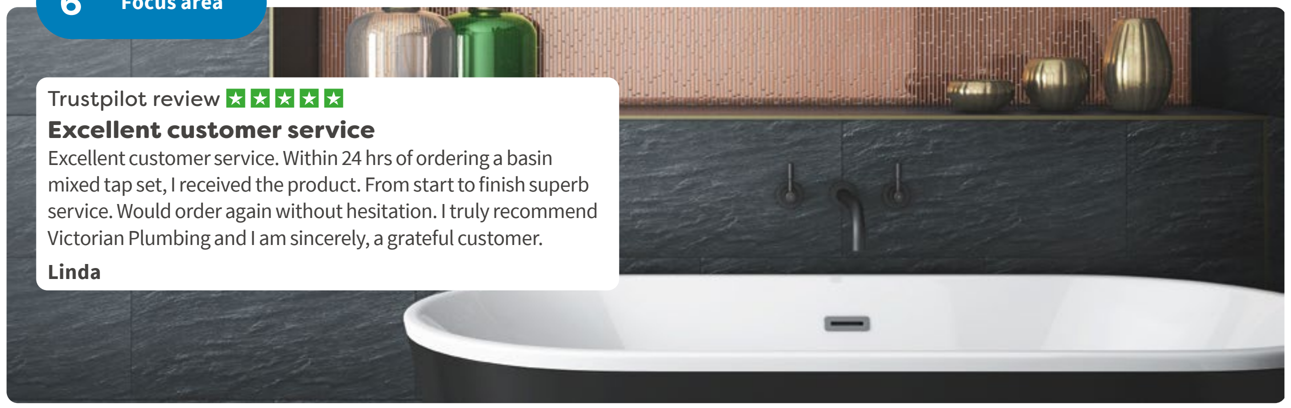
Opportunities

Trade vs. consumer needs
Our trade platform is, for the most part, identical to the consumer site. Trade customers have different priorities and so we have an opportunity to improve the prominence of products that take priority for the trade.

Expansion categories

Consumers often require products such as tiles or lighting to complete their bathroom renovation. These are areas in which we can grow our ranges to give consumers everything they require for their bathroom project, as well as then being front of mind for other areas of the home requiring complementary products.

6 Focus area



Increase our product range in our expansion categories

What we have done

We have increased our tile range in the year and grown revenues of tiles and lighting by 35% to £7.3 million (2022: £5.4 million). We also improved the design of our website to better showcase our range across tiles and décor, heating and kitchens. This increase in prominence is driving the growth of our expansion categories.

Our in-house designer has worked on expanding our tile product range ensuring that what we offer is in line with market trends. We have launched our own high quality 'Stonehouse Studio' brand in tiles, which has over 100 SKUs available in an ever-increasing and popular range.

Tiles are a category where consumers may want to sample different colours and textures before committing to a larger purchase. We have improved our sample offering on tiles in terms of both the sample products we have available and the branding and packaging that is included with sample orders that customers receive. We recognise that we have further work to do on this to drive future revenue growth.

Opportunities

Expanding our ranges further
We still have room to grow our expansion category ranges and will be working to do this over the next year, in particular when our new distribution centre is operational and we have additional space.

Technology improvements
Consumers are embracing technology more, with Mintel reporting that 26% of consumers are considering bathroom innovations that offer smart technology upgrades. Increasing our capability to show tiles and flooring in a 3D planner view is seen as a key driver to building on the success to date across our tile offering.

£7.3m
Tiles and lighting revenue 2023

Stakeholder engagement

As a leading online retailer, we have a diverse set of stakeholders and aim to balance their needs and outcomes. We acknowledge that not every decision we make will necessarily result in a positive outcome for all our stakeholders. By understanding our stakeholders, and by considering their diverse needs, we can factor into Board and management discussions the potential impact of our decisions on each stakeholder group.

This duty is enshrined in Section 172 of the Companies Act 2006 ("s.172"), which requires a director of a company to act in good faith, in a way which would most likely promote the success of the Company for the benefit of its members as a whole. In doing so, they must also have regard to a range of factors listed in s.172, including the interests of stakeholders.

s.172 statement

The Board confirms that, during the reporting period, in using its good faith and judgement, it has acted in a way that would be most likely to promote the success of the Group for the benefit of its shareholders, whilst having due regard to the matters set out in s.172.

Customers

Understanding our customers is critical to the success of our business. Engagement with our customers, to improve their choice, experience and service, enables us to continually improve our customer proposition. In turn, this helps to drive sales and increase profitability.

Their needs

- Extensive choice of products that are readily available
- Ease of buying through our platform
- Clear and accurate information
- Fair and transparent pricing
- Data protection
- Timely delivery
- Customer service
- Trust and confidence in the Victorian Plumbing brand

How we engage

- We actively invest in brand-led campaigns to drive awareness and preference in our brand amongst consumers
- We have dedicated, highly responsive customer service teams for each of our consumer and trade customer groups
- We actively seek reviews of our service and products via Trustpilot and in-house platforms to understand customer sentiment
- We engage with customers who feel we could do better
- We conduct an annual brand health survey with a panel of homeowners to understand awareness, considerations and how our brand is perceived
- We measure consumer brand awareness regularly using third party data such as YouGov
- We use third parties to conduct consumer research which informs our strategy

Outcomes of engagements

- Expansion of new ranges based on consumer trends within our product mix
- Website optimisation to drive frictionless buying experiences
- Adapting our service to meet emerging insights from consumer feedback
- Optimisation of our media strategy to capture growth audiences
- Design of creative output to meet objectives driven by research and insights
- Release of our Victorian Plumbing app, designed with both trade and consumer in mind

Our people

Engagement with our people drives high performance and a willingness to go above and beyond.

Their needs

- Working conditions, environment and wellbeing
- Communication
- Development opportunities
- Culture and values
- Reward and benefits

How we engage

- Regular interaction from the Executive Leadership Team[1] ("ELT") across all departments
- Boardroom breakfasts where employees can meet different members of the Board and ELT
- 'Pulse' engagement surveys sent to all employees throughout the year
- Our 'PlumbedIn' employee engagement team meets monthly, and the Head of HR attends each meeting to support representative discussions. Each area of the business is represented in the team so that a diverse range of views and feedback is achieved
- We launched a Charity Committee this year to give employees the chance to get involved in organising and promoting charitable activities
- Through our company intranet site 'The Loop', all employees are provided with regular Company updates and a gateway to employee benefits and discounts. The Loop is also used to share and celebrate colleagues' successes and achievements
- A monthly newsletter which is posted on The Loop and includes an update from each department so employees across the business are aware of what other departments are focused on
- Health and safety assessments overseen by the Health and Safety Committee
- A benefits roadmap that is reviewed throughout the year
- Introduction of Mental Health Champions that offer support to all employees across the company

Outcomes of engagements

- The introduction of company sick pay and life assurance
- Roll out of an enhanced induction and welcome pack for our customer services team, in line with our values and to support employee retention
- Continuous development of our bespoke reward gateway and intranet site
- Strengthened culture and relationships as colleagues celebrate each other's successes and achievements
- Established a programme of volunteering days in conjunction with local charities
- Launched our second all-employee Save as You Earn scheme in March 2023. All employees could choose to save up to £250 per month which can then be used to purchase shares at the end of the term
- The newly formed Charity Committee organised a number of charity events to raise funds for our nominated local charity
- Mental Health First Aid training for our Mental Health Champions
- Mental Health Champions meet quarterly and raise awareness of different mental health issues through the promotion of awareness days such as National Suicide Prevention Day

1. The ELT comprises the two Executive Directors and six other members of senior management. The ELT meets weekly to identify, assess, own, monitor, manage and mitigate risks, and exploit opportunities.

Suppliers

Strong relationships with our trusted suppliers are critical to the success of our business. Our supply chain is fundamental to the ability of the business to operate effectively and meet the needs of our customers.

Their needs

- Prompt payment and fair terms and conditions
- Long-term mutually supportive relationships
- Growth opportunities
- Responsible and ethical retailing

How we engage

- Our Purchasing and Product teams maintain regular contact with our suppliers to build strong relationships
- Supplier procurement processes engaged at the time of supplier onboarding and continue throughout the relationship
- Early involvement from suppliers in the design and prototypes of new products
- Ongoing process of factory audits, inspections and assessments across our Far East suppliers gives us the opportunity to feedback on how they can improve
- Regular review and feedback of product quality which reduces product failures and improves quality

Outcomes of engagements

- Our auditing programme in the Far East helps our suppliers identify areas in which they could improve. We support them to resolve these issues and to put plans in place to make further improvements
- We give our suppliers insight on product performance so they can further develop their products
- Data from suppliers has contributed to our own product development, and to the development of recyclable packaging
- Our strong balance sheet and industry leading payment terms provide assurance in a challenging economic environment

The community & environment

We are committed to having a positive impact on the lives of our customers, colleagues and communities. We consider the environmental impact of our operations and aim to reduce our impact on the planet.

Their needs

- The environmental impact of our business and products, including our impact on the climate
- Giving back to the community
- ESG factors

How we engage

- Encourage employee volunteering days through our partnership with a local charity, Emmaus, who support people to work their way out of homelessness
- Our Charity Committee promotes a number of charity events during the year to support Emmaus
- We continue to work with our suppliers to focus on alternatives to plastic packaging, the use of more sustainable materials and products with environmentally friendly features
- We offer a range of products that have environmentally friendly features such as dual flush functions on toilets and water-saving taps and shower heads

Outcomes of engagements

- Following the commencement of our three-year sponsorship deal with Bolton Wanderers Football Club, and in collaboration with Bolton Wanderers in the Community, our chosen local charity, Emmaus, is adorned on the back of the 2023/24 shirt of the Bolton Wanderers third kit, helping to raise the profile of the charity
- We have held several fundraisers over the year to help support our chosen charity, including our annual 'Plumbledon' competition which sees employees across the business compete in a table tennis competition
- Employees have taken part in a number of volunteering days, supporting Emmaus
- We are working to ensure that the impact on sustainability and the environment is a key consideration in the strategic decision-making process
- Our Purchasing and Product teams work closely with our suppliers to encourage the use of more sustainable packaging
- Following a review last year of the pallets we use for deliveries, we now use only recycled pallets

Investors

It is important that we engage with our investors to provide them with as clear a picture as possible of our business and our prospects, that is fair, balanced and understandable, to enable them to make informed investment decisions.

Their needs

- A balanced and fair representation of financial results and future prospects
- Responsible remuneration practices
- High governance standards
- Share price performance and return
- Strategic ambition and planning

How we engage

- Open, honest and balanced communication available to all shareholders
- Financial results presentations and investor roadshow
- Availability of one-to-one meetings with management
- Standing agenda item at Board meetings to provide and review market information
- Private shareholders are encouraged to communicate with the Board through ir@victorianplumbing.co.uk
- Through key disclosures on our website; annual report and accounts, market disclosures including results announcements, trading updates and ad-hoc updates
- We share industry-related data, such as the latest Mintel report, with analysts

Outcomes of engagements

- Feedback from investors throughout the year informs Board decisions and helps us build and develop on our strategies
- Following feedback on the 2023 interim results, we refined our external reporting style to improve the clarity of key messages

Key performance indicators

We measure performance through a defined set of financial and operational KPIs

Key

1. Grow our brand by providing the best customer experience and investing in bold campaigns
2. Provide the largest choice of bathroom products
3. Improve warehouse and supply chain efficiency
4. Adapt our customer journey to better serve the trade segment
5. Extend our product offering for trade customers
6. Expand available categories beyond core bathrooms

→ See pages 16 to 21 for more detail on the Group's strategy. The Group's principal risks are detailed on pages 46 to 50.

Financial

1. Revenue

£285.1m

+6%

2023	£285.1m
2022	£269.4m
2021	£268.8m
2020	£208.7m
2019	£151.4m

Relevant focus areas

1 2 3 4 5 6

Definition

The Group generates revenue from the sale of bathroom products, accessories, and other expansion products to both consumers and trade customers. Revenue is recognised when we have delivered the product.

Progress

Revenue returned to growth (6%) in 2023, reflecting an increase in order volume of 6% and an average order value in line with 2022. Consumer revenue grew by 4%, whilst trade revenue grew by 13%, the latter now representing 21% of the Group's revenue (2022: 20%).

Relevant risks

- Macroeconomic trends
- Innovation and changes in consumer buying
- Business interruption
- Brand and reputation
- Cyber security and data protection
- Supply chain
- Increase in competition
- Sustainability and climate change

2. Gross profit and gross profit margin

£134.6m

+11%

2023	47%	£134.6m
2022	45%	£121.0m
2021	49%	£130.5m
2020	44%	£92.0m
2019	41%	£61.8m

Relevant focus areas

1 2 3 4 5 6

Definition

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. Gross profit margin is gross profit as a percentage of revenue.

Progress

Gross profit margin increased from 46% in H1 to 49% in H2, overall delivering a two percentage points increase in the year to 47%. Increased profitability was driven by a product mix shift towards Victorian Plumbing own brand ranges, as well as falling shipping costs throughout the year and favourable foreign exchange movements.

Relevant risks

- Macroeconomic trends
- Business interruption
- Supply chain
- Increase in competition
- Sustainability and climate change

3. Adjusted EBITDA and adjusted EBITDA margin[1]

£23.8m

+22%

2023	8%	£23.8m
2022	7%	£19.5m
2021	15%	£40.1m
2020	13%	£26.2m
2019	8%	£11.5m

Relevant focus areas

1 2 3 4 5 6

Definition

Adjusted EBITDA ("AEBITDA") is a non-GAAP measure defined as operating profit before depreciation, amortisation, exceptional items and IFRS 2 share-based payments expense. AEBITDA margin is AEBITDA as a percentage of revenue.

Progress

AEBITDA and AEBITDA margin both increased as a result of the increase in gross profit to £23.8 million and 8%, respectively. In addition, marketing spend as a percentage of revenue decreased to 27.8% (2022: 28.3%) highlighting an improvement in our marketing efficiency, which reflects our improving brand awareness.

Relevant risks

- Macroeconomic trends
- Innovation and changes in consumer buying
- Business interruption
- Brand and reputation
- Cyber security and data protection
- Supply chain
- Increase in competition
- Sustainability and climate change

1. Adjusted EBITDA is a non-GAAP measure – please refer to the glossary on page 122.

4. Adjusted profit before tax and adjusted profit before tax margin[1]

£20.3m

+29%

2023	7%	£20.3m
2022	6%	£15.7m
2021	14%	£36.8m
2020	11%	£23.7m
2019	6%	£9.6m

Relevant focus areas

1 2 3 4 5 6

Definition

Adjusted profit before taxation ("APBT") is defined as the profit attributable to equity holders of the parent, excluding any exceptional or share-based payment costs, before taxation. APBT margin is APBT as a percentage of revenue.

Progress

APBT increased as a result of the increase in gross profit with APBT margin up 1ppt to 7%. In 2023, due to careful management of the Group's cash balances, we finished the year with a net interest receivable compared to a net interest payable in 2022.

Relevant risks

- Macroeconomic trends
- Innovation and changes in consumer buying
- Business interruption
- Brand and reputation
- Cyber security and data protection
- Supply chain
- Increase in competition
- Sustainability and climate change

5. Operating cash conversion

68%

-5ppts

2023	68%
2022	73%
2021	81%
2020	105%
2019	68%

Relevant focus areas

1 2 3 4 5 6

Definition

Operating cash conversion is defined as cash generated from operating activities before exceptional items and taxation less capital expenditure and cash outflows in relation to leases as a percentage of adjusted EBITDA.

Progress

We continue to achieve strong cash generation resulting in robust cash conversion at 68% (2022: 73%). Changes in working capital resulted in a cash outflow of £4.0 million in the year, largely because of timing differences with supplier payments. Stock value was broadly in line with prior year as we continued to deploy effective stock management.

Relevant risks

- Macroeconomic trends
- Innovation and changes in consumer buying
- Business interruption
- Brand and reputation
- Cyber security and data protection
- Supply chain
- Increase in competition
- Sustainability and climate change

6. Net cash

£46.4m

+2%

2023	£46.4m
2022	£45.5m
2021	£32.7m
2020	£10.5m
2019	£2.7m

Relevant focus areas

1 2 3 4 5 6

Definition

Net cash is defined as the amount of cash or other assets held that are readily convertible into cash.

Progress

The closing cash balance of £46.4 million represents a 2% increase over the year. Our business model results in a strong cash conversion profile and therefore a growing cash balance. With no external debt, this provides the business with resilience and a competitive advantage against many other retailers in the sector.

Relevant risks

- Macroeconomic trends
- Innovation and changes in consumer buying
- Business interruption
- Brand and reputation
- Cyber security and data protection
- Supply chain
- Increase in competition

1. Adjusted profit before tax is a non-GAAP measure – please refer to the glossary on page 122.

Key performance indicators continued

Key

1. Grow our brand by providing the best customer experience and investing in bold campaigns
2. Provide the largest choice of bathroom products
3. Improve warehouse and supply chain efficiency
4. Adapt our customer journey to better serve the trade segment
5. Extend our product offering for trade customers
6. Expand available categories beyond core bathrooms

→ See pages 16 to 21 for more detail on the Group's strategy. The Group's principal risks are detailed on pages 46 to 50.

Operational

1. Total orders ('000)

932

+6%

2023	932
2022	880
2021	906
2020	776
2019	573

Relevant focus areas

1 4 5 6

Definition

Total orders are defined as the total number of orders dispatched to customers in the period.

Progress

The total number of orders increased by 6% year-on-year (2022: -3%), driving the overall revenue growth (6%) in 2023. Our strategy has been effective in 2023 and remains unchanged: to retain our position as the number one UK bathroom retailer, growing our core offering of bathroom products and accessories to consumers; focusing on expansion categories; and increasing our trade proposition.

Relevant risks

- Macroeconomic trends
- Innovation and changes in consumer buying
- Business interruption
- Brand and reputation
- Cyber security and data protection
- Supply chain
- Increase in competition
- Sustainability and climate change

2. Average order value

£306

-%

2023	£306
2022	£306
2021	£297
2020	£269
2019	£264

Relevant focus areas

1 4 5 6

Definition

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

Progress

AOV remained flat in the year at £306. We saw a shift away from more expensive third party branded products to our own brand range during the period, with the latter representing 78% of revenue in 2023 (2022: 75%). Price changes were passed on during the first half of the year but, in recognition of the need to support customer affordability and the competitive environment, prices were held flat in the second half of the year.

Relevant risks

- Macroeconomic trends
- Business interruption
- Brand and reputation
- Supply chain
- Increase in competition
- Sustainability and climate change

3. Marketing as a % of revenue

27.8%

-0.5ppts

2023	27.8%
2022	28.3%
2021	25.9%
2020	25.0%
2019	26.9%

Relevant focus areas

1

Definition

Marketing spend as a percentage of total revenue.

Progress

Marketing spend as a percentage of revenue decreased to 27.8%, resulting in a slight marketing efficiency in comparison to 2022 (0.5ppts). We have invested in new and innovative marketing campaigns, which are bold and quirky, and have led to an increased brand awareness score (up 4ppts to 64%[1]) – the only increase amongst our closest competitors this year.

Relevant risks

- Macroeconomic trends
- Innovation and changes in consumer buying
- Business interruption
- Brand and reputation
- Cyber security and data protection
- Increase in competition

4. Trustpilot scores (out of 5.0)

4.5

-

2023	4.5
2022	4.5
2021	4.3
2020	4.3
2019	4.6

Relevant focus areas

1 2

Definition

The monthly average of all scores submitted to Trustpilot in relation to Victorian Plumbing.

Progress

We have continued to focus on providing an exceptional customer experience and surpassed 200,000 Trustpilot reviews in 2023. We continue to be rated 'Excellent' by Trustpilot and have maintained our average score in the year of 4.5 (2022: 4.5) out of 5.0.

Relevant risks

- Macroeconomic trends
- Innovation and changes in consumer buying
- Business interruption
- Brand and reputation
- Cyber security and data protection
- Increase in competition

5. Active customers ('000)

634

+4%

2023	634
2022	608
2021	638
2020	565
2019	422

Relevant focus areas

1 2 3 4 5 6

Definition

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

Progress

The total number of active customers increased (4%) year-on-year to reach levels only seen previously during the height of the Covid-19 pandemic. Our bold brand and data-led marketing attracted >630,000 consumers to our market leading online platform to purchase from our site.

Relevant risks

- Macroeconomic trends
- Innovation and changes in consumer buying
- Business interruption
- Brand and reputation
- Cyber security and data protection
- Supply chain
- Increase in competition
- Sustainability and climate change

6. Trade revenue as a % of total

21%

+1ppt

2023	21%
2022	20%
2021	16%
2020	14%
2019	13%

Relevant focus areas

1 2 3 4 5 6

Definition

The proportion of the total revenue of the business that is generated from trade customers.

Progress

Trade revenue grew by 13% in 2023, representing 21% of the Group's revenue. The improvement is a result of our ongoing strategy to increase our proposition for trade customers.

Relevant risks

- Macroeconomic trends
- Innovation and changes in consumer buying
- Business interruption
- Brand and reputation
- Cyber security and data protection
- Supply chain
- Increase in competition
- Sustainability and climate change

1. Internal prompted brand awareness research.

Making a splash

We take our ESG responsibilities seriously and are taking action to make a difference to our people, our communities and the wider environment.

We are continuing to develop our strategy and, although there is still some work to do, we are delighted to have made further progress this year.

Trustpilot review ★★★★★

Great customer service experience

Victorian Plumbing customer service took the time to look into my queries and gave me a clear and thorough response and even attached a diagram. Rare to get good service like this nowadays!

Geoffrey

Our purpose

Our purpose is to improve the quality of home life.

We do this by providing affordable bathrooms and bathroom related accessories to every door through investing in a broad range of products, advanced logistics and a values-driven, customer-focused and data-oriented culture.

Our strategy for the coming year falls within three distinct pillars:

Environmental sustainability

2024 will be a year of change for the business as we expand into our new purpose-built distribution centre in Leyland, Lancashire. We are committed to taking advantage of the opportunities this will provide to make more sustainable choices. A number of new initiatives are already planned, from adding solar panels to the building, to introducing electric vehicle charging facilities for employees and investing in a new fleet of electric, automated warehouse vehicles.

→ Read more on pages 30 to 31

Diversity and inclusion

We are proud of our inclusive environment where everyone can succeed, grow their career and be rewarded for their efforts. We understand that diversity in our workforce will help us to fuel innovation, drive engagement and both attract and retain talent. Labour shortage remains a key focus which drives an extremely diverse and inclusive approach to hiring.

We have work to do on enhancing the levels of data in this area to give us more visibility of the diversity of our workforce, which will help us to drive improvements.

→ Read more on pages 32 to 33

Governance and ethics

We expect high standards from everyone in our business, and from those in our supply chain. Our people and our partners understand our expectation of behaving professionally, ethically and legally.

→ Read more on pages 34 to 35

Environmental sustainability

We are working hard to reduce our impact on the planet and believe we need to give back more than we take out. Environmental sustainability is also becoming increasingly important to our stakeholders.

Our focus so far has been on the areas we can control. We have made progress this year in the level of our Scope 1 and Scope 2 reporting[1]. We now disclose our emissions on both a market-based and location-based approach[2]. This highlights the positive impact our sustainable choices for renewable electricity have had on our emissions. However, as an online retailer with no manufacturing and limited logistics capability, we have a relatively low carbon footprint across these two areas.

Action we are taking:

- **Renewable energy** – In the year we have transitioned all our electricity contracts to 100% renewable energy.
- **Recycled materials** – Our warehouses use only recycled pallets for deliveries.
- **Recycling services** – We offer recycling services for large, electrical appliances.
- **Review of plastics** – We continue to review and where we can, make changes, to reduce the level of plastic that is used in the transportation and storage of our products.
- **Supporting consumers** – We have a responsibility to enable them to make more sustainable choices by ensuring our platform provides the information they need. Not only do we offer choices made from sustainable materials, but we detail environmentally friendly features such as dual flush functions on toilets and water-saving taps and shower heads.

Looking ahead

2024 will be a big year for us, as we put environmental sustainability at the heart of our decision-making process for our new distribution centre. We have chosen a fleet of electric vehicles to support our operations, and our employees will have access to electric car charging facilities. We will also be exploring options to invest in roof-mounted solar panels for the distribution centre.

Methodology

The Group is required to measure and report its direct and indirect greenhouse gas ("GHG") emissions by the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. The GHG reporting period is aligned to the financial reporting year. The methodology used to calculate our GHG emissions and energy use is the GHG Protocol Corporate Accounting and Reporting Standard (Revised Edition). An operational control approach has been used. Emissions factors used are from UK Government conversion guidance for the year reported.

Total CO_2 emissions[2]

	2023 tCO_2e	2022 tCO_2e
Scope 1 (direct emissions): Total emissions from operations and combustion of fuel	200	158
Scope 2 (indirect emissions): Total emissions from energy purchased:		
Market-based	8	unavailable
Location-based	274	339
Total gross Scope 1 and 2:		
Market-based	208	unavailable
Location-based	474	497
Revenue (£m)	285.1	269.4
Carbon intensity ratio[3] (Location-based) Tonnes of CO_2e per £m of revenue (tCO_2e)	1.66	1.85
Energy use kWh (Scope 1 and 2)	**2,163,156**	**2,444,442**

1. Scope 1 emissions are direct emissions from sources that are owned or controlled by the Group, for example the fuel consumption of company vehicles. Scope 2 emissions are indirect emissions generated from purchased energy, for example the purchase of electricity used at our office and warehouses.
2. During the year we worked with an external consultant to improve the quality of our Scope 1 and Scope 2 emissions, including being able to report on both a market and location-based approach. Location-based emissions reflect the energy consumed and the carbon intensity of the UK electricity grid. Market-based emissions take into account the renewable energy that we have purchased and the associated lower carbon intensity.
3. In order to express our annual emissions in relation to a quantifiable factor associated with our activities, we have used revenue as our intensity ratio as this is a relevant indication of the size of our activity.

Understanding our impact

We currently understand and report our Scope 1 and Scope 2 GHG emissions. We do not disclose our Scope 3 emissions. We continue to maintain our focus on how we can impact our Scope 1 and Scope 2 emissions.

During the year, we have worked closely with our external consultants. A key part of the work has been to define the boundaries for the various emissions categories based on the level of control that we have to make changes; what we can control, what we can influence, and what we can't control but is a concern for us as it contributes to our Scope 3 emissions. This will allow us to focus on the areas where we can have the biggest impact on our emissions.

Where our emissions fall within those boundaries is illustrated on the next page. We will prioritise those within the control boundary and we will keep under review those within the influence and concern boundaries.

As an online retailer with no manufacturing and limited logistics capability, we have a relatively low carbon footprint across Scope 1 and 2, where we have the most control.

Control
All Scope 1 and Scope 2 emissions

Influence
Scope 3 categories such as: Employee commuting, business travel, indirect purchased goods, services procured, capital goods, carriage

Concern
Scope 3 categories such as: Manufacturing of sold products, shipping, end of life treatment of sold products

We understand that changes to our Scope 3 emissions will, by far, have the greatest impact. We realise that the reach of our business extends far beyond our own office, warehouses and distribution centres. The products we sell have an impact that we must consider and look to manage.

We continue to work with external consultants to review the quality of our data for emissions reporting. There are improvements to be made in this area, in understanding our impact on the environment and how we can operate more sustainably in the future. We hope that we will be able to work with both our upstream and downstream partners to make progress on this in the coming year.

Helping consumers to make sustainable choices

Our success comes from a breadth of expertise, and from offering consumers an extensive choice of products that are readily available.

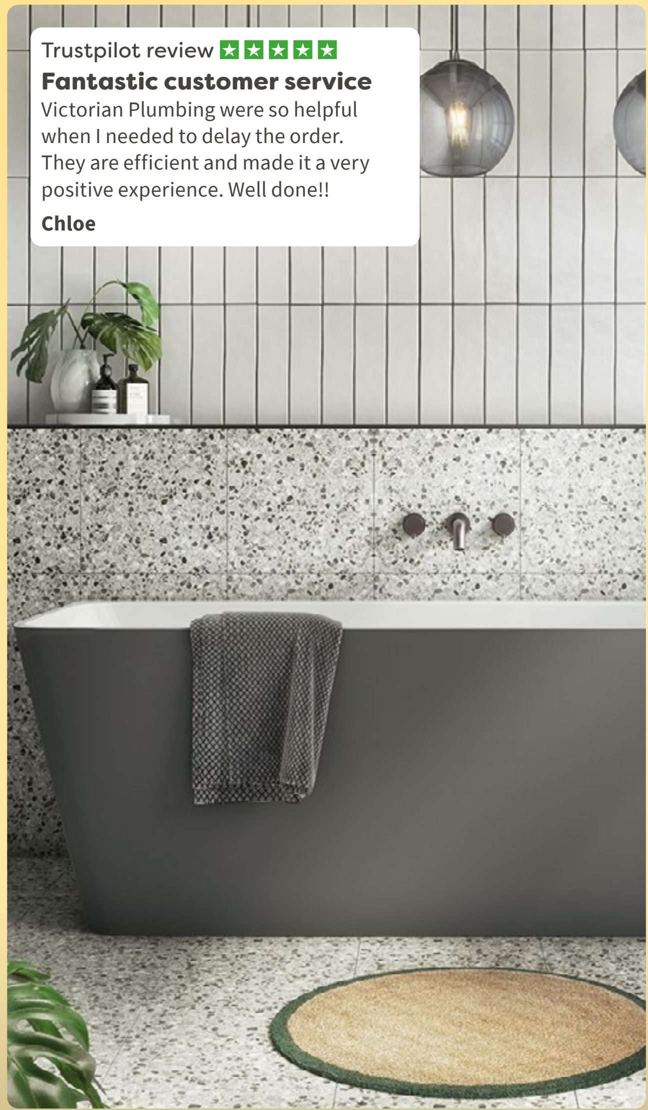
We know that consumers are now more conscious of the environmental credentials of the products they purchase. They look for features such as water-saving technology, lower energy consumption or sustainably sourced materials. We are therefore continuously increasing the range of such products and improving the information we provide to customers. We have also been working with our suppliers to develop more of these types of products, to satisfy increasing consumer demand.

Customers who purchase electrical items from us can request collection of their large, bulky, unwanted electrical items. These are difficult items for customers to dispose of in an environmentally friendly manner, so this offering ensures that the items are disposed of in the most environmentally friendly way possible.

Partnerships

We have an agreed partnership with GWM, a waste management provider. GWM assists us in disposing of unwanted items in the most environmentally conscious manner.

All items collected from our sites are reused, recycled or remanufactured to extend the lifespan of unwanted items and to prevent usable materials from ending up in landfill. Since January 2021, this partnership has helped us send no waste to landfill.



Diversity and inclusion

At Victorian Plumbing, we understand the value of having a diverse and inclusive organisation. Building a diverse and inclusive workforce will fuel innovation, drive engagement and attract talent. It is only with a mix of different ideas and perspectives that we can come up with the most exciting new ideas and create the best experience for our customers and other stakeholders.

Diversity for everyone at Victorian Plumbing means respect for, and appreciation of every person, regardless of gender identity and expression, age, sexual orientation, disability, race and ethnic origin, religion and faith, marital status, maternity, socio-economic background, and way of thinking. We believe inclusion is a state of being valued, respected and supported for who you are and having the same career opportunities as others.

We recognise that there is more that we can do to improve diversity and inclusion in our organisation. In the year, we have increased the proportion of women in leadership positions to 26% (2022: 21%) and in other upper quartile roles, but we know we still have work to do in this area.

We are also mindful that most of our employee base relates to warehouse roles (61%) where it can be challenging to attract female employees. Warehouse roles are almost exclusively recruited from the local area, and the diversity of our workforce is, therefore, inextricably linked to the diversity of the surrounding environment. Labour shortage remains a key focus, and this drives an extremely diverse and inclusive approach to hiring.

Action we are taking:

- We strive to interview a diverse range of individuals for each role. Having a diverse pool of applicants reaching interview should ultimately result in greater diversity amongst those who we recruit.
- We will improve the employee experience, remove barriers and reduce the gender pay gap.

Measuring our impact:

- We monitor the makeup of our people with specific focus on gender and those in leadership roles.
- We analyse and act on employee feedback.
- We report on our gender pay gap.

Diversity

We are committed to improving diversity and inclusion within our organisation, as we believe this improves individual and team performance and allows us to identify and attract talent that we may not otherwise access. Like many organisations that have seen rapid growth, particularly those in online retail, we have room for improvement and this is an area of focus for us.

Gender

The ratio of men to women on the Board has remained consistent with that post-Admission in June 2021, with a ratio of 4:1 (2022: 4:1). In 2023 we have made great strides in increasing the proportion of women in leadership positions, as defined by the Hampton-Alexander Review. This has increased to 26% (2022: 21%), with three additional female hires into leadership roles during the year.

Our values

We take responsibility

Each team member is responsible for the success of their place within our business. No matter the role, it's key that we understand the importance of taking responsibility for our work.

We innovate

We don't allow tired thinking and the normal way of doing things to get in the way of innovation. All ideas are respected, welcomed and given the access to make a difference to our performance.

We respect people

Whether it's customers, our team members or our business partners, we recognise that our success is a product of people, collaborative work and respect for each other.

We develop and grow

We recognise and reward hard work. At Victorian Plumbing, eagerness to self-develop and better ourselves is rewarded with the tools and investment needed to grow our team and our business.

We're humble

We don't take our success for granted, and we remain competitive, aware and agile no matter our size.

We celebrate success

We take time to acknowledge and celebrate our achievements, and we reward successes driven by our team.

We recognise that this level of diversity in leadership positions still falls below the target of the Hampton-Alexander Review. We continue our commitment to driving long-term change to reach gender parity across these positions in our business.

Our median hourly pay gap has reduced at the snapshot date of 5 April 2023 to nil and our mean hourly pay gap has also decreased. These reductions reflect the increase of women in leadership positions during the year.

As long as a gender pay gap exists at Victorian Plumbing, we will continue to work hard to address the issues we believe are relevant to reduce this gap.

Gender diversity

As at 30 September 2023

	Men	Women	Men as % of total	Women as % of total
Board	4	1	80%	20%
ELT (excluding Board members)	4	2	67%	33%
ELT direct reports	22	7	76%	24%
Leadership positions[1]	**26**	**9**	**74%**	**26%**
Total employees	**466**	**170**	**73%**	**27%**

1. Leadership positions includes both ELT and ELT direct reports.

As at 30 September 2022

	Men	Women	Men as % of total	Women as % of total
Board	4	1	80%	20%
ELT (excluding Board members)	5	2	71%	29%
ELT direct reports	18	4	82%	18%
Leadership positions[1]	**23**	**6**	**79%**	**21%**
Total employees	**413**	**154**	**73%**	**27%**

Gender pay gap

Hourly pay gap between men and women

2023 Mean	2022 Mean	2023 Median	2022 Median
9.7%	10.2%	0.0%	4.2%

Ethnic diversity

As at 30 September 2023

	White	Other	Not disclosed	White as % of disclosed	Other % of disclosed
Board	5	–	–	100%	–
ELT (excluding Board members)	6	–	–	100%	–
ELT direct reports	26	2	1	93%	7%
Leadership positions	32	2	1	94%	6%
Total employees	**298**	**38**	**300**	**89%**	**11%**

As at 30 September 2022

	White	Other	Not disclosed	White as % of disclosed	Other % of disclosed
Board	5	–	–	100%	–
ELT (excluding Board members)	7	–	–	100%	–
ELT direct reports	20	2	–	91%	9%
Leadership positions	27	2	–	93%	7%
Total employees	**356**	**26**	**185**	**93%**	**7%**

Equal opportunities

Diversity to us means having respect for and appreciation of differences. As well as gender, this can include race and ethnic origin, age, sexual orientation, marital status, religion or belief, disability, maternity and socio-economic background. As with gender diversity, we acknowledge that we have more to do in these areas. We are looking at ways to improve the level of data we hold in this regard about our people, through building awareness and transparency about the reasons why we wish to hold such information, the value such insight can bring and how the data will be stored.

Our business is committed to becoming more inclusive and welcoming of a diverse workforce, and ultimately retaining that diversity.

Employee engagement

Our employees are key to helping us fulfil our purpose and so at Victorian Plumbing we promote a culture of open feedback.

Throughout the year, we have sought feedback from employees through our 'pulse' engagement surveys. We have been pleased with the level of engagement with these surveys, particularly in respect of the open feedback provided, which is reviewed in detail by our People Services team. Employees also have the opportunity to provide feedback year-round through our Company intranet site, 'The Loop'.

Our employee engagement team, 'PlumbedIn', which has representatives from all departments of the business, acts as a conduit between employees and the Executive Leadership Team[2] ("ELT"), and has met monthly during 2023. The team gathers colleague feedback and looks at how suggestions made, and feedback given, can be taken forward for the benefit of both the Company and employees.

We launched our second Save as You Earn ("SAYE") scheme during the year, which provided all employees with the opportunity to purchase shares in the Company at a 20% discount to the market price at invitation. The implementation of this scheme promotes a culture of shared ownership as we embark on the next phase of our growth.

Investing in and supporting our talent

To meet the ambitions of our core value, 'develop and grow', we do everything we can to support our people with learning opportunities. We offer our employees opportunities to learn new skills through both internal and external training along with 'on-the-job' coaching.

Wellbeing of our employees

The physical and mental wellbeing of our employees is always front of mind. For example, at our head office site, a fitness studio gives our employees a place where they can exercise either independently or by using our virtual class capability.

We are very proud to have introduced Mental Health Champions that offer support to all employees across the Company. Our Champions were all given Mental Health First Aid training and they help to raise awareness of different mental health issues through the promotion of awareness days.

In conjunction with our Mental Health Champions, we also partner with Health Assured, the UK's largest Employee Assistance Programme provider, to provide our employees with an outlet to seek information or advice on a range of mental health topics should they wish to speak to anyone anonymously.

Our dedicated online wellbeing centre, accessible to all employees via The Loop, provides education materials as well as tools to help support our employees live a healthier and happier life, with focus provided across four main areas: 'Move' (Get active), 'Munch' (Eat healthier), 'Money' (Financial wellbeing) and 'Mind' (Mastering your mental health).

During 2023, a number of enhancements were made to employee benefits. Company sick pay and life assurance benefits were introduced in the year as a result of colleague feedback.

2. The Executive Leadership Team ("ELT") comprises the two Executive Directors and six other members of senior management. The ELT meets weekly to identify, assess, own, monitor, manage and mitigate risks, and exploit opportunities.

Governance and ethics

Operating ethically

At Victorian Plumbing, we are committed to carrying out all business activities in an honest and open manner, and strive to apply high ethical standards in all our business dealings.

All our existing and new suppliers are required to adhere to a Supplier Code of Conduct. We proactively seek supplier relationships with those who share our passion for making a difference, and we encourage our suppliers and partners to drive their own ESG efforts in line with their principles. We continue to review our supplier onboarding process, ensuring alignment to the Modern Day Slavery Act 2015.

Our supplier audit programme continued throughout the year. The audits we perform cover areas such as employment conditions, health and safety, and terms of employee engagement. If suppliers fail to comply with our standards, we will work with them to improve or, if we do not believe that can be done, we will terminate our relationship with them. In the year, we conducted 30 full factory audits in the Far East: of these, three potential new suppliers failed and were not onboarded. Our full factory audits cover two tests; the first is for compliance against ISO9001:2015, the second is against our Supplier Code of Conduct. Our supplier audit programme also covers the re-audit, every two years, of suppliers against our Supplier Code of Conduct, to ensure that our suppliers continue to uphold the high standards that we expect.

We have zero tolerance for any aspect of bribery and corruption, both within our business and in respect of any third parties we have dealings with. We have an established anti-bribery policy and procedures in place for reporting on gifts and hospitality.

We actively cultivate a transparent and open culture, encouraging our employees to speak up if they have any concerns or experience any serious malpractice or wrongdoing in our business. The Company's whistleblowing policy is available to all employees on the Company's intranet site, 'The Loop', and contains clear and accessible information as to how employees can raise appropriate concerns. Concerns raised will be reported to the Audit and Risk Committee, which will then be advised of the investigations carried out and any actions arising as a result.

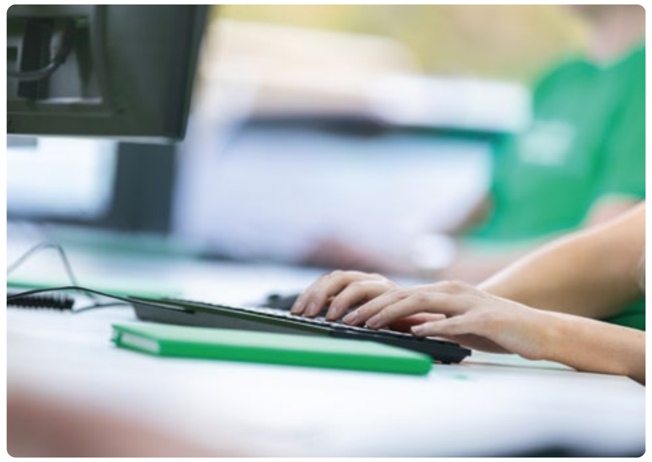
> "We are committed to acting ethically and with integrity in all our business dealings and relationships."

Health and safety

We recognise our responsibility for the health and safety of our workforce and others who could be affected by our activities, and we are committed to maintaining a safe working environment for all our workforce. We assess the hazards and risks faced by our workforce in the course of their work and take action to mitigate those risks.

We meet our legal obligations by providing and maintaining a safe and healthy working environment so far as is reasonably practicable. We do this through:

- providing leadership and adequate control of identified health and safety risks;
- measuring our health and safety performance;
- consulting with our employees on matters affecting their health and safety;
- providing and maintaining safe plant and equipment;
- ensuring the safe handling and use of substances;
- providing information, instruction and training where necessary for our workforce, taking account of any who do not have English as a first language;
- actively managing and supervising health and safety at work; and
- aiming for continuous improvement in our health and safety performance and management through regular reviews of our policies.



Data security

At Victorian Plumbing, we take the risk of cybercrime very seriously. As an online retailer, protecting the data of our customers and ensuring safe online shopping is critical to our business.

During the year, a Senior Information Risk Owner ("SIRO") was appointed to take responsibility for the overall information risk policy and risk assessment process and to ensure the communication of those risks to the Audit and Risk Committee.

In the prior year, an Information Security Team was established. This team has continued to meet monthly throughout 2023 to review policies and processes, and manage the acquisition of various tools, to improve Victorian Plumbing's security posture. Ultimately this will enable Victorian Plumbing to seek certification under ISO 27001.

We continuously monitor the availability and resilience of our platform and systems, and continue to invest in our security infrastructure. Our Development team use tools provided by Microsoft to implement effective security over our cloud applications. These tools allow regular reporting to detail how the infrastructure is protected against the CIS ("Critical Security Controls") and NIST ("National Institute of Standards and Technology") frameworks, which set guidelines and standards for best practice in cyber security. Penetration testing is performed annually, with vulnerability scanning scheduled monthly and during 2023 no significant issues were found.

We have also rolled out regular mandatory data protection and cyber security training to our employees, with all new employees required to complete training as part of the induction process.

Data privacy

Data is at the heart of everything we do, and for that reason we take the protection of it very seriously. When it comes to collecting and storing personal data, be that for customers, suppliers or our employees, we abide by a clear set of principles. We are committed to ensuring that the personal information we collect and use is appropriate for the purpose, does not constitute an invasion of privacy and is held securely, responsibly and transparently in accordance with our Data Protection Policy.

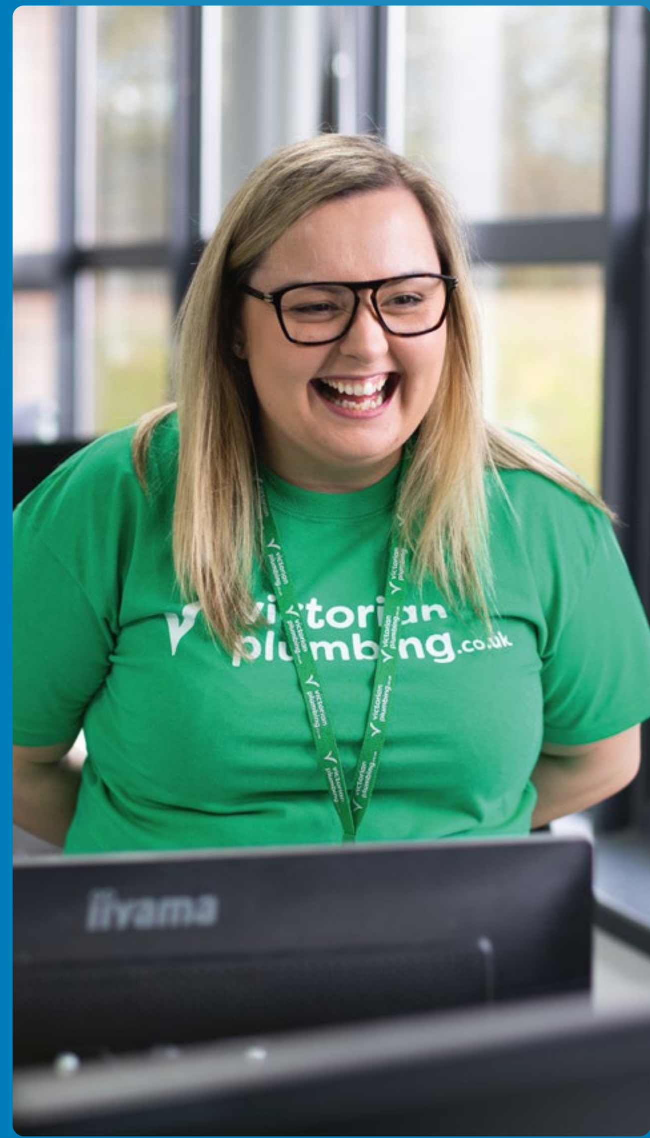
We manage consent for our marketing emails in line with the Information Commissioner's Office ("ICO") guidelines. We may pass personal data to trusted third party service providers contracted to Victorian Plumbing in the course of dealing with customers or employees.

We record all personal data breaches and have a rigorous data breach process in the unlikely event one occurs. This includes reporting notifiable breaches to the relevant regulatory authorities, including the ICO, without undue delay and within stipulated deadlines. Where required, we take corrective action as soon as possible.

Tax transparency

Victorian Plumbing is committed to being a responsible taxpayer, acting in a transparent manner at all times. Our detailed tax policy includes further transparency on our approach to risk management and governance, and our attitude towards tax planning.

We will continue to review our tax strategy to ensure that the key objectives remain aligned with the overall strategic objectives of the Group.



Treating people fairly

We are committed to acting ethically and with integrity in all our business dealings and relationships, and to implementing and enforcing effective systems and controls to ensure modern slavery is not taking place anywhere in our own business or in any of our supply chains. For our full Modern Slavery Statement, please see our website (victorianplumbingplc.com/responsibility/modern-slavery). We have a zero-tolerance approach to modern slavery and expect the same high standards from all our contractors, suppliers and other business partners.

All our employees and job applicants are treated fairly and equally. It is our policy to ensure that working practices, career progression and promotion opportunities are all free from discrimination or bias.

Reporting frameworks

We are developing our disclosures in line with both the Task Force on Climate-related Financial Disclosures ("TCFD") recommendations and Sustainability Accounting Standards Board ("SASB") standards to provide our investors and other stakeholders with information about our approach.

TCFD: Task Force on Climate-related Financial Disclosures

This is our first year of reporting under Sections 414CA and 414CB of the Companies Act 2006. We recognise that there are steps yet to be taken to integrate climate-related risks and opportunities into our strategic approach, and are working towards identifying clear actions to achieve full compliance, taking advantage of evolving good practice and guidance from other companies, advisers and regulators.

TCFD alignment at a glance

The Board recognises the risks and opportunities posed by climate change to the Group's business model and strategy. As such, the Group risk register incorporates risks relating to the impact of climate change on our business, and this is disclosed as a principal risk. The disclosure below sets out our climate-related financial disclosures consistent with the four TCFD pillars.

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

Governance

The Board is responsible for setting the Group's strategy, taking into account all relevant risks and opportunities, including those related to climate matters. The Group's risk management framework is designed to identify and assess the likelihood and consequences of risks, and to manage the actions necessary to mitigate their impact, including those related to climate-related matters. This is detailed on pages 44 and 45.

Climate change considerations are increasingly integrated into day-to-day business activities. Our Executive Leadership Team ("ELT"), which comprises the two Executive Directors and six other members of senior management, meets weekly and climate matters are considered in this forum. Planning for the new distribution centre, which has involved several business areas, has had environmental sustainability considered at every stage.

Strategy

As outlined in our principal risks on page 50, we continue to monitor consumer sentiment and respond to climate change and sustainability risk.

As an online retailer with no manufacturing and limited logistics capability, we have a relatively low carbon footprint across Scope 1 and 2 emissions. Positive changes we can make or influence in relation to our Scope 3 emissions will drive the most significant environmental benefit.

In the coming year, we will work in partnership with our suppliers to support them in various ways to help reduce supply chain emissions. Our in-house design team is working with our suppliers to encourage the use of more sustainable materials, such as bamboo.

The table below highlights the material climate change risks and opportunities that we have considered. We have more work to do in the coming year to factor these risks and opportunities into our financial planning process, and to agree the metrics and targets that we will measure ourselves against.

Transition risks

Risk or opportunity	Description
Impact of carbon taxes	The introduction of a carbon tax could lead to an increase in the cost of products with high GHG emissions. This could negatively impact profits, due to taxation on the Group, or taxation on suppliers which is passed on in product cost.
Changes to fuel prices caused by increased taxation or by climate-related market disruption	Fuel prices are impacted by changing market dynamics and decarbonisation trends, such as the transition to non-fossil fuel alternatives. This could lead to increased fuel costs for our upstream and downstream transport and distribution partners, which will be passed on to the Group and could negatively impact profits.
Reputational damage due to our sustainability strategy failing to meet stakeholder expectations	If we do not continue to move towards using more sustainable raw materials and offering sustainable products to our consumers, along with reducing our carbon emissions, we might lose customers who switch to other retailers they consider to be more sustainable. It could also become difficult to attract and retain talent.

Physical risks

Risk or opportunity	Description
Physical risks such as drought, flooding and wildfire, impact the availability of raw materials or impact manufacturing sites in countries from which we source our products	In the UK, none of our premises are in areas at high risk of flooding. Physical risks will primarily have an impact on our supply chain.

Risk management

Effective management of risk is fundamental to the achievement of our long-term objectives and delivering value for our stakeholders. Our approach to risk is integrated within the overall governance and management of the business.

Our risk management framework (set out on pages 44 and 45) separates responsibilities into three lines of defence:

First line of defence: Senior Leadership Team
Second line of defence: Oversight functions
Third line of defence: Independent assurance

Our Group risk register includes sustainability and climate change as a principal risk (as detailed on page 50). It is therefore subject to the same governance, review process, and management attention as other risks recorded on our Group risk register.

Metrics and targets

We have reported our Scope 1 and Scope 2 emissions on page 30. The Board is pleased that our Carbon Intensity Ratio has reduced by 10% to 1.66 tonnes of CO_2e per £m of revenue (2022: 1.85).

SASB disclosure topics and accounting metrics

We have set out below our progress against the e-commerce SASB standards.

Topic	Disclosure required	Progress
Hardware, infrastructure, energy and water management	(1) Total energy consumed (2) Percentage grid electricity (3) Percentage renewable	Scope 1 and scope 2 emissions are disclosed. See page 30 for details. Grid electricity accounted for 61% (2022: 76%) of total energy usage and 97% of total energy usage (2022: 51%) was from renewable sources.
	(1) Total water withdrawn (2) Total water consumed (3) Percentage of each in regions with high or extremely high baseline water stress	There was no water withdrawn by the Group in the year. The Group consumed 1,574 (2022: 1,375) cubic metres of water in the year. The increase in the year reflects the growth in revenue and headcount. No water was consumed in regions with high or extremely high baseline water stress.
	Discussion of the integration of environmental considerations into strategic planning for data centre needs	The Group primarily uses cloud-based services with some supplementary on-site servers, so does not own or operate any data centres itself. When selecting or renewing cloud-based services the Group has regard to environmental considerations, as well as other factors. For example, the Group uses a platform that has a stated focus on sustainability.
Data privacy and advertising standards	Description of policies and practices relating to behavioural advertising and user privacy	See page 35 for details on our Data Protection Policy. Following the appointment of a Head of Infrastructure and Security in the prior year, further progress has been made in this area during the year following the appointment of a Senior Information Risk Owner ("SIRO") and Data Protection Officer ("DPO").
Data security	Description of approach to identifying and addressing data security risks	See page 35 for further information on our approach to data security and privacy.
	(1) Number of data security breaches (2) Percentage involving personally identifiable information ("PII") (3) Number of users affected	The Group had no reportable data breaches in the year.
Employee recruitment, inclusion and performance	Employee engagement as a percentage	The Group conducted a number of 'pulse' surveys within the year. Of the responses received to the survey in June 2023, 59% of people (September 2022: 72%) said they were proud to work at Victorian Plumbing. We are re-aligning our annual all-employee engagement survey so that it is conducted at the same time each year going forward.
	(1) Voluntary turnover rate for all employees (2) Involuntary turnover rate for all employees	The Group had a voluntary turnover rate for employees of 66% (2022: 87%). This reflects improvements in our recruitment and induction processes. Our involuntary turnover rate is 34% (2022: 13%).
	Percentage of gender and racial/ ethnic group representation for: (1) management; (2) technical staff; and (3) all other employees.	Gender representation for management and the workforce as a whole as at 30 September 2023 is reported on page 32. In addition, as at 30 September 2023, 87% (2022: 88%) of technical staff identify as male and 13% (2022: 12%) as female. The ethnic diversity of management and the workforce as a whole as at 30 September 2023 is reported on page 33. Of technical staff who disclose their ethnicity, 89% identify as white with 11% identifying as from an ethnic minority. (2022: 83% white, 17% ethnic minority).

Non-financial and sustainability information

The non-financial and sustainability reporting regulations in Section 414CA and 414CB of the Companies Act 2006 require the disclosure of specific information relating to environmental matters, the Company's employees, social matters, respect for human rights and anti-bribery and anti-corruption matters, a summary of which is set out below. We have incorporated the climate risk disclosures covering the four pillars of TCFD (governance, strategy, risk management, and metrics and targets), into the Environmental Sustainability section of this report on pages 30 and 31.

The table below sets out where stakeholders can find further information for each area within this Annual Report:

Non-financial risk	Policies and standards which govern our approach	Section within this Annual Report	KPIs
Environmental	• Supplier code of conduct • Greenhouse Gas Protocol, Corporate Accounting and Reporting Standard • Sustainability Accounting Standards Board ("SASB") • Task Force on Climate-related Disclosures ("TCFD")	Environmental sustainability (pages 30 to 31) Reporting frameworks (pages 36 to 37)	• Scope 1 and 2 emissions • Total energy consumed • Percentage renewable
Our people	• Employee handbook • Whistleblowing policy • Data Protection policy	Diversity and inclusion (pages 32 to 33) Governance and ethics (pages 34 to 35) Stakeholder engagement and s.172 statement (pages 22 to 23)	• Gender diversity • Gender pay gap • Women in leadership roles • Ethnic representation • RIDDOR[1] incidents
Social and community	• Supplier audits • Modern slavery policy • Tax strategy	Governance and ethics (pages 34 to 35) Stakeholder engagement and s.172 statement (pages 22 to 23)	• Gender diversity • Gender pay gap • Women in leadership roles • Suppliers audited
Suppliers	• Supplier Code of Conduct • ISO 9000:2015 • Whistleblowing policy	Governance and ethics (pages 34 and 35) Stakeholder engagement and s.172 statement (pages 22 to 23)	• Number of factory audits
Customers	• Privacy policy	Governance and ethics (pages 34 and 35) Stakeholder engagement and s.172 statement (pages 22 to 23)	
Human rights	• Modern slavery policy • Supplier audits	Governance and ethics (pages 34 and 35)	• Factory audit results
Anti-bribery and corruption	• Anti-bribery policy	Governance and ethics (pages 34 and 35)	
Business model		Business model (pages 14 and 15)	
Principal risks	• Risk register	Principal risks (pages 46 to 50) Risk management (pages 44 to 45)	
Non-financial key performance indicators ("KPIs")		Operational KPIs (pages 26 and 27)	• Total orders • Average Order Value • Marketing as a % of revenue • Trustpilot score • Active customers • Trade revenue as a % of total

1. Reporting of Injuries, Diseases and Dangerous Occurrences Regulations.

Financial review

"We are pleased to report a strong financial performance and good operating cash generation"

Daniel Barton
Chief Financial Officer

Highlights

- Order growth and resilient AOV result in revenue growth in line with market expectations
- Gross profit margin particularly strong in H2, reflecting the product mix change throughout the year
- Free cash flow up 13% to £16.1 million, resulting in robust operating cash conversion of 68%
- Fit-out of new distribution centre now underway and continuing into 2024
- Full year final dividend recommended with a total cash distribution of £4.6 million

Introduction

Whilst navigating continuing macroeconomic volatility in the year, we are pleased to report a strong financial performance and good operating cash generation in the year to 30 September 2023.

	2023 £m	2022 £m	Change
Revenue	**285.1**	269.4	6%
Cost of sales	**(150.5)**	(148.4)	(1%)
Gross profit	**134.6**	121.0	11%
Gross profit margin %	**47%**	45%	2ppts
Underlying costs	**(110.8)**	(101.5)	(9%)
Adjusted EBITDA[1]	**23.8**	19.5	22%
Adjusted EBITDA margin %	**8%**	7%	1ppt
Depreciation and amortisation	**(3.8)**	(3.5)	(9%)
Share-based payments	**(3.9)**	(3.9)	–
Exceptional items	**(0.8)**	–	n/a
Operating profit	**15.3**	12.1	26%
Finance income/(costs)	**0.3**	(0.3)	200%
Profit before tax	**15.6**	**11.8**	**32%**

1. Adjusted EBITDA is a non-GAAP measure used by the Group to assess financial performance.

Revenue

Revenue grew by 6% in 2023, from £269.4 million in 2022 to £285.1 million. Order volume grew by 6% to 932,000 and average order value ("AOV") remained flat in the same period.

Order volume growth remained consistent throughout the year, and the average number of items per basket remained stable at 3.1. The second half saw a small decline in AOV as customers shifted away from more expensive third party brands to our own brand product range, which carries a higher margin.

Consumer revenue grew by 4% from £216.6 million in 2022 to £225.6 million and represents 79% of revenue in 2023 (2022: 80%). Trade revenue grew by 13% from £52.8 million in 2022 to £59.5 million and represents 21% of revenue (2022: 19%). A slowdown in trade growth in the second half of the year reflected a change in demand for trade as the post-Covid installation backlog was fulfilled and instability in the UK political and macroeconomic environment impacted broader spending confidence.

Revenue continued to grow at a pace in our expansion categories, albeit from a small base given the space constraints we face until our new distribution centre is operational in 2024. Tiles and lighting revenue grew by 35%, from £5.4 million in 2022 to £7.3 million, delivering a gross margin that is the same as the wider core bathroom range.

Product selection is largely driven by the consumer, irrespective of channel, and we saw a shift away from the more expensive third party branded products to our own brand range. The split between own brand vs. third party brands in revenue was 78% vs. 22% (2022: 75% vs. 25%), which was a contributing factor to AOV holding flat. The pricing power of the Group, particularly on own brand products, allowed us to increase prices throughout the first half of the year, albeit at a slower rate compared to previous years considering the challenging consumer demand dynamic.

"Our unrivalled range, excellent availability and strong financial health delivered sustainably for our customers."

Daniel Barton
Chief Financial Officer

We saw some price reductions from our largest online competitor just prior to its administration on 29 September 2023, but this dynamic did not materially affect our performance as our unrivalled range, excellent availability and strong financial health delivered sustainably for our customers.

Gross profit

We define gross profit as revenue less cost of sales. Cost of sales includes all direct costs incurred in purchasing products for resale along with packaging, distribution, and transaction costs (which include mark to market movements on forward currency contractual arrangements in line with our treasury policy).

Cost of sales increased by just 1% to £150.5 million (2022: £148.4 million). The strength of the Group's supplier relationships and the agility of our team ensured continued robust sourcing processes and good product availability.

Gross profit margin increased in H2 2023 to 49% (H1 2023: 46%), with gross profit for the year increasing by 11% to £134.6 million (2022: £121.0 million) and overall gross profit margin increasing by two percentage points to 47% (2022: 45%). In addition to reduced shipping costs and favourable foreign exchange rates, as reported at the half year, the improvement in gross profit also reflects the product mix change throughout the year. Gross margin from own brand products increased to 53% (2022: 50%), whilst gross margin from third party products decreased to 27% for the year (2022: 29%). We are proud to partner with some of the industry's leading names which, alongside our own brand offering, allows us to provide consumers with a wide choice of price points. This dynamic is a compelling component of our unique ungeared operating model, protecting shareholder return and building the foundation for future growth.

Underlying costs

Underlying costs, which we define as administrative expenses before depreciation and amortisation, exceptional items and share-based payments, increased by 9% to £110.8 million (2022: £101.5 million).

	2023 £m	2022 £m	Change
Marketing	**79.2**	76.2	(4%)
People costs (excl. share-based payments)	**19.6**	16.0	(23%)
Property costs	**6.3**	5.1	(24%)
Other overheads	**5.7**	4.2	(36%)
Underlying costs	**110.8**	101.5	(9%)

Financial review continued

Growing our brand awareness and increasing traffic to our site remains a focus for the Group. Marketing costs increased by 4% to £79.2 million (2022: £76.2 million). Marketing costs as a percentage of revenue reduced from 28.3% to 27.8% reflective of our improving brand awareness and less competitive pressure enabling us to retain our position as the UK's largest bathroom retailer.

People costs, excluding share-based payments but including costs relating to agency staff, increased by 23% to £19.6 million (2022: £16.0 million) reflecting a combination of inflationary dynamics, investments in key roles (within Development Technology, Data Protection and HR in particular), and growth in the business giving rise to increased FTE by 7% from 572 in 2022 to 612. Space constraints and challenges in the recruitment market are expected to reduce once we begin to operate in our new distribution centre, leading to efficiencies in the medium-term.

Property costs and other overheads increased by 29% to £12.0 million (2022: £9.3 million). The majority of this increase was as a result of the Group increasing its warehouse capacity on a more expensive short-term basis to support the growth of the business, together with the annualisation of plc related costs during the previous financial year.

Operating profit and adjusted EBITDA

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

The table below provides a reconciliation from operating profit to adjusted EBITDA and adjusted PBT, which are non-GAAP metrics used by the Group to assess financial performance.

	2023 £m	2022 £m	Change
Operating profit	**15.3**	12.1	26%
Share-based payments (incl. national insurance)	**3.9**	3.9	–
Exceptional items	**0.8**	–	n/a
Adjusted operating profit	**20.0**	16.0	25%
Depreciation and amortisation	**3.8**	3.5	(9%)
Adjusted EBITDA	**23.8**	19.5	22%
Finance income/(costs)	**0.3**	(0.3)	200%
Depreciation and amortisation	**(3.8)**	(3.5)	(9%)
Adjusted PBT	**20.3**	15.7	29%

Operating profit increased by 26% to £15.3 million (2022: £12.1 million). Operating profit margin increased to 5% (2022: 4%). Adjusted EBITDA increased by 22% to £23.8 million (2022: £19.5 million) and adjusted EBITDA margin increased to 8% (2022: 7%).

Share-based payments

The Group incurred share-based payment charges (including associated national insurance) of £3.9 million (2022: £3.9 million). Share-based payment charges for the year included £2.3 million (2022: £3.4 million) for schemes relating to the Group's IPO in June 2021, along with £1.6 million (2022: £0.5 million) for ongoing schemes put in place post IPO.

Exceptional items

Total expenses incurred in the year of £0.8 million related to legal and other costs associated with acquiring the new distribution centre.

Depreciation and amortisation

Depreciation and amortisation increased by £0.3 million to £3.8 million (2022: £3.5 million). The Group continues to invest in its platform and bespoke inventory management systems, with £2.6 million of internal salaries capitalised during the 2023 financial year (2022: £2.2 million). The increased investment over the last two years has resulted in an increase in the amortisation charge.

Capitalisation of property, plant and equipment, and intangible assets for the new warehouse totalled £4.1 million during the year. This related to the purchase of fixed assets and third party costs for software development and has not yet started to depreciate given that the asset is under construction.

Finance income/(costs)

The Group seeks to make a return on its cash balances by investing in deposit saving bank accounts. Increasing interest rates on a larger average cash balance compared to the previous year have given rise to finance income of £0.6 million (2022: £nil) which, when netted off against the non-utilisation fee for the Group's Revolving Credit Facility with HSBC plc (the "RCF") finance expense and lease expense, results in net finance income of £0.3 million (2022: net finance cost of £0.3 million).

On 6 July 2023, we successfully completed an extension of the RCF, which has total commitments of £10.0 million and a termination date of 31 December 2025. The facility is secured by a debenture dated 7 June 2021. Interest on the RCF is charged at SONIA plus a margin based on the consolidated leverage of the Group. A commitment fee of 40% of the margin applicable to the RCF is payable quarterly in arrears on unutilised amounts of the RCF. There is no requirement to settle all, or part, of the debt earlier than the termination date. At 30 September 2023, the Group had not utilised the RCF.

Profit before tax and adjusted profit before tax

Profit before tax increased by 32% to £15.6 million (2022: £11.8 million). Profit before tax margin increased to 5% (2022: 4%). Adjusted profit before tax increased by 29% to £20.3 million (2022: £15.7 million). Adjusted profit before tax margin increased to 7% (2022: 6%).

Taxation

The Group tax charge of £3.8 million (2022: £2.6 million) represents an effective tax rate of 24% (2022: 22%) which is higher than the standard rate of UK tax of 22% (2022: 19%) due to the tax impact of share-based payments. Adjusted profit after tax reflects a tax effect of £1.1 million (2022: £0.7 million) relating to share-based payments and expenses not deductible for tax purposes. The adjusted effective tax rate is 24% (2022: 21%).

Earnings per share

Diluted earnings per share ("EPS") from continuing operations increased by 28% to 3.7 pence per share (2022: 2.9 pence per share).

The adjusted diluted EPS[2] from continuing operations increased by 24% to 4.7 pence per share (2022: 3.8 pence per share).

Assets under construction

The warehouse transformation has given rise to £4.1 million of additions during the year (split as: £0.2 million intangibles and £3.9 million property, plant and equipment) recognised as an asset under construction given the fit-out of the new distribution centre continues into 2024. Of these additions, £2.0 million were settled in cash during the year.

Cash flow and net cash

The Group continues to achieve strong cash generation with an increase in free cash flow of 13% to £16.1 million (2022: £14.3 million), resulting in robust cash conversion of 68% (2022: 73%).

	2023 £m	2022 £m
Adjusted EBITDA	**23.8**	19.5
Movement in working capital	**(4.0)**	(1.2)
VAT not yet recovered on assets under construction	**0.4**	–
Capital expenditure (excluding assets under construction)	**(3.0)**	(2.9)
Repayment of lease liabilities	**(1.1)**	(1.1)
Free cash flow	**16.1**	14.3
Operating cash conversion	**68%**	73%

Changes in working capital resulted in a cash outflow of £4.0 million in the year, largely because of timing differences with supplier payments. Stock value was maintained during the year as we continued to deploy effective stock management. Given the nature of our stock we continue to incur low levels of obsolescence and our proprietary knowledge over two decades of trading benefits us in low levels of returns and damages.

Capital expenditure (excluding assets under construction) of £3.0 million (2022: £2.9 million) included £2.6 million of capitalised salaries included in intangible assets relating to development of the Group's platform and bespoke inventory management systems (2022: £2.2 million).

At the year end, the Group had net cash of £46.4 million (2022: £45.5 million).

Events after the reporting period

On 4 October 2023, the Group achieved legal completion on a new 544,000 square feet purpose-built distribution centre in Leyland, Lancashire. In the financial year ending 30 September 2024, the 20-year lease will result in the recognition of a right-of-use asset and corresponding IFRS 16 lease liability of c. £45.0 million (provisionally estimated using an incremental borrowing rate of 6.5%).

The future payments related to this non-cancellable lease contract are £2.0 million within one year, an additional £10.0 million within five years, and an additional £68.0 million thereafter.

During the fit-out of and transition to the new distribution centre, the Group will incur double running costs for certain people and property related expenses. The Board estimates that the additional non-recurring expenditure in the financial year ending 30 September 2024 will be c. £8.0 million.

The Group also expects to incur an additional c. £24.0 million of intangible and tangible capital expenditure (non-recurring in nature) during the financial year ending 30 September 2024 to complete the fit-out of the new distribution centre.

On 2 November 2023, the Group entered into arrangements with the main contractor who is overseeing the fit-out of the new distribution centre, which committed the Group to capital commitments of £13.0 million. This leaves c. £11.0 million of uncommitted capital expenditure after that date.

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

Dividend

Victorian Plumbing generates significant operating cash flows and the underlying priority is to reinvest into the business and drive further profitable growth. The Board implemented a capital allocation policy in 2022 with an aim to maintain an adjusted diluted EPS to dividend cover ratio of c.3.0–3.5x. This recognises that most growth opportunities, excepting the one-off warehouse transformation and optimisation, do not require significant capital, and reflect confidence in the strength, future growth prospects and cash generation of the business. Additionally, the Board may from time to time conclude that it has surplus cash, at which point it will consider further returns to shareholders.

In order to distribute a total ordinary dividend for the year of 1.40 pence per share (2022: 1.10 pence per share), which would represent growth of 27%, the Board is recommending a full-year final ordinary dividend of 0.95 pence per share (2022: 1.10 pence per share). The proposed dividend would represent an adjusted diluted EPS to dividend cover ratio for 2023 of 3.4x (2022: 3.5x).

The Board is not recommending a special dividend (2022: 1.70 pence per share) as it preserves cash to finance the warehouse transformation without the need for indebtedness and to maintain the robustness of the balance sheet.

This results in a total cash distribution to shareholders of £4.6 million (£1.5 million interim paid and £3.1 million final to be paid), subject to shareholders' approval at the AGM on 27 February 2024. The dividends will be paid on 8 March 2024 to shareholders on the register of members at the close of business on 9 February 2024.

Daniel Barton
Chief Financial Officer
21 November 2023

2 Adjusted diluted EPS is calculated as total adjusted profit for the year divided by total issued share capital (see note 13 to the consolidated financial statements).

Risk management

Effective management of risk is fundamental to the achievement of our long-term objectives and delivering value for our stakeholders. Our approach to risk is integrated within the overall governance and management of the business.

Risk management
Effective management of risk is essential to the delivery of the Group's strategy; it protects our brand, supports better decision-making, and is fundamental to the achievement of our long-term objectives and delivering value for our stakeholders.

The Board has overall responsibility for determining the nature of the principal risks faced by the business and setting the organisational risk appetite. It recognises that some risks must be taken to grow the business in a sustainable and profitable way, but that those risks must be well understood and managed through an effective principal risk mitigation strategy.

The Company does not currently have a separate risk committee or internal audit function, rather our approach to risk is integrated within the overall governance and management of the business, as detailed further in the Corporate Governance section of this report (see page 65 for the Audit and Risk Committee Report in particular).

The Group adopts a 'three lines of defence' model to manage risk, internal control and assurance, as illustrated on the next page.

Responsibilities

Board
- Collectively responsible for overseeing the Group's risk management and internal control framework
- Determines the nature of the Group's principal risks and sets risk appetite and tolerance
- Ensures appropriate and robust systems of risk management and internal controls are in place to identify, manage and mitigate risks to the overall viability of the Group

Audit and Risk Committee
- Supports the Board by providing oversight and challenge regarding the scope and effectiveness of the Group's risk management and internal control framework
- Agrees the scope of the independent external auditors and reviews their work
- Evaluates the need for an internal audit function

Executive Leadership Team
- Comprises the two Executive Directors and six other members of senior management, and meets weekly to identify, assess, own, monitor, manage and mitigate risks, and exploit opportunities
- Ensures risk management and internal controls are seen as business as usual
- Determines and supervises corrective actions required to mitigate risks and address control deficiencies

Lines of defence

First line: Senior Leadership Team
- Comprises members of management from all areas of the business, with primary responsibility for day-to-day oversight of business level risks
- Embed risk management and internal controls as business as usual and monitor performance
- Ensure corrective actions to mitigate risks are being implemented effectively
- Escalate concerns regarding existing or emerging risks or ineffective controls

Second line: Oversight functions
- Includes Human Resources and Finance (internal controls) functions, and other groups, such as Health and Safety, Data Protection and Information Security
- Establish appropriate policies, provide guidance, advice and direction on implementation
- Monitor the first line of defence

Third line: Independent assurance
- Carried out by third parties such as external auditors
- Provide independent assurance that risk is being appropriately managed
- Identify process improvements and efficiencies

Our risk management process

Strategic, operational, financial and legal risks are reviewed on an ongoing basis and captured in a risk register, which identifies the risk area, the likelihood of the risk occurring, the impact if it does occur and the actions being taken to mitigate or manage the risk to the desired level.

The Board receives regular reports from management identifying and evaluating risks within the business, and the associated mitigation plans. Horizon scanning is frequently performed to understand any emerging (or changing) risks, and these insights are fed into the risk assessment and management process.

A four-step process has been adopted to manage the risks to which the Group is exposed:

Explanation of the risk management process

1
A top-down and bottom-up approach is used to identify principal risks across the business in the context of the Group's strategic objectives and our external operating environment.

Whilst the Board has overall responsibility for the effectiveness of internal control and risk management, the detailed work is delegated to the Executive Leadership Team (the "ELT").

2
Risks and controls are analysed and evaluated to establish the impact and likelihood of occurrence with reference to the Group's standardised risk scoring matrix.

The identified risks are consolidated and categorised into a Group-wide risk register.

3
Each risk is owned by a member of the ELT, who is accountable for the implementation of associated internal controls.

If additional controls are required to mitigate identified risks, these are developed, and responsibilities assigned.

4
The ELT is responsible for monitoring principal risks and assessing the effectiveness and adequacy of mitigation measures in a continual process, in the context of the risk appetite determined by the Board and risk assessment results.

Results of the monitoring process are reported to the Audit and Risk Committee, which is responsible for understanding the business impact, and evaluating the outputs individually and collectively before escalation to the Board for review.

Identifying, assessing, mitigating and monitoring the Group's principal risks

The Board has carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency or liquidity. This included an assessment of the likelihood and impact of risks identified, and the mitigating actions being taken. The assessment has resulted in a change to one of the principal risks considered, namely the 'pandemic' risk.

The Board considers that there has been a notable reduction in pandemic risk over the course of the year given the now established national vaccination programmes and associated immunity development. There remains the possibility that future restrictions could adversely impact the ability of our business and supply chain to operate effectively; however, as an online business we can also benefit from the acceleration of consumers towards online retail driven by lockdowns. Therefore, whilst we continue to monitor the international situation, on balance the Board no longer considers pandemics to pose a principal risk to the Group. Instead, this has been replaced for 2023 with a new principal risk, 'business interruption'.

This year's principal risks are detailed in the section below. We acknowledge that additional risks, including those that are not currently known or that the Group currently deems immaterial, may exist and affect operations or financial results. However, we believe those disclosed have the potential to impact execution of the Group's strategic plans most significantly.

Macroeconomic trends

1 2 3 4 5 6 ↑

We fail to adapt quickly to changing macroeconomic conditions

Potential impact

Macroeconomic factors can affect the size of our addressable market and / or how customers behave. They can also have an impact on our operations and those of our supply chain.

Failing to be aware of those factors, and swiftly responding, could have an adverse impact on the Group's forecasting accuracy, financial performance, and growth potential.

Changes in the year

Risk from macroeconomic factors has continued to increase in 2023. Brexit and the Covid-19 pandemic have been followed by the ongoing fallout from the Russia-Ukraine conflict, domestic and international political and economic instability, and the cost-of-living crisis.

Interest rate hikes and rising inflation has resulted in cost pressures and squeezed the consumer's disposable income, with some delaying spend on 'big-ticket' projects as a result.

Key mitigations

We continue to monitor shifts in all relevant macroeconomic risks, with particular focus on challenges that impact our customers, workforce and supply chain.

Mitigations put in place to help the Group navigate macroeconomic volatility include the following:

- Carefully controlled price increases and discounts, as we balance the Group's strategy with our customers' expectations.
- Assessing our workforce reward, recognising the cost-of-living crisis that many of our staff are experiencing.
- Horizon scanning for geopolitical factors that may impact our supply chain, which already consists of many suppliers across multiple locations, and minimising over-reliance on any individual country or supplier.
- Maintaining strong relationships with multiple carriers and logistics providers, with technology solutions that support our ability to flex between providers as and when required.
- Continually reviewing stock levels and increasing investment in stock when uncertainties arise, helping to reduce stock-outs and strengthening our competitive position.

Key: Link to strategy

1 Grow our brand by providing the best customer experience and investing in bold campaigns
2 Provide the largest choice of bathroom products
3 Improve warehouse and supply chain efficiency
4 Adapt our customer journey to better serve the trade segment
5 Extend our product offering for trade customers
6 Expand available categories beyond core bathroom products

Key: Risk movements in year

↑ Increased risk
= Same risk
↓ Reduced risk
NEW New principal risk for 2023

Innovation and changes in consumer buying

1 2 3 4 5 6 =

We fail to remain relevant and attractive to our customers

Potential impact

Failing to innovate may impact our ability to attract new customers or retain our existing customers.

A failure to continuously enhance our customer journey in a manner that responds to our consumers' evolving needs could have a material adverse effect on our financial performance.

Changes in the year

As the cost-of-living crisis has restricted discretionary spending, and the housing market has declined, consumer appetite has switched from 'big-ticket' projects to spending on accessories and redecorating. In addition, consumers have been 'trading down' within a product range, as they seek out greater value.

Demand has continued to move online given the perception that online retailers often provide a cheaper offering and following extended periods spent in the home, with customers feeling more easily able to 'shop around' within the online format.

Key mitigations

We remain at the forefront of innovation in the sector and are continuously updating our platform to provide improved user experience for our customers.

We develop most of our technology platform in-house, meaning we can make bespoke changes quickly when a need is identified.

Our Product and Marketing teams continuously research the latest consumer trends and buying behaviours using a range of platforms for the deepest insight.

We use our agile approach to product development to bring products to market quickly once we identify a consumer need or latest trend. This approach allows us to bring a product to market at scale within six months of inception.

Our focus on expansion categories also mitigates this risk, as we broaden our range with products that often come later in the buying journey, such as tiles and décor, heating and kitchens.

Throughout the year, we have innovated and successfully launched a number of new products across several of our own brands, which are typically sold to customers at lower price points (but generally offer greater margins). In addition, we have further strengthened our position through partnerships with well-known third party bathroom product brands.

We also continue to review the payment options available, seeking out the most cost-efficient, flexible and convenient payment methods to improve our customers' experience.

Principal risks continued

Business interruption

1 3 4 New

A significant event restricts the ability of the business to operate effectively

Potential impact

A large-scale incident at one or more of our sites could immediately cause significant levels of disruption to our business operations, and thus the service we are able to provide to our customers.

An event of this type, which resulted in substantial damage to physical premises, systems, electronic data and / or other records, could also take time and notable costs to rectify.

Changes in the year

The Group physically operates out of multiple locations, thus minimising the potential impact of a single site event.

During 2023, the Group signed an agreement to enter into a 20-year lease for a new purpose-built distribution centre in Leyland, Lancashire, which will further impact our physical footprint in future.

In addition, whilst the new distribution centre is being developed, the business has expanded distribution capabilities within our existing estate.

Key mitigations

We have a robust disaster recovery plan that covers critical systems. Many of our employees can work both on site and / or at home if that was required.

We have dedicated Security, Health and Safety, and Maintenance teams on our sites, to monitor for issues and support the continued operation of our warehouses and Head Office.

Should we encounter an issue with distribution from a warehouse, we have back up facilities that enable us to quickly turn on additional dispatch capabilities from the others. We also hold insurance policies that would aid our operational recovery and remediation, if required.

Furthermore, we hold long-standing and trusted relationships with our global suppliers, which would help us to navigate challenges associated with a significant business interruption.

Brand and reputation

1 2 3 4 5 6 ↑

Consumers lose faith in the quality of our product or service levels

Potential impact

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.

Changes in the year

Our 'fame' has consistently increased over the last three years according to YouGov ratings.

Our prompted brand awareness was at 64% when measured as part of our 2023 annual brand health survey (2022: 60%).

During the year, we have maintained our high Trustpilot score at 4.5 out of 5.0 (2022: 4.5).

Key mitigations

Our experienced Marketing team invest in new and innovative marketing campaigns that are bold and quirky to help differentiate us and grow our brand awareness. Alongside our data-driven pay-per-click strategy, this content helps us to stay front of mind with consumers.

We have an open culture with our values at the core, and we promote transparency across the business.

As described in the risk management section on pages 44 and 45, our internal control and assurance framework also mitigates financial and legal risks, for which the consequences might ultimately involve damage to brand and reputation.

We perform quality checks on products to ensure that items we deliver to customers are to the standard we expect. We perform audits at manufacturers and hold our suppliers to high quality standards, addressing any failure to meet expectations.

Our Customer Service teams do everything they can to resolve queries quickly where they do arise.

Key: Link to strategy

1 Grow our brand by providing the best customer experience and investing in bold campaigns
2 Provide the largest choice of bathroom products
3 Improve warehouse and supply chain efficiency
4 Adapt our customer journey to better serve the trade segment
5 Extend our product offering for trade customers
6 Expand available categories beyond core bathroom products

Key: Risk movements in year

↑ Increased risk ⊖ Same risk ↓ Reduced risk **NEW** New principal risk for 2023

Cyber security and data protection

1 3 4 ⊖

We fail to maintain the integrity and availability of the data we hold and the systems we operate

Potential impact

As an online business, we are reliant on our IT infrastructure to continue to operate. Any significant downtime of our systems would result in an interruption to the services we provide.

A significant cyber security or data protection issue, such as a data breach or infrastructure breakdown, whether because of our own failures or a malicious attack, would lead to a loss in confidence of 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.

Changes in the year

We continue to invest in our technology team and have recruited a dedicated Data Protection Officer during FY23 to work alongside our Head of Infrastructure and Security, recognising the constantly evolving risk in this area.

In addition, Daniel Barton (Chief Financial Officer) has been appointed as the Group's Senior Information Risk Officer, and now chairs a quarterly meeting of key management to discuss and oversee our response to cyber and data risks.

We have launched a more secure re-platformed website, which has increased our resilience and allowed us to implement updates more easily.

During the year we have also implemented a number of new solutions to mitigate identified risks and have continued to assess our IT environment.

Key mitigations

We have a robust disaster recovery plan that covers critical systems.

We hold low amounts of sensitive data, and several of our applications are hosted in the cloud, which increases the resilience of our systems and the security of our data.

We monitor our resilience and susceptibility to attack through our vulnerability assessments and address risks as they emerge.

Progress on data protection measures is reported weekly and the Information Security Team reports monthly, as we undertake reviews of our policies and processes, and acquire various tools to increase our security. Ultimately, this will enable us to seek certification under ISO 27001.

Supply chain

1 2 3 4 5 6 ⊖

Operational effectiveness and growth are negatively impacted by actions or events in our supply chain

Potential impact

We are reliant on multiple third party suppliers and service providers throughout the customer journey, from product to website, advertising to fulfilment.

A significant change or failure on their part may disrupt our operations and business performance.

A failure in day-to-day operations that impacts our ability to process or fulfil customer orders could result in a reduced customer proposition, lost opportunity, and a decrease in consumer confidence.

Our customers expect us to provide quality products and have confidence that goods purchased from us have been ethically sourced. Failure to monitor our supply chain could lead to extensive reputational damage and ultimately financial loss.

Changes in the year

Various macroeconomic factors, such as the Russia-Ukraine conflict, inflationary pressures, and rising interest rates, have put pressure on supply chains.

As our business grows, our spend with third parties increases, most notably in our principal marketing channels, with our key suppliers of our stock, and the distribution channels we use.

We have reduced our reliance on third party providers. For example, we have improved our search functionality in-house and have upgraded our software so that we can now automatically track containers from international and UK based suppliers. Alerts warn of future stock outs and a new set of commercial tools allow us to manage stock outs more efficiently.

We continue to work closely with our local experts in China to ensure that we can readily perform due diligence on suppliers in that region.

Whilst supply chain pressures continue to exist, we do not believe that the risk has increased during the year.

Key mitigations

Our highly experienced Purchasing team continuously monitor stock availability and have strong relationships with a breadth of suppliers so that, where possible, we reduce potential single points of failure. We have an extensive supply chain spread across multiple regions, so that we mitigate exposure to localised disruption.

We aim to be a 'prompt payer' to maintain the deep and trusted partnerships within our supply chain. In return, we hold all suppliers to high standards and address any failures promptly. We carry out due diligence on suppliers and the quality of the products they supply at the onset of our relationship and monitor throughout via our Chinese supplier audit programme.

We are making substantial progress in mitigating ethical trade and sourcing risks by developing our expertise around product quality and ethical trading standards.

We develop our website platform and certain key operational systems in-house to reduce exposure from third parties.

We also continue to review the payment options offered to customers, in order to mitigate the risk of a merchant failure.

Principal risks continued

Key: Link to strategy

1. Grow our brand by providing the best customer experience and investing in bold campaigns
2. Provide the largest choice of bathroom products
3. Improve warehouse and supply chain efficiency
4. Adapt our customer journey to better serve the trade segment
5. Extend our product offering for trade customers
6. Expand available categories beyond core bathroom products

Key: Risk movements in year

Increased risk | Same risk | Reduced risk | NEW New principal risk for 2023

Increase in competition

1 2 3 4 5 6 | Same risk

We fail to remain competitive, or new or developing competition adversely impacts our market position

Potential impact

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 are unable to replicate. These factors could impact our financial performance.

Changes in the year

The competitive landscape has continued to develop during the year, with evidence that market pressures have led to other retailers in our sector struggling, and even entering administration.

As consumers have grown accustomed to purchasing home products online, many traditional bricks and mortar retailers have started to strengthen their multichannel offering, developed their digital proposition, and augmented their estate to support collection or delivery services.

The cost-of-living crisis has also driven customers to seek out greater value.

Our diversification into expansion categories and our focus on trade sales also result in a wider competitor set.

Key mitigations

We have the largest and most engaged audience across any online specialist bathroom retailer. The strength of our balance sheet enables us to invest in our brand, and our continued focus on pay-per-click marketing help us protect and grow our audience.

We monitor competitor activity closely through weekly and monthly reporting and review this at Executive Leadership Team and Board level.

We continue to monitor stock levels and invest in our product offering. We engage with third party brands and continuously evolve our own brand products to ensure we are addressing the latest consumer trends and providing choice that is not easily replicated.

Whilst our strategic diversification widens our competitor landscape, it also provides mitigation should we experience significant competitive pressures in one particular category.

Sustainability and climate change

1 5 6 | Same risk

Our sustainability strategy fails to meet stakeholder expectations

Potential impact

We recognise the importance of combating climate change, and acknowledge the responsibility and costs we have to bear as a business to play our part.

The focus on climate change and sustainability continues to be at the forefront of stakeholder sentiment; therefore, we also risk adversely impacting our brand and reputation if we do not adequately react to their concerns.

Changes in the year

On 20 November 2022, the 27th Conference of the Parties to the United Nations Framework Convention on Climate Change (COP27), took place in Egypt and concluded with a historic decision to establish and operationalise a loss and damage fund to help developing countries combat climate change.

The UK Government has pledged to reduce greenhouse gas emissions to net zero by 2050 and launched a new net zero strategy in March 2023 (updated in September 2023).

Whilst multi-national bodies and national governments continue to determine the best approach to climate change, which impacts all our stakeholders, our focus remains on risk mitigation within our control.

Key mitigations

Following on from previous years' improvements, we continue to monitor consumer sentiment and respond to climate change and sustainability risk.

We supply sensibly sourced products, including bathroom taps and toilets with water-saving functionality, radiator valves with energy saving technology and products made from sustainable materials.

In addition, we continue to improve the information we provide to customers to enable them to make decisions that help lower their energy consumption, reduce their carbon footprint, and make financial savings.

Operationally, we continually assess our ways of working to determine whether other more environmentally friendly options are available.

We continue to work with our waste management partner to increase the rate at which we recycle, and, pleasingly, we continue to send no waste to landfills.

Looking forward, we are also starting to plan how the new distribution centre in Lancashire can be developed to make our business operations more environmentally sustainable.

Viability statement

In accordance with the UK Corporate Governance Code 2018 (the "Code"), the Directors have assessed the prospects and viability of the Group over a period to 30 September 2026.

Assessment of prospects

The Directors have assessed the Group's prospects, taking into account its current financial position, its recent historical financial performance, its business model and strategy (pages 14 to 21) and the principal risks (pages 46 to 50).

The Board considered that a three-year period to September 2026 is the most appropriate period over which to provide its viability statement due to:

- It being consistent with the Group's rolling three-year strategic planning process;
- It reflecting reasonable expectations in terms of the reliability and accuracy of operational forecasts; and
- Projections looking out further than three years becoming significantly less meaningful given the pace of change in the retail market.

The Directors are mindful, however, of the heightened uncertainty of consumer demand given the wider macroeconomic background and the pressure this may place on disposable income available to consumers and accept that forecasting consumer behaviour across this time frame is challenging.

The first year of the financial forecast is based on the Group's 2024 annual budget. The second and third years are prepared in detail and are flexed based on the actual results in year one. Progress against financial budgets, forecasts and operational focus areas are reviewed monthly by both the Executive Leadership Team and the Board. The key assumptions in the financial forecasts, reflecting the overall strategy, include:

- Growing our core bathroom products and accessories to consumers through our market leading online platform;
- Increasing our growth in expansion categories, such as tiles and lighting;
- Increasing our opportunities to retail bathroom products and accessories to trade customers; and
- For 2024, to help facilitate the overall strategy, our warehouse transformation.

Assessment of viability

The output of the Group's strategic and financial planning process detailed previously reflects the Board's best estimate of the future prospects of the business (the "Base Case"). To make the assessment of viability, however, additional scenarios have been modelled over and above those in the Base Case, built upon a number of the Group's principal risks, which are documented on pages 46 to 50.

These scenarios were overlaid into the Base Case to quantify the potential impact of all these crystallising over the assessment period. Individually each scenario is significant, and whilst the probability of all scenarios applying at once is remote, applying all concurrently gives a hypothetical, albeit severe, view to assess the Group's viability. The results of this scenario modelling showed that the business would be able to withstand a combination of all scenarios, without recourse to mitigating actions. This reflects the resilient nature of the Group's business model, its profitability and strong operating cash conversion, together with current strong liquidity.

The Group currently meets its day-to-day working capital requirements from its significant cash balances, owing to its continued profitability and strong cash conversion. Whilst the business has access to a £10.0 million revolving credit facility, this is not required to be drawn down. Equally, with no external debt funding, and no intention to use it in the future, there are no covenant requirements to be assessed.

Throughout this scenario, we have assumed no immediate cost mitigation actions to be taken and the continuation of dividend payments. However, in the event of such a scenario, management would have a number of options available to maintain the Group's financial position. In addition to the potential of drawing down on the revolving credit facility, management has identified a course of actions that could be undertaken, which include but are not limited to:

- Negotiating payment terms with our suppliers;
- Continuing to manage stock levels to reflect changes in consumer demand;
- Recommending no dividends are declared or paid;
- Refinancing to access external debt; and
- Raising additional equity finance in the business.

A selection of these measures, which are deemed to be readily available and that could further strengthen the Group's financial position and viability, have been modelled from FY24 onwards to give the Board oversight of profitability and cash options available should such a scenario occur.

Stress testing

Using the Base Case as the starting point, a hypothetical, albeit severe, downside scenario has been modelled to demonstrate the Group would remain in a net cash position for the entire viability period. In this stress test scenario, the following factors were incrementally modelled and assumed for the full period to 30 September 2026, in comparison to the Base Case:

- A lower growth in dispatched order volumes than that achieved in 2023;
- A decrease in average order value;
- A decrease in gross margin; and
- An increase in marketing spend as a proportion of revenue.

In this scenario, management has not factored in any cost savings or mitigating factors that could be executed, as described above, nor does it forecast using the available revolving credit facility. This facility expires in December 2025. The Directors assume that the facility could be renewed should we choose to do so and have time to make the necessary arrangements based on their recent experience of doing this. In any case, the Directors are satisfied that the Group could continue in operation under the stress case and are not reliant on this facility for the viability period.

Viability statement

Based on their assessment of prospects and viability above, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period ending 30 September 2026.

Going concern

The Directors also considered it appropriate for the going concern review period up to 31 December 2024, to prepare the financial statements on the going concern basis, as explained in the 'Basis of preparation' paragraph in note 1 to the consolidated financial statements.

The Company's Strategic report, set out on pages 2 to 51, was approved by the Board on 21 November 2023 and signed on its behalf by:

Mark Radcliffe
Chief Executive Officer

21 November 2023

Governance at a glance

The UK Corporate Governance Code: How we comply

The Corporate Governance Report, which includes the principal Committee Reports and Directors' Report, explains how the Board has applied the principles and complied with the provisions of the UK Corporate Governance Code 2018 (the "Code"). The Code is available to view on the website of the Financial Reporting Council at www.frc.org.uk.

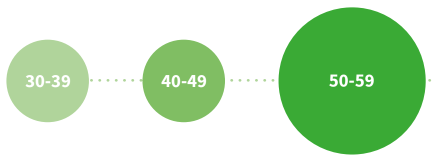
On Admission to AIM in June 2021, the Company agreed to comply with the Code. The Board has applied the principles and complied with the provisions of the Code during the financial year ended 30 September 2023, except for those provisions described on page 57. Prior to Admission, there was no requirement for the Company to comply with the Code. The table below sets out where the key content can be found in this report.

Documents available at: victorianplumbingplc.com

- Victorian Plumbing Group plc Articles of Association
- Matters Reserved to the Board
- Terms of Reference for Board Committees
- Terms of Reference for the Senior Independent Director
- Modern Slavery Statement
- Tax Strategy
- Gender Pay Gap Report
- Notice of Annual General Meeting

Composition of the Board

- 1–Chair
- 2–Executive Directors
- 2–Non-Executive Directors



50 years average age

- 1 – 30–39
- 1 – 40–49
- 3 – 50–59

- Male
- Female

Chair's introduction to Corporate Governance

Philip Bowcock
Chair

Dear Shareholders,

On behalf of the Board, I am pleased to present our Corporate Governance Statement for the year ended 30 September 2023.

The Board recognises the importance of, and is committed to, high standards of plc corporate governance. On Admission to AIM in 2021, the Company voluntarily committed to complying with the UK Corporate Governance Code. All of the Directors are aware of their duties and responsibilities under the Code and the AIM rules. In this Corporate Governance Report, we set out our approach to governance and the initiatives undertaken during the year. Our statement of compliance with the UK Corporate Governance Code is set out on page 57.

Governance framework

In conjunction with our external advisers, we previously carried out a review of the governance structure to identify any measures that would need to be implemented prior to Admission. That review also enabled the Directors to provide the confirmation that was required on Admission that Victorian Plumbing has established procedures in place which provide a reasonable basis for the Board to make proper judgements on an ongoing basis as to the financial position and prospects of the Group.

The Board has reviewed the governance structure this year and will continue to do so at least annually. This Corporate Governance Report discusses the robust framework for controlling and managing the Group in further detail.

> "The Board is committed to high standards of corporate governance."

Board composition

The Board comprises two independent Non-Executive Directors, two Executive Directors and myself as Chair. The proportion of independent Non-Executives on the Board is compliant with the Code and has been throughout the year.

Annual General Meeting

Finally, I look forward to meeting shareholders at our next Annual General Meeting which will take place at 9:30am on 27 February 2024 at the Company's head office at 22 Grimrod Place, Skelmersdale, Lancashire, WN8 9UU. All Directors will seek election or re-election at the AGM. Should shareholders wish to discuss any governance matters in advance of the meeting, I am more than happy to do so and would ask that contact is made initially to ir@victorianplumbing.co.uk.

Philip Bowcock
Chair
21 November 2023

Board of Directors

Our team

Key to Committee membership

- (A) Audit and Risk Committee
- (N) Nomination Committee
- (R) Remuneration Committee
- Committee Chair

Mark Radcliffe
Chief Executive Officer

Appointed to plc Board:
May 2021 (on incorporation)

Significant current external appointments:
Radcliffe Property Management Limited

Mark founded Victorian Plumbing in 2000 and has led the business ever since. Prior to that time, Mark had established a number of successful e-commerce businesses, including Coral Phones.

Daniel Barton
Chief Financial Officer

Appointed to plc Board:
April 2023

Significant current external appointments:
None

Daniel joined Victorian Plumbing in August 2022. In April 2023, he succeeded Paul Meehan as Chief Financial Officer and was appointed as the Group's Senior Information Risk Owner. He was previously Deputy Chief Financial Officer and Chief Transformation Officer at DWF Group plc and prior to that was Deputy Chief Financial Officer and Company Secretary at Wilmington plc. Daniel qualified as a chartered accountant (FCA) at PwC, where he worked in various roles.

Philip Bowcock
Chair

N A R

Appointed to plc Board:
June 2021

Independent:
Yes

Significant current external appointments:
Eurochange Ltd

Philip Bowcock was appointed as a Non-Executive Director and Chair in June 2021. He has extensive listed company experience, having been Chief Executive Officer of William Hill plc and, before that, Chief Financial Officer. Prior to joining William Hill plc, he was Chief Financial Officer of Cineworld Group plc and has had a number of other finance-related roles, including Finance Director at Luminar plc and Financial Controller and Head of Corporate Development at Barratt Developments plc. He also served as interim Chief Executive Officer of Countrywide Limited.

Damian Sanders
Senior Independent Non-Executive Director

A N R

Appointed to plc Board:
June 2021

Independent:
Yes

Significant current external appointments:
THG plc

Damian Sanders was appointed as the Senior Independent Non-Executive Director in June 2021. Damian has over 20 years' experience as a senior equity audit partner at Deloitte, acting as an adviser and corporate governance specialist for a number of FTSE boards. He previously served as a Non-Executive Director of Cineworld Group plc and is currently Chief Financial Officer of THG plc where he served as a Non-Executive Director from November 2020 before being appointed as Chief Financial Officer in January 2023.

Dianne Walker
Independent Non-Executive Director

R N A

Appointed to plc Board:
June 2022

Independent:
Yes

Significant current external appointments:
Inspired PLC, Development Bank of Wales plc, Scott Bader Company Ltd

Dianne Walker was appointed as an independent Non-Executive Director in June 2022. Dianne is a non-executive director of Inspired PLC, Development Bank of Wales plc and a number of private companies. Dianne is a chartered accountant (FCA) with over 25 years as a trusted adviser to boards. She previously spent 12 years at PwC in a senior management role in the North West practice, providing listed companies and global groups with audit, business advisory and transaction support professional services.

Division of responsibilities

The Board

Main responsibilities include the following:

- Providing the long-term leadership of the Group
- Monitoring delivery of business strategy and objectives; responsibility for any necessary corrective action
- Approval of changes to the capital, corporate and/or management structure of the Group
- Approval of the dividend policy and capital policy
- Overall authority for the management and conduct of the Group's business, strategy, objectives and development
- Oversight of operations including effectiveness of systems of internal control and risk management
- Approval of the Annual Report and Financial Statements; communications with shareholders and the wider investment community

Committees of the Board

The Board has established the following Committees and has delegated certain functions and tasks within their approved Terms of Reference. This allows the Board to operate efficiently and focus on relevant areas of its responsibilities.

The membership of each Committee and a summary of its role is below. The Executive Directors and/or other members of the Executive Leadership Team ("ELT") are sometimes invited to attend all or part of the Committees' meetings as appropriate. The full Terms of Reference of each Committee are published on the Company's website at victorianplumbingplc/investors.

Nomination Committee

Members:
Philip Bowcock (Chair)
Damian Sanders
Dianne Walker

Role and Terms of Reference:
Reviews the structure, size and composition of the Board and its Committees, and makes recommendations to the Board. Also sets objectives for diversity and inclusion for the Board and senior management, talent development and succession planning

Audit and Risk Committee

Members:
Damian Sanders (Chair)
Philip Bowcock
Dianne Walker

Role and Terms of Reference:
Reviews and reports to the Board on the Group's financial reporting, internal control, whistleblowing, internal audit, and the independence and effectiveness of the external auditor

Remuneration Committee

Members:
Dianne Walker (Chair)
Philip Bowcock
Damian Sanders

Role and Terms of Reference:
Determines remuneration policy for the Executive Directors and designs a remuneration framework consistent with that policy. Also monitors remuneration practice for the ELT, as well as the wider workforce. Determines the fee level for all Non-Executive Directors

Corporate Governance Statement

This Corporate Governance Statement explains key features of the Company's governance framework and how it complies with the UK Corporate Governance Code published in 2018 by the Financial Reporting Council (the "Code").

This statement also includes items required by the AIM rules.

Introduction

On Admission to AIM on 22 June 2021, the Board committed to comply with the Code.
The Directors consider that the Company has complied with the Code during this financial year save as set out below:

Provision	Detail	Explanation of non-compliance
24	The board should establish an audit committee of independent non-executive directors, with a minimum membership of three, or in the case of smaller companies, two. The chair of the board should not be a member.	Given the size of the business on Admission, the Board deemed it preferable for the Audit and Risk Committee to have three members, one of whom was the Chair. The Nomination Committee reviewed this position in the previous financial year and again in the financial year ended 30 September 2023 and it was decided to continue with three members of the Audit and Risk Committee, with the Chair as one of the three members, particularly given his financial experience.

Board leadership and Company purpose

Board

The main responsibilities of the Board include the following:

- Providing the long-term leadership of the Group
- Monitoring delivery of business strategy and objectives; responsibility for any necessary corrective action
- Maintaining a strong and effective system of governance throughout the Group
- Approval of changes to the capital, corporate and / or management structure of the Group
- Approval of the dividend policy and capital allocation policy
- Overall authority for the management and conduct of the Group's business, strategy, objectives and development
- Oversight of operations including effectiveness of systems of internal control and risk management
- Approval of the Annual Report and Financial Statements
- Communications with shareholders and the wider investment community

To ensure a clear division of responsibility at the head of the Company, the positions of Chair and Chief Executive Officer are separate and not exercised by the same person. The division of roles and responsibilities between the Chair and the Chief Executive Officer is set out in writing and has been approved by the Board.

The roles and responsibilities of our Board members are clearly defined and are summarised opposite. For a more detailed description of the roles of the Chair, Chief Executive Officer and Senior Independent Director, please review the Terms of References on our website victorianplumbingplc.com.

Chair

Philip Bowcock

- Provides leadership of the Board
- Ensures good governance
- Creates and manages constructive relationships between the Executive and Non-Executive Directors
- Ensures ongoing and effective communication between the Board and its key shareholders
- Sets the Board's agenda and ensures that adequate time is available for discussions
- Ensures the Board receives sufficient, pertinent, timely and clear information

Chief Executive Officer

Mark Radcliffe

- Responsible for the day-to-day operations and results of the Group
- Proposes and develops the Group's objectives and strategy
- Ensures the successful execution of strategy
- Responsible for the effective and ongoing communication with shareholders
- Delegates authority for the day-to-day management of the business to the Executive Leadership Team (comprising the Executive Directors and senior management)

Chief Financial Officer

Daniel Barton

- Providing strategic financial leadership of the Company and day-to-day management of the Finance function
- Responsible for the day-to-day operations and results of the Group
- Acts as the Company's Senior Information Risk Owner ("SIRO")

Senior Independent Director
Damian Sanders
- Acts as a sounding board for the Chair
- Being available to shareholders if they require contact both generally and when the normal channels of the Chair, Chief Executive Officer or other Directors are inappropriate
- Leads the evaluation of the Chair's performance

Non-Executive Directors
Damian Sanders
Dianne Walker
- Scrutinise and monitor the performance of management
- Constructively challenge the Executive Directors
- Monitor the integrity of financial information, financial controls and systems of risk management
- Ensure good governance
- Help to develop proposals on strategy

Company Secretary
- Available to all Directors to provide advice and assistance
- Responsible for providing governance advice
- Ensures compliance with the Board's procedures, and with applicable rules and regulations
- Acts as secretary to the Board and its Committees

Committees of the Board
The Board has delegated authority to its Committees to carry out certain functions and tasks on its behalf and to ensure compliance with regulatory compliance, within their approved Terms of Reference, which are reviewed and approved at least annually. This allows the Board to operate efficiently and focus on relevant areas of its responsibilities.

The membership of each Committee and a summary of its role is below. The Executive Directors and / or other members of the Executive Leadership Team are, when appropriate, invited to attend all or part of the Committees' meetings.

A summary of the Terms of Reference of each Committee is set out below. The full Terms of Reference of each Committee are published on the Company's corporate website.

Nomination Committee
Members:
Philip Bowcock (Chair)
Damian Sanders
Dianne Walker

Role and Terms of Reference:
Reviews the structure, size and composition of the Board and its Committees, and makes recommendations to the Board. Also sets objectives for diversity and inclusion for the Board and senior management, talent development and succession planning

Audit and Risk Committee
Members:
Damian Sanders (Chair)
Philip Bowcock
Dianne Walker

Role and Terms of Reference:
Reviews and reports to the Board on the Group's financial reporting, internal controls, whistleblowing and the independence and effectiveness of the external auditor

Remuneration Committee
Members:
Dianne Walker (Chair)
Philip Bowcock
Damian Sanders

Role and Terms of Reference:
Responsible for all elements of the remuneration of the Executive Directors, the Chair, the Company Secretary and the Executive Leadership Team

Board meetings
The Board makes decisions in order to ensure the long-term success of the Company whilst taking into consideration the interests of wider stakeholders, such as employees, customers and suppliers, and other factors as required of it under s.172 of the Companies Act 2006. Board meetings are one of the mechanisms through which the Board discharges this duty. Further information about engagement with the Company's stakeholders is included on pages 22 to 23.

The Board meets as often as necessary to effectively conduct its business. The Board has an annual rolling plan of items for discussion, which is reviewed and adapted regularly to ensure all matters reserved for the Board, with other items as appropriate, are discussed. The Board's activities are structured throughout the year to develop and monitor the delivery of the Group's strategy and financial results; to receive feedback from and engage with stakeholder groups such as employees, customers and suppliers; and to maintain a robust governance and risk management framework.

At each meeting, the Chief Executive Officer updates the Board on key operational developments and performance, provides an overview of the market and other key operational risks, and highlights the important milestones reached in the delivery of the Group's strategic objectives. The Chief Financial Officer provides an update on the Group's financial performance, relationships with investors and potential investors and shareholder feedback and analysis. Other members of management are also invited to attend Board meetings to present on People and culture and other specific business issues and proposals. This way, the Board is given the opportunity to meet with the next layers of management and gain a more in-depth understanding of key areas of the business. The Board has adopted a formal schedule of matters reserved for its approval which is available on our corporate website and from the Company Secretary upon request.

The table opposite provides a high level overview of some of the key issues that have been considered by the Board during the year ended 30 September 2023, with input from the Executive Leadership Team when appropriate.

Strategy	• Oversight of Group performance against strategy and delivery of transformation projects • ESG governance
Operational	• Deep dives into several areas of the business including marketing, warehouse operations, technology and health and safety • New distribution centre • Brand creative "Boss Your Bathroom" campaign
Financial	• Approved the Group's full-year and half-year results, trading statements, viability statement and going concern status • Reviewed and approved several policies including the FX policy, capital allocation policy and tax strategy policy • Regular re-forecasting • Budget • Renewal of the Group's revolving credit facility
People and culture	• Remuneration framework and policy • Gender pay gap reporting • Employee engagement • Succession planning, talent, diversity and inclusion • Long Term Incentive Plan ("LTIP"), bonus plans and awards • Continuation of SAYE scheme for all employees • Employee engagement
Shareholders	• Market and shareholder feedback and updates • Approved payment of dividend
Risk and governance	• Risk framework and internal control review • Principal risks review and risk horizon scanning • Oversaw the appointment of Daniel Barton as CFO • Oversaw the appointment of a new Company Secretary • Group delegation of authority policy • Continuing review of compliance with the Code • Board effectiveness and evaluation • External audit effectiveness • Establishment of an Employee Benefit Trust • Consumer Duty • Modern Slavery

Attendance at meetings

	Board	Nomination Committee	Audit and Risk Committee	Remuneration Committee
Number of meetings held	13	2	4	6
Director				
Philip Bowcock	13/13	2/2	4/4	6/6
Mark Radcliffe	13/13	N/A	N/A	N/A
Daniel Barton*	9/9	N/A	N/A	N/A
Paul Meehan**	4/4	N/A	N/A	N/A
Damian Sanders***	11/13	1/2	3/4	5/6
Dianne Walker	13/13	2/2	4/4	6/6

* Daniel Barton was appointed to the Board on 1 April 2023.
** Paul Meehan resigned from the Board on 31 March 2023.
*** Damian Sanders attended all scheduled meetings, but was unable to attend one day of scheduled Board and Committee meetings due to personal reasons, and one unscheduled Board meeting called at short notice.

Strategy
The Board is responsible for setting the Group's purpose, for determining the basis on which the Group generates value over the long-term and developing a strategy for delivering the objectives of the Group. The Strategic report, which can be found on pages 2 to 51, sets out the Group's purpose, strategy, objectives and business model.

Culture and engagement with the workforce
We have a culture that is values oriented. The Board plays an important role in ensuring that this culture remains aligned with the long-term strategy, in setting values and demonstrating behaviours consistent with these values.

We have a flat structure which allows the Executive Directors to stay actively engaged with the workforce. In addition, since the date of their appointment, the Chair and Non-Executive Directors have spent time in the business with the Executive Leadership Team and key employees.

To support our engagement strategy, we use a variety of ways to engage with our employees to understand what matters to them. Throughout the year, we ran two employee engagement surveys to solicit feedback from employees on a wide range of topics, the outcomes of which were discussed with the Board.

The Board also receives regular updates which allows the Board to monitor various cultural indicators such as staff retention, diversity, absences and employee engagement.

Additionally, during the year, the Board and senior management engaged with the workforce through boardroom breakfasts and with the continuation of the 'PlumbedIn' employee engagement committee which was established last year, further details of which are set out on pages 22 and 23. Following feedback from the workforce, from 2024 the Board intends to replace the boardroom breakfasts with regular virtual question and answer sessions.

Shareholder engagement
Our investor relations programme continues to develop as the Company continues its journey as a listed company. It is important to us that existing and potential investors understand the Company's strategy and performance. As part of this programme, the Executive Directors give formal presentations to investors and analysts for full-year and half-year results.

Through the year we have hosted one-to-one and group meetings with institutional investors, fund managers and analysts. These meetings cover a wide range of topics, including strategy, performance and governance, but care is exercised to ensure that any price-sensitive information is released to all shareholders, institutional and private, at the same time. When meetings relate to governance, the Chair or another Non-Executive Director will attend as appropriate.

We encourage private shareholders to give feedback and communicate with the Board through ir@victorianplumbing.co.uk.

The Board receives regular reports on issues relating to share price, trading activity and movements in institutional investor shareholdings. The Board is also provided with current analyst opinions, forecasts and feedback from its joint corporate brokers, Barclays Bank plc and Deutsche Numis, and on the views of institutional investors on a non-attributed and attributed basis.

Any concerns of major shareholders would be communicated to the Board by the Executive Directors. The Chair, the Senior Independent Director and other Non-Executive Directors are available to meet with shareholders, and arrangements to do so can be made through ir@victorianplumbing.co.uk.

Annual General Meeting
The AGM of the Company will take place at 9:30am on 27 February 2024 at the Company's head office at 22 Grimrod Place, Skelmersdale, Lancashire, WN8 9UU. Whether or not you are able to attend, the Board encourages all shareholders to cast their vote as soon as possible and in any event by 9:30am on 23 February 2024, and to send any questions, limited to the AGM business to ir@victorianplumbing.co.uk and these will be responded to on an individual basis.

The notice of the AGM can be found in a booklet which is being mailed out at the same time as this Annual Report. The notice of the AGM sets out the business of the meeting and an explanatory note on all resolutions. Separate resolutions are proposed in respect of each substantive issue. Results of resolutions proposed at the AGM will be announced to the London Stock Exchange and published on the Company's website victorianplumbingplc.com following the AGM.

Whistleblowing
Victorian Plumbing is committed to the highest standards of ethical conduct, honesty and integrity in our business practices. The Company's whistleblowing policy is available to employees on the Company's intranet site, 'The Loop', and contains very clear and accessible information as to how employees can raise appropriate concerns. Concerns raised will be reported to the Audit and Risk Committee, which will then be advised of the investigations carried out and any actions arising as a result.

External directorships and time commitment
Each Director is expected to attend all meetings of the Board and of those Committees on which they serve and is required to devote sufficient time to the Group's affairs allowing them to fulfil their duties effectively as Directors. Any external appointments or other significant commitments of the Directors require the prior approval of the Board.

As part of its annual review, the Nomination Committee has considered the external directorships and time commitment of all the Directors and agreed that these do not impact on the time that any Director devotes to the Company.

At the date of this report, Mark Radcliffe is the only Executive Director to hold an external directorship, as a director of Radcliffe Property Management Limited, a property company from which the Group leases a number of properties. Details of the Directors significant external directorships can be found on pages 54 and 55.

Directors' conflicts of interest
Save as provided in the Company's Articles of Association or by the terms of any authorisation given by the Directors, a Director shall not vote on, or be counted in the quorum in relation to, any resolution of the Board or of a Committee of the Board concerning any contract or arrangement or any other proposal to which the Company is or is to be a party and in which he or she has an interest which is to his knowledge a material interest. In accordance with the Company's Articles of Association, the Board has a formal system in place for Directors to declare conflicts of interest and for the Board to authorise potential conflicts of interest that may arise and to impose limits and conditions, as appropriate, when giving any authority. Any decision of the Board to authorise a conflict of interest is only effective if it is agreed without the conflicted Director's voting or without their votes being counted. In making such a decision, the Directors must act in a way they consider in good faith will be most likely to promote the success of the Company.

Any external appointments or other significant commitments of the Directors require the prior approval of the Board.

The Board is comfortable that external appointments of the Chair and the Non-Executive Directors do not create any conflict of interest.

Information, support and development opportunities to Directors
Full and timely access to all relevant information is given to the Board. For Board meetings, this consists of a formal agenda, minutes of previous meetings and a comprehensive set of papers including regular operational and financial reports, provided to Directors in a timely manner in advance of meetings.

All Directors have access to the Company Secretary, who advises them on governance matters. In addition, Directors are entitled to take independent professional advice at the Company's expense in the furtherance of their duties, where considered necessary.

Composition, succession and evaluation

At the date of this report, the Board comprises five Directors consisting of the Chair, two Executive Directors and two Non-Executive Directors, which includes the Senior Independent Director. Philip Bowcock, Chair of the Board, was deemed to be independent on appointment and remains so. In considering the independence of Philip Bowcock, the Board took into account the terms of his restricted share award granted at the time of the IPO, particularly the absence of any performance conditions and the circumstances in which the restriction on all or some of the ordinary shares to be issued to him on Admission may be removed. The Board considers Damian Sanders and Dianne Walker to be independent in character and judgement, and free of any business or other relationship which could materially influence their judgement. Therefore, at 30 September 2023 and to the date of this report, at least half the Board, excluding the Chair, comprises independent Non-Executive Directors, in line with the Code.

The composition of the Board has continued to be an area of focus for the Nomination Committee this year as it considers succession planning and seeks to ensure that the Board maintains the appropriate balance of skills, experience and independence, as well as providing the appropriate challenge and promoting diversity to enable it to meet its responsibilities. As can be seen from the biographies on pages 54 and 55, the Chair and the Non-Executive Directors collectively have significant industry and public company experience, which will support the Company in executing its strategy.

The Company regards good governance as essential. During the year, an evaluation of the performance of the Board, its Committees and its members was undertaken in accordance with the Nomination Committee's Terms of Reference.

In keeping with the Company's stated values and culture, the Directors are committed to the continuous improvement of the Board in achieving its strategic objectives. Undertaking an annual evaluation is a useful tool for reflection and continual improvement. The Board will look to commission an external review in future, but at this early stage was satisfied that an internal evaluation was sufficient.

The Chair undertook the formal internal annual evaluation process by way of a written questionnaire that was designed by the Company Secretary, taking into account relevant regulatory guidance and best practice. The questionnaire assessed the effectiveness of all aspects of the Board, its Committees and its members, and the results were discussed by the Board once completed.

Induction and development
In preparation for Admission, all Directors received an induction briefing from the Company's legal advisers on their duties and responsibilities as Directors of a publicly listed company, and have access to training to ensure that they can refresh this and other appropriate training on a regular basis.

On her appointment, Dianne Walker received a comprehensive and tailored induction, including a briefing from the Company's nominated adviser and meeting key members of the Executive Leadership Team to familiarise herself with the Group.

Reappointment of Directors
Following the Board evaluation process and the subsequent recommendations from the Nomination Committee, the Board considers that all Directors continue to be effective, committed to their roles and are able to devote sufficient time to their duties. Accordingly, all Directors will seek election or re-election at the Company's AGM.

Letters of appointment
The Chair and the Non-Executive Directors have letters of appointment which are available for inspection at the registered office of the Company during normal business hours and at the place of the AGM from at least 15 minutes before and until the end of the meeting, or on request from ir@victorianplumbing.co.uk. These letters set out the expected time commitment from each Director. Non-Executive appointments to the Board are for an initial term of up to three years. Non-Executive Directors are typically expected to serve two three-year terms, although the Board may invite the Director to serve for an additional period.

Nomination Committee Report

Philip Bowcock
Chair

Dear Shareholders,
I am pleased to introduce the Report of the Nomination Committee (the "Committee") for the year ended 30 September 2023.

The members of the Committee are myself, Damian Sanders and Dianne Walker. Damian and I have been members since the Committee was formed in June 2021. Dianne joined the Committee on her appointment as a Director of the Company on 14 June 2022. Detailed experience and qualifications of all Committee members can be found on pages 54 and 55.

The Code requires that the Committee is composed of a majority of independent Non-Executive Directors. I am Chair of the Board and was deemed to be independent on appointment, and the Board considers that I continue to be so. Damian Sanders and Dianne Walker are also deemed independent. Therefore, the Board considers that the Committee comprises a majority of independent Non-Executive Directors, in compliance with the Code.

The Group General Counsel and Company Secretary acts as Secretary to the Committee. By invitation, the meetings of the Committee may be attended by the Chief Executive Officer and Chief Financial Officer to allow the Committee to understand their views, particularly in the context of succession planning within the business as a whole.

Role of the Committee
The Committee reviews the structure, size and composition of the Board and its Committees, and makes recommendations to the Board for appointments to the Board and membership of its principal Committees. The Committee is responsible for ensuring that there are formal and orderly succession plans in place for appointments to the Board. The responsibilities of the Committee are delegated by the Board and are set out in its written Terms of Reference, which are reviewed, updated as necessary and approved each year. A copy of the Terms of Reference is available on our corporate website or on request from the Company Secretary.

> "A formal internal evaluation of the performance of the Board, its Committees and its members was undertaken during the year."

Activities of the Committee
Under its Terms of Reference, the Committee is required to meet at least twice a year. During the financial year, the Committee met formally twice.

Key matters considered by the Committee during the year include:

- Reviewed and approved the Committee's Terms of Reference
- Considered the Board evaluation, the composition of the Board and its Committees and succession planning
- The appointment of Daniel Barton as Chief Financial Officer replacing Paul Meehan
- Approved the elections and re-elections of the Board

How the Committee operates
The Chair of the Board chaired all meetings of the Committee in the financial year (and will do so in future unless the business of the meeting relates to the appointment of his successor or other matters in which he may have a potential conflict of interest, in which case the Senior Independent Director ("SID") will be invited to take the Chair, unless the SID is himself in contention for the role or also has a potential conflict of interest).

Succession planning
The Committee believes that effective succession planning is critical to the Company's long-term success. The Committee considered succession planning for the Board and its Committees this year as part of the Board evaluation process. It also asked the Chief Executive Officer and the Chief Financial Officer to provide an update to the Board of the Group's formal succession plan for the senior management team, taking into account future skills required in the context of the Group's strategy, as well as the importance of growing and developing talent internally.

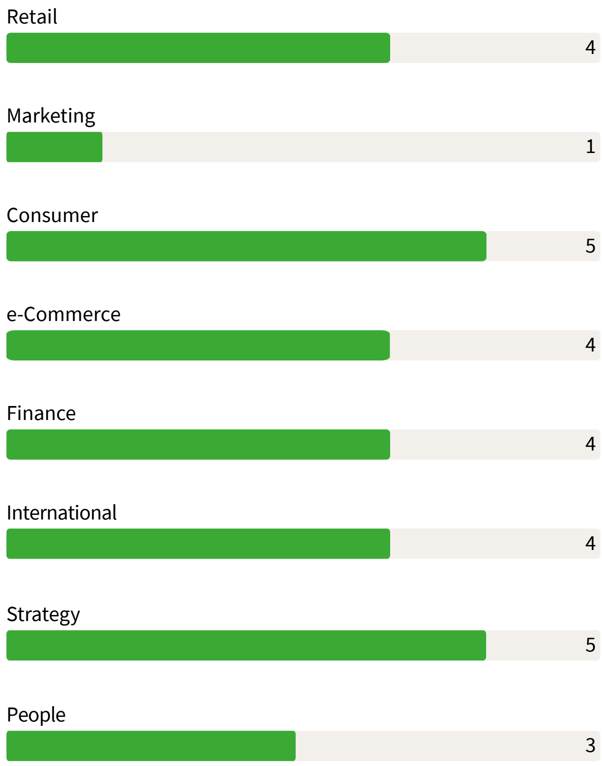
Policy on appointments to the Board
A priority for the Committee is to ensure that members of the Board collectively possess the broad range of skills, expertise and industry knowledge, and business and other experience necessary for the effective oversight of the Group.

Appointments are to be made on merit, against objective criteria and with due regard to the benefits of diversity on the Board. The Committee will take account of a variety of factors before recommending any new appointments to the Board, including relevant skills to perform the role, experience, knowledge and diversity as a whole, including gender and ethnic diversity, but also diversity of background and approach. When the Committee has identified a suitable candidate, it then makes a recommendation to the Board which has responsibility for making a final decision.

Daniel Barton was appointed Chief Financial Officer on 1 April 2023, replacing Paul Meehan who stepped down as Chief Financial Officer on 31 March 2023 to pursue other opportunities. Paul remained with the business during his notice period until 30 June 2023 to ensure an orderly handover of his responsibilities. Daniel had previously served as the Group's Director of Finance and had been identified as a successor to Paul. The benefits of Daniel's leadership are already evident and, together with the strength of the rest of the Board, the Board is well positioned to build on our ambitions. I would like to express my gratitude to Paul for his contribution to the Company since he joined in 2020. His work preparing the finance function and the wider Group for its IPO in 2021 has ensured that the business has the necessary systems and structures in place to deliver its growth ambitions.

At the end of our financial year, 20% of the Board Directors were women. At a leadership level, 33% (2022: 29%) of the Executive Leadership Team ("ELT") and 23% (2022: 18%) of the ELT's direct reports were women, which equates to a combined total of 26% (2022: 21%). 7% (2022: 9%) of the ELT's direct reports identified as being from an ethnic minority, compared with 93% (2022: 91%) who identified as white. Of the Board of Directors and ELT, 100% identified as being white, which remains unchanged from last year. This will remain an important consideration in future appointments.

Board composition and skills



Nomination Committee Report continued

Board evaluation

During the year, an evaluation of the performance of the Board, its Committees and its members was undertaken in accordance with the Committee's Terms of Reference.

The Company regards good governance as essential and, in keeping with its stated values and culture, the Board is committed to continuous improvement. Undertaking an annual evaluation is a useful tool for reflection and to ensure such continual improvement. The Board will look to commission an external review in future years, but at this early stage it was satisfied that an internal evaluation was sufficient.

The Chair undertook the formal internal annual evaluation process by way of a written questionnaire that was designed by the Company Secretary, taking into account relevant regulatory guidance and best practice. The questionnaire assessed the effectiveness of all aspects of the Board, its Committees and its members.

The questionnaire required each Director to analyse and evaluate the performance and effectiveness of the Board as a whole, each Committee, and their respective chairs and members, and included quantitative and open questions. The issues that the Directors were asked to evaluate included the following:

- Board and Committee agendas – e.g. whether the right issues are brought to the Board, quality and relevance of Board papers, appropriate balance of presentation and discussions, appropriate handling of conflicts of interest.
- Leadership – e.g. effectiveness of the Chair, being clear as to the Group's purpose, direction, values, facilitating discussions, quality and effectiveness of relevant relationships.
- Effectiveness – e.g. clear understanding of relevant roles, clear and robust decision-making, providing challenge and strategic advice, monitoring performance, exploitation of potential opportunities, identifying and reviewing relevant risks, effective communication with stakeholders, balance of expertise and experience, opportunities for Non-Executive Directors to be involved in the business outside formal Board meetings.

The questionnaires were circulated to the Directors for completion and were returned to the Company Secretary, who prepared a summary report for consideration by the Chair.

The Chair assessed the feedback and formally reported his findings to the Board. The principal issues arising from this year's Board evaluation included the following:

- Continued development of succession planning, particularly across the wider workforce.
- Improved consultation on potential changes to Board and Committee meeting timings.
- Further developing and enhancing the Board's role in strategic planning and decision-making.

The Board was satisfied that the existing composition of the Board and the Committees gives the Company an appropriate balance of Executive and Non-Executive Directors, each of whom brings a wealth of different skills and experience. The Board was also satisfied that each of the Committees is effective in providing assurance to the Board in accordance with its respective Terms of Reference.

Re-election of Directors

On the recommendation of the Committee and in accordance with the Code, all Directors will retire at the forthcoming Annual General Meeting ("AGM") and offer themselves for election or re-election to the Board.

Following the evaluation process carried out this year, as described above, the Committee and the Board are satisfied that all Directors continue to be effective in, and demonstrate commitment to, their respective roles on the Board and that each makes a valuable contribution to the leadership of the Company.

The Board therefore recommends that shareholders approve the resolutions to be proposed at the AGM relating to the election and re-election of the Directors.

I will be available at the AGM to answer any questions on the work of the Committee.

Philip Bowcock
Chair, Nomination Committee
21 November 2023

Audit and Risk Committee Report

Damian Sanders
Chair, Audit and Risk Committee

Dear Shareholders,

I am pleased to present the Audit and Risk Committee (the "Committee") Report for the year ended 30 September 2023. This report describes how the Committee has carried out its duties to provide independent scrutiny of the Group's financial reporting, risk management and internal control systems during the year, in order to determine whether these remain effective and appropriate.

The Committee met four times during the year. Following the year end, the Committee met again to consider whether the Annual Report and Accounts were fair, balanced and understandable.

During the year, the Committee comprised three members consisting of two independent Non-Executive Directors and the Chair of the Board. We acknowledge that the UK Corporate Governance Code advises against the Chair of the Board being a member of the Committee. The Nomination Committee has considered this again this year and decided it to be preferable to have three Committee members, one of whom is the Chair, who was independent on appointment, particularly given his financial experience. The Nomination Committee will review this position again during the year ahead.

The Code requires that at least one Committee member has recent and relevant financial experience. The Board considers that all three Committee members have recent and relevant financial experience and so can provide appropriate challenge to management.

The Committee is a sub-committee of the Board. The responsibilities of the Committee are delegated by the Board and are set out in its written Terms of Reference, which are reviewed, updated as necessary and approved each year. The primary function of the Committee is to assist the Board in fulfilling its responsibilities to protect the interests of the shareholders with regard to the integrity of the financial reporting, audit, and internal controls. We aim to provide shareholders with timely communication on significant matters relating to the Company's financial position and prospects, and we are also responsible for monitoring fraud risk. In accordance with its Terms of Reference, the Committee will meet at least three times a year.

> "Victorian Plumbing continues to develop and progress and I am pleased with the quality of reporting and insights brought to the Audit and Risk Committee."

The list below provides a high-level overview of some of the key issues that have been considered by the Committee during the year:

- Financial reporting to ensure the Annual Report and Accounts are fair, balanced and understandable.
- Reviewed the Group's risk management procedures.
- Reviewed the effectiveness of the external audit process.
- Reviewed the internal control environment.
- Reviewed the non-audit fee policy and the audit and non-audit fees.
- Reviewed the Group's whistleblowing policy and procedures
- Reviewed the Committee's Terms of Reference.

I look forward to meeting shareholders at the 2024 AGM.

Damian Sanders
Chair, Audit and Risk Committee
21 November 2023

Fair, balanced and understandable

At the request of the Board, the Committee has reviewed the content of the Annual Report and Accounts for the year ended 30 September 2023 and considered whether, taken as a whole it is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

Following the Committee's review, we were pleased to provide assurance to the Board that the Annual Report and Accounts, taken as a whole, was fair, balanced and understandable, and provided the information necessary for shareholders to assess the Company's position and performance, business model and strategy. This was confirmed to the Board, whose statement in this regard is set out on page 78 of the Directors' Report.

Risk management and internal control

The Board acknowledges its responsibility for establishing and maintaining the Group's system of internal controls. Good internal controls also facilitate the effectiveness and efficiency of operations, help to ensure the reliability of internal and external reports and assist in compliance with applicable laws and regulations. However, the system of internal controls is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Committee reviews the system of internal controls through reports received from management and external auditors. Management continues to focus on how internal control and risk management can be further embedded into the operations of the business and on how to deal with areas of improvement which come to the attention of management and the Board.

The Board has reviewed the effectiveness of the system of internal controls during the financial year, covering all material controls, including financial, operational and compliance controls, and risk management systems.

The Board confirms that the actions it considers necessary have been, or are being, taken to remedy any significant failings or weaknesses identified from its review of the system of internal controls. This has involved considering the matters reported to it and developing plans and programmes that it considers are reasonable in the circumstances.

The Board also confirms that it has not been advised of any material weaknesses in the part of the internal control system that relates to financial reporting.

The key elements of the Group's system of internal controls, which have been in place throughout the year ended 30 September 2023 and up to the date of this report, include the following:

Element	Approach and basis for assurance
Risk management	Risk management is a matter for the Board as a whole. Risks are highlighted through several different reviews and culminate in a risk register, which identifies the risk area, the probability of the risk occurring, the impact if it does occur and the actions being taken to manage the risk to the desired level. During the year, the Committee resolved to adopt a more continuous and rigorous approach to risk to allow prioritisation and a more in-depth review of those risk areas for which the Board had least tolerance.
Financial reporting	Group consolidation is performed on a monthly basis with a month-end pack produced that includes an income statement, statement of financial position, cash flow and detailed analysis. The pack also includes KPIs, and these are reviewed by the Executive Leadership Team ("ELT") and the Board. Results are compared against the annual plan (referred to in the below paragraph) or re-forecast and a narrative provided by management to explain significant variances.
Budgeting and re-forecasting	A detailed annual plan was produced before the start of the year to forecast the next three years of trading. The first year of this plan was used as a forecast for the year ended 30 September 2023 and monthly results reported against this. This plan has now been updated to forecast FY24 and the following two years. This plan is prepared using a bottom-up approach, informed by a high level assessment of market and economic conditions. Reviews are performed by the ELT and the Board. The plan is approved by the ELT and the Board.
Delegation of authorities	A documented structure of delegated authorities and approval for transactions is maintained beyond the Board's Terms of Reference. This is reviewed regularly by management and updated as required to ensure it remains appropriate for the business.
Segregation of duties	Procedures are defined to segregate duties over significant transactions, including procurement, payments to suppliers, payroll and discounts/refunds. Key reconciliations are prepared and reviewed on a monthly basis to ensure accurate reporting.

Significant accounting matters

In reviewing the financial statements with management and the external auditor, the Committee has discussed and debated the critical accounting judgements and key sources of estimation uncertainty set out in note 3 to the Financial Statements. As a result of our review, the Committee has identified the following items that require judgement or have significant potential impact on the interpretation of this Annual Report and Financial Statements.

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 the awards has been calculated using the Black-Scholes pricing model and is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The Committee has reviewed the judgements made in this area by management and, after due challenge and debate, was content with the assumptions made and the judgements applied.
Revenue recognition	Revenue recognition for the Group's revenue streams is not complex. The Group does, however, process a large volume of transactions and places reliance on manual adjustments in relation to cut-off procedures. The Committee has reviewed the estimates and judgements made by management in assessment of revenue cut-off and the refund liability. After due challenge and debate, the Committee was content with the judgements applied for revenue cut-off and the estimate of the refund liability. When considering this, along with the procedures applied on the underlying transactional data, the Committee is content with the procedures applied by management to ensure revenue recognition is appropriate and in line with the Group's accounting policy.
Refund liability and right-of-return asset	The Group recognises a refund liability and corresponding right-of-return asset for expected returns after the reporting date. 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 Committee has reviewed judgements made in this area and is satisfied with the assumptions made and judgements applied.
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 data. The Committee has reviewed judgements made in this area and is satisfied with the assumptions made and judgements applied.
Intangible assets and capitalised development costs	Intangible assets include capitalised internal salaries and third party costs for computer software development. A certain proportion of the total IT costs incurred 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. The Committee has reviewed the estimates made by management and is satisfied with the assumptions made.
Inventory valuation	The Group assesses the valuation of inventory on an ongoing basis and in particular the need for an inventory provision. Historical inventory write-offs, changes in consumer behaviour and likely resale value are evaluated versus the cost of inventory. The Group has deemed that no inventory provision is necessary. The Committee has reviewed the estimates made by management and is satisfied with the assumptions made.

Audit and Risk Committee Report continued

Internal audit
The Group did not have an internal audit function during the year. The Committee considers, at least annually, the need for an internal function and have, to date, concluded that it is not necessary for the Group to have a separate internal audit function.

The Committee looks to management to implement adequate independent procedures to test key financial controls and report the results to the Committee without having a dedicated internal audit function. In addition, the Committee will look to specialist advisers to perform specific reviews over specific risk areas when appropriate.

Whistleblowing
The Group has established formal whistleblowing procedures by which all employees may, in confidence, raise concerns about possible improprieties in finance and other matters. The Committee monitors and reviews the effectiveness arrangements. Following its annual review of whistleblowing procedures, the Committee was satisfied that they were adequate but agreed to implement some changes to further enhance the policy and procedures.

External auditor
One of the Committee's roles is to oversee the relationship with the external auditor and to evaluate the effectiveness of the external audit process and to review and monitor the external auditor's independence and objectivity.

Following approval by shareholders at the 2023 AGM, Ernst & Young LLP ("EY") was reappointed as the Company's external auditor for the financial year ended 30 September 2023. The external auditor was not asked to look at any specific areas by the Committee during the review period.

During the year, the Committee conducted an evaluation of the external audit process and at the same time considered the external auditor's independence and objectivity. The Chair undertook a formal internal evaluation process by way of a written questionnaire which took into account relevant regulatory guidance and best practice. The issues that the questionnaire required relevant stakeholders to evaluate included the following:

- The calibre of the external auditor, including its reputation.
- Their quality processes, including the level and nature of review procedures, approach to audit judgements and issues, quality control reviews and approach to risk.
- The audit team, including their qualifications and experience, ability to be proactive, responsive and consistent, and their effectiveness as a team.
- The audit scope, including communication of plan, materiality and timely delivery.
- Their communications, including clarity, accuracy and effectiveness.
- Audit governance and independence, including integrity of staff and objectivity.
- Value for money.

The questionnaires were circulated to relevant stakeholders for completion and were returned to the Company Secretary, who prepared a summary report for the Chair's consideration. Following that process, the Committee has concluded that the external auditor is effective. The Committee is also satisfied with the independence and objectivity of EY as the external auditor.

Financial Reporting Council
During the year, the Financial Reporting Council ("FRC") carried out a review of, and made enquiries in relation to, the Group's Annual Report and Accounts for the year ended 30 September 2022 in accordance with Part 2 of the FRC's Corporate Reporting Review Operating Procedures. The Group responded in detail to these enquiries and has incorporated a number of enhancements into this year's Annual Report and Accounts. In view of the Group's responses, the FRC acknowledged that it had concluded its consideration of the Annual Report and Accounts for the financial year ended 30 September 2022. Other observations were made by the FRC in relation to enhancing certain disclosures which management and the Committee have considered and, if considered appropriate, taken forward in this year's Annual Report and Accounts.

In the FRC's correspondence it clarified that its review was based on the Annual Report and Accounts for the year ended 30 September 2022 and did not benefit from detailed knowledge of the Company's business or an understanding of the underlying transactions entered into. It was, however, conducted by staff of the FRC who had understanding of the relevant legal and accounting framework. The FRC confirmed that it supports continuous improvement in the quality of corporate reporting and recognised that those with more detailed knowledge of the Company, including the Committee and independent auditors, may have recommendations for future improvement, consideration of which the FRC would encourage.

The FRC's review did not provide assurance that the Annual Report and Accounts were correct in all material respects; the FRC confirmed that its role was not to verify the information provided but to consider compliance with reporting requirements. The FRC further confirmed that its correspondence was written on the basis that the FRC (which includes its officers, employees and agents) accepts no liability for reliance on them by the Company or any third party, including but not limited to investors and shareholders.

Non-audit services
The Company's external auditor may also be used to provide specialist advice where, as a result of its position as auditor, it either must, or is best placed to, perform the work in question.

A formal policy has been put in place in relation to the provision of non-audit services by the external auditor to ensure that there is adequate protection of its independence and objectivity. Except in exceptional circumstances related to urgent transactions, or where the nature of the work to be undertaken by the external auditor is considered to be insignificant and immaterial, the Committee must approve the provision of all non-audit services by the external auditor.

During the year, the Group did not engage EY to provide any non-audit related services (2022: £nil).

A breakdown of the fees paid to EY during the year is set out in note 6 to the consolidated financial statements.

Directors' Remuneration Report

Dianne Walker
Chair, Remuneration Committee

Overseeing the way in which we reward our people

Dear Shareholders,
I am pleased to present the Directors' Remuneration Report for the year ended 30 September 2023 ("2023"). The Remuneration Committee (the "Committee") completed its second full annual cycle of governance since the IPO. This report sets out the remuneration paid to the Directors during the past financial year and the basis for their remuneration in the year ending 30 September 2024.

Our remuneration policy
The Company is not required to seek formal shareholder approval of its remuneration policy under AIM regulations. In the interests of good governance, however, we did present it to shareholders for an advisory vote at the 2022 AGM. The Committee was very pleased to receive overwhelming support from our shareholders, with 99.05% of proxy votes being in favour.

We believe that our remuneration policy continues to be fit for purpose and, therefore, do not propose to make any amendments this year. For ease of reference, the remuneration policy is included on pages 70 to 72 of this report.

Reflecting on 2023

Remuneration payable in respect of 2023
Base salaries and fees
As disclosed in the 2022 Annual Report, the Executive Directors and Non-Executive Directors did not receive an increase in their salaries and fees, respectively, for 2023. The wider workforce, however, received an average salary increase of 5% in the 2023 financial year.

Employee benefits and all-employee share plan
Following a review of benefits offered to the wider workforce, in conjunction with feedback from both the colleague engagement team and data gained from our engagement surveys, a number of enhancements were made to employee benefits in the year. Company sick pay and life assurance benefits were introduced in the year and were well received by colleagues.

The Save as You Earn scheme, available to all employees and offered at a 20% discount of the share price at grant date, was rolled out for a second year.

Annual bonus plan
The Committee is pleased to report that the Annual Bonus Plan for 2023 has vested at 45% (2022:30%), reflecting improved performance against objectives for the year, in line with expectations.

Share awards
During the year the Committee extended the Deferred Bonus Plan (2023 award) to a greater number of employees across all areas of the business, below the Board of Directors (2023 award: 62 participants, 2022: 49 participants). Levels of vesting were approved by the Committee.

Changes to Directors
During the year the Committee approved the promotion and remuneration of Daniel Barton to Chief Financial Officer ("CFO"), following the resignation of Paul Meehan. Upon joining the Company in August 2022, Daniel was awarded 208,334 restricted shares; these shares vest in two equal tranches, the first having vested on 22 August 2023 and the second to vest on 22 August 2024. Daniel's shares are subject to a service condition and a two-year holding period post-vesting.

Daniel was a participant in the 2023 Deferred Bonus Plan ("DBP") scheme at the time of his appointment as CFO; he will join the Victorian Plumbing Group plc Long Term Incentive Plan ("LTIP") in 2024.

The Committee approved remuneration packages in the year for a number of new senior hires who were brought in to further strengthen the senior management team and to support the Company's growth.

Looking ahead

Implementation of the Directors' Remuneration Policy in 2024

Base salaries and fees

In setting salaries for the Executive Directors for 2024, the Committee considered the salary increases (2023: 5%) for the wider workforce taking into account higher inflation and the cost of living, alongside the need to control our cost base.

The Executive Directors' salaries will be increased by 3% in 2024 (2023: -%), effective from 1 April 2024.

Non-Executive Director fees will not be increased in 2024 (2023: -%).

All-employee share plans

The Committee will carefully consider whether a new SAYE scheme will be rolled out in 2024. If a new SAYE scheme is launched, Executive Directors will be entitled to participate on the same basis as other employees.

Annual bonus plan

In 2024 70% of the Annual Bonus Plan award will continue to be determined on the basis of performance against stretching financial targets, with the balance of 30% based upon non-financial targets. The specific performance targets are not disclosed as they are considered to be commercially sensitive.

Share awards

Performance conditions and target metrics have been set by the Committee for all the 2024 share awards.

Targets for the Deferred Bonus Plan have been set by team and the scheme has been extended to a number of new participants in the year.

The Committee has determined that the vesting outcome for the LTIP will continue to be based solely on adjusted EPS measured over a three-year period. A two-year post-vesting holding period will apply.

I hope that you find the information in this report helpful. If shareholders wish to discuss any aspect of the report, please contact me via the Company Secretary.

Dianne Walker
Chair, Remuneration Committee
21 November 2023

Directors' Remuneration Policy

The following table summarises the key elements of the Directors' Remuneration Policy and how it supports the Company's short and long-term strategic objectives.

Element and link to strategy	Operation	Maximum potential value	Performance conditions and assessment
Base salary and benefits Supports the recruitment and retention of Executive Directors, reflecting their role, skills and experience.	Salaries are reviewed annually and any changes are normally effective from 1 January in the financial year. The Executive Directors receive benefits which include, but are not limited to, family private health cover, death in service life assurance and travel expenses for business-related travel (including tax, if any).	Base salaries will be set at an appropriate level with a comparator group of comparable sized listed companies and will normally increase with increases made to the wider employee workforce. The value of benefits are not capped.	N/A
Pension Supports the recruitment and retention of Executive Directors.	The Committee retains discretion to provide pension funding in the form of a salary supplement or a direct contribution to a pension scheme. Any salary supplement would not form part of the salary for the purposes of determining the extent of participation in the Company's incentive arrangements.	Pension funding for the Executive Directors is aligned with the wider workforce, currently equal to 3% of base salary.	N/A
Annual bonus Supports the recruitment and retention of Executive Directors. Rewards the Executive Directors for delivering on key strategic and financial goals, encouraging sustainable performance of the business.	Annual bonuses are paid in cash, with no deferral into shares. Malus and clawback provisions will apply.	Maximum opportunity of 100% of base salary.	The majority of the annual bonus will be based on performance against stretching financial targets, with the balance based on non-financial metrics which are aligned to the business strategy.
Long Term Incentive Plan ("LTIP") Supports the recruitment and retention of Executive Directors. Facilitates the long-term alignment with shareholders based on the outcomes of performance conditions.	LTIP awards are granted annually. LTIP awards will vest at the end of a three-year period subject to the Executive Directors' continued employment and satisfaction of the performance conditions. A further two-year holding period will apply post-vesting. The Remuneration Committee may award dividend equivalents on awards to the extent that these vest. Malus and clawback provisions will apply.	Maximum opportunity equal to 150% of base salary in normal circumstances, with a maximum opportunity of up to 200% of salary in exceptional circumstances.	At least 50% of the LTIP awards will be based on performance against stretching financial targets.
Shareholding requirement	200% of base salary to be built up over a five-year period and then subsequently held. Executive Directors will be required to retain 100% of their shareholding requirement (i.e. 200% of base salary) for two years post-cessation (or full actual holding, if lower).	N/A	N/A
All-employee plan	The Company has a Share Incentive Plan in which the Executive Directors are eligible to participate (which is HMRC approved and is open to all eligible staff). The Company also operates a Save As You Earn scheme.	Maximum permitted based on HMRC limits from time to time.	N/A

Element and link to strategy	Operation	Maximum potential value	Performance conditions and assessment
Chair and Non-Executive Director fees	Non-Executive Directors are paid a base fee and additional fees for the chairing of Committees. No additional fees are paid to Non-Executive Directors or the Chair of the Company for the membership of Committees. Fees are reviewed annually, based on equivalent roles in an appropriate comparator group used to review salaries paid to the Executive Directors. Non-Executive Directors do not participate in any variable remuneration or benefits arrangements. The Company will pay reasonable expenses incurred by the Chair and Non-Executive Directors.	The base fees for Non-Executive Directors are set with reference to the market rate. The level of any fee increase for the Non-Executive Directors will also be set to take account of any change in responsibility.	N/A

Remuneration Policy on recruitment

The remuneration package for a new Executive Director is set in accordance with the terms of the Company's remuneration policy as detailed in the table on the previous pages.

The Remuneration Committee's policy is not to provide sign-on compensation. However, in exceptional circumstances where the Remuneration Committee decides to provide this type of compensation, it will endeavour to provide the compensation in equity, subject to a holding period during which cessation of employment will generally result in forfeiture, and will be subject to the satisfaction of performance targets.

Annual report on remuneration in 2023 (audited)

The following table summarises the total remuneration of the Directors who served during the year to 30 September 2023:

Executive Directors

	Salary		Benefits[3]		Pension[4]		Total Fixed	
£'000	**2023**	2022	**2023**	2022	**2023**	2022	**2023**	2022
Mark Radcliffe	**250**	250	**2**	2	**10**	8	**262**	260
Paul Meehan[1]	**153**	315	**3**	4	**14**	–	**170**	319
Daniel Barton[2]	**120**	–	**1**	–	**4**	–	**125**	–

	Annual Bonus Plan[5]		Other[6]		Total Remuneration	
£'000	**2023**	2022	**2023**	2022	**2023**	2022
Mark Radcliffe	**112**	75	**–**	–	**374**	335
Paul Meehan	**71**	95	**–**	–	**241**	414
Daniel Barton[7]	**–**	–	**86**	–	**211**	–

Non-Executive Directors

	2023				2022			
£'000	**Fees**	**Other**	**Benefits**	**Total**	Fees	Other	Benefits	Total
Philip Bowcock	**150**	**–**	**–**	**150**	150	–	–	150
Damian Sanders	**60**	**–**	**–**	**60**	60	–	–	60
Dianne Walker[8]	**60**	**–**	**–**	**60**	18	–	–	18

1. Paul Meehan's remuneration reflects the period that he was an Executive Director in the year, from 1 October 2022 to 31 March 2023.
2. Daniel Barton's remuneration reflects the period that he was an Executive Director in the year, from 1 April 2023 to 30 September 2023.
3. Benefits are in respect of private healthcare and life assurance.
4. Where employer's pension contributions were paid in respect of Executive Directors, they were paid at 3% of salary. The pension contributions for Paul Meehan in 2023 cover the period 1 October 2021 to 31 March 2023.
5. The bonus payments represent the final award that the Remuneration Committee have determined should be paid to the Executive Directors in accordance with the Annual Bonus Plan for 2023, which will be paid shortly after the finalisation of this report. The maximum bonus opportunity was 100% of salary. The bonus is 100% cash.
6. Other includes share awards that have vested in the period, calculated using the share price on the vesting date.
7. Restricted share awards of 104,167 vested on 22 August 2023. The share price on that date was £0.824.
8. Dianne Walker was appointed a Non-Executive Director on 14 June 2022 and the table shows her remuneration from that date for 2022.

Payments to past directors and for loss of office

On 31 March 2023, Paul Meehan stepped down as Chief Financial Officer with the agreement and thanks of the Board. Daniel Barton, previously Director of Finance, was announced as Paul's successor and was appointed to the Board as Chief Financial Officer on 1 April 2023. Paul remained in employment from 1 April 2023 to 30 June 2023 in an advisory role, ensuring an orderly handover of responsibilities to Daniel.

The Committee determined that Paul should be treated as a 'good leaver' for the purpose of the Annual Bonus Plan ("ABP"), LTIP scheme and Management Incentive Plan ("MIP")[3]; he, therefore, participated in the 2023 LTIP, pro-rata his period of service (October 2022 to June 2023).

Outstanding share awards

Recipient	Award	Grant date	Final vesting date	Exercise price	Number of shares outstanding	Number of shares lapsed
Philip Bowcock	IPO award[1]	22 June 2021	22 June 2025	nil	763,358	–
Mark Radcliffe	2022 LTIP award	29 March 2022	29 March 2025	nil	143,129	–
	2023 LTIP award	22 February 2023	22 February 2026	nil	661,725	–
Daniel Barton	2022 RSA[2]	5 September 2022	22 August 2024	nil	104,167	–
	2023 DBP	31 March 2023	7 December 2026	nil	607,464	–
	2023 SAYE	30 March 2023	1 June 2026	67.52p	13,329	–
Paul Meehan	MIP[3]	9 March 2021	22 June 2024	nil	386,394	–
	2022 LTIP award[4]	29 March 2022	29 March 2025	nil	105,200	75,143
	2023 LTIP award[5]	22 February 2023	22 February 2026	nil	208,443	–

1. Following the successful Admission to AIM, the Chair, Philip Bowcock, received a one-off award of 1,526,718 restricted shares on 22 June 2021 in respect of his support and guidance during the IPO process equating to £4.0 million at the placing price, at a price of £0.001 per share. The shares vest in four equal tranches on the first four anniversaries of the Admission date. As such, 381,680 shares vested on 22 June 2022, 381,680 shares vested on 22 June 2023 and 763,358 shares remain restricted.
2. Daniel Barton was awarded 208,334 restricted shares on 5 September 2022 under the Company's LTIP scheme. The shares vest in two equal tranches, with the first tranche of 104,167 having vested on 22 August 2023. 104,167 shares remain restricted, due to vest in August 2024.
3. Following the successful Admission to AIM, Paul Meehan received 3,219,948 ordinary shares on 22 June 2021 in respect of his support and guidance during the IPO process. Of the total award, 965,984 shares were restricted and vest in three tranches on the first three anniversaries of the Admission date in the proportions 3:3:4. As such, 289,795 shares vested on 22 June 2022, 289,795 shares vested on 22 June 2023 and 386,394 shares remain restricted. The shares were granted under the terms and conditions stated under Part VII, paragraph 5.3 of the Company's Admission document.
4. Paul Meehan was awarded 180,343 shares under the 2022 LTIP scheme. Following Paul's resignation as Chief Financial Officer with effect from 31 March 2023, the Committee determined that this award should be pro-rated to reflect 21 months' service as an Executive Director and adviser to the Board during the 36 months' performance period of the scheme.
5. Paul Meehan was awarded 208,443 shares under the 2023 LTIP scheme. This award was pro-rated to reflect 9 months' service as an Executive Director and adviser to the Board during the 36 months' performance period of the scheme.

Statement of Directors' shareholding and share Interests

Director	Beneficially owned shares not subject to any conditions	Value of shares beneficially owned as a % of salary[1]	Target shareholding requirement (% of salary)	Shareholding requirements met?	Scheme interests subject to continued employment or time	Scheme interests subject to performance
Mark Radcliffe	153,079,642	53,884%	200%	Yes	–	804,854
Daniel Barton[2]	42,825	16%	200%	No[3]	209,815	607,464
Paul Meehan	1,116,126	312%	200%	Yes	–	313,643
Philip Bowcock	496,360	N/A	N/A	N/A	763,358	–
Damian Sanders	25,933	N/A	N/A	N/A	–	–
Dianne Walker	22,154	N/A	N/A	N/A	–	–

1. A share price of £0.88 has been used to calculate current shareholding as a % of salary being the closing share price on 29 September 2023.
2. 104,167 restricted shares vested on 22 August 2023 but remain unexercised. A further 104,167 of restricted share awards are due to vest on 22 August 2024. 1,481 shares are the pro-rated number of SAYE shares, being 4/36th of the total number of options granted for the three-year period of the scheme.
3. Daniel Barton was appointed to the Board on 1 April 2023 and is working towards meeting his shareholding requirement over a five-year period from this date.

Implementation of Policy for the Year Ending 30 September 2024

We summarise below the Executive Directors' salaries, pension levels and incentive opportunities for 2024:

Base salary

Mark Radcliffe: £257,500 (3% increase; 2023 -% increase)

Daniel Barton: £247,200 (3% increase; 2023 n/a)

Salary increases for Executive Directors in the year ending 30 September 2024 will be effective from 1 April 2024.

Pension funding

3% of base salary, aligned to the rate available to the wider workforce.

Annual bonus

The maximum bonus opportunity for the Executive Directors will be 100% of salary.

70% of the bonus awards will be determined based on performance against stretching adjusted EBITDA targets, with the balance of 30% being split equally between customer satisfaction (15%) and employee engagement (15%) targets. The specific performance targets are not disclosed as they are considered to be commercially sensitive.

Bonus awards will be paid in cash.

The Victorian Plumbing Group plc Long Term Incentive Plan ("LTIP")

In accordance with the Policy, it is intended that awards will be granted to Mark Radcliffe and Daniel Barton during 2024. The maximum LTIP awards for the Executive Directors will be 150% of base salary.

The vesting outcome will be based solely on adjusted EPS measured over a three-year period. A two-year post-vesting holding period will apply.

Non-Executive Director fees for 2024

Philip Bowcock: £150,000 (-% increase; 2023 -%)

Damian Sanders: £60,000 (-% increase; 2023 -%)

Dianne Walker: £60,000 (-% increase; 2023 -%)

Non-Executive Director fees will remain unchanged in the year ending 30 September 2024.

Share ownership requirements

As in prior years, the required share ownership for the Executive Directors for 2024 will be 200% of base salary built up over a five-year period.

Executive Directors are required to hold shares to the value of 200% of base salary for two years following stepping down from the Board (or full actual holding, if lower).

There are no share ownership requirements for the Non-Executive Directors.

Advisers to the Remuneration Committee

The Committee has engaged the services of PwC LLP as independent remuneration adviser. The Remuneration Committee is satisfied that the advice received was objective and independent. PwC is a member of the Remuneration Consultants Group and a signatory to its Code of Conduct. In addition, the Committee has satisfied itself that the advice it receives is objective and independent and PwC has confirmed there are no conflicts of interest.

The Directors have pleasure in submitting their report and the audited financial statements of Victorian Plumbing Group plc (the "Company") and its subsidiaries (together the "Group") for the financial year ended 30 September 2023.

This Directors' Report includes the information required to be included under the Companies Act 2006 or, where provided elsewhere, an appropriate cross-reference is given. The Corporate Governance Statement approved by the Board is provided on pages 57 to 61 and incorporated by reference into this Directors' Report.

Statutory information

Information required to be part of the Directors' Report can be found elsewhere in this document, as indicated in the table below, and is incorporated into this report by reference:

Section of Annual Report	Page reference
Employee involvement	Strategic report: Environmental, Social and Governance – page 30 Stakeholder engagement and section 172(1) statement– pages 22 and 23
Financial instruments	Financial statements: note 23 to the consolidated financial statements (pages 106 and 107)
Future developments of the business	Strategic report: Our strategy – pages 16 to 21
Greenhouse gas emissions	Strategic report: Environmental, Social and Governance – page 30
Stakeholder engagement and section 172(1) statement	Strategic report: Stakeholder engagement and section 172(1) statement – pages 22 and 23
Non-financial reporting	Strategic report: Environmental, Social and Governance – page 39

Business overview

The Company is incorporated and domiciled in the UK, its registered number is 13379554 and the address of its registered office is 22 Grimrod Place, Skelmersdale, Lancashire, WN8 9UU. The Company is a public limited company and is listed on the AIM division of the London Stock Exchange. The Company has three subsidiaries, a complete list of which is provided within note 33 on page 114.

Strategic report

The Strategic report, which can be found on pages 2 to 51, sets out the Group's strategy, objectives and business model; the development, performance and position of the Group's business (including financial and operating key performance indicators); a description of the principal risks; and the main trends and factors likely to affect the future development, performance and position of the Group's business.

UK Corporate Governance Code

The Company elected to adopt the UK Corporate Governance Code ("Code") on Admission in June 2021. The Company's statement on corporate governance can be found in the Corporate Governance Statement, the Report of the Nomination Committee, the Report of the Audit and Risk Committee, and the Directors' Remuneration Report and Policy report on pages 70 to 74; all of which form part of this Directors' Report and are incorporated into it by reference.

2024 Annual General Meeting

The 2024 Annual General Meeting ("AGM") will take place at 9:30am on 27 February 2024 at the Company's head office at 22 Grimrod Place, Skelmersdale, Lancashire, WN8 9UU. We strongly encourage all shareholders to cast their votes by proxy, and to send any questions in respect of AGM business to ir@victorianplumbing.co.uk.

The notice of meeting sets out the resolutions to be proposed and specifies the deadlines for exercising voting rights and appointing a proxy or proxies to vote in relation to resolutions to be passed at the AGM. All proxy votes will be counted and the numbers for, against or withheld in relation to each resolution will be announced at the AGM and published on the Company's website.

Board of Directors

The following individuals were Directors of the Company for the entirety of the financial year ended 30 September 2023, and to the date of approving this report unless otherwise stated:

- Philip Bowcock (Chair)
- Damian Sanders (Senior Independent Director)
- Mark Radcliffe (Chief Executive Officer)
- Daniel Barton (from his appointment on 1 April 2023) (Chief Financial Officer)
- Paul Meehan (until his resignation on 31 March 2023) (Chief Financial Officer)
- Dianne Walker (Independent Non-Executive Director)

All Directors will stand for election or re-election at the 2024 AGM in line with the recommendations of the Code.

Appointment and replacement of Directors

At each AGM each Director then in office shall retire from office with effect from the conclusion of the meeting. When a Director retires at an AGM in accordance with the Articles of Association ("Articles") of the Company, the Company may, by ordinary resolution at the meeting, fill the office being vacated by re-electing the retiring Director. In the absence of such a resolution, the retiring Director shall nevertheless be deemed to have been re-elected, except in the circumstances set out in the Company's Articles.

Directors' Report continued

Results and dividends

The Group's and Company's audited financial statements for the year are set out on pages 85 to 120.

In order to distribute a total ordinary dividend for the year of 1.40 pence per share (FY22: 1.10 pence per share), the Directors are recommending a full year final ordinary dividend of 0.95 pence per share (FY22: 1.10 pence per share). Subject to shareholders' approval at the AGM on 27 February 2024, the dividend will be paid on 8 March 2024 to shareholders on the register of members at the close of business on 9 February 2024.

Amendment of the Articles

The Company's Articles may only be amended by a special resolution at a general meeting of shareholders. No amendments are proposed to be made to the existing Articles at the forthcoming AGM.

Share capital and control

The Company's issued share capital comprises ordinary shares of £0.001 each which are listed on the London Stock Exchange (AIM: VIC). The ISIN of the shares is GB00BNVVHD43.

As at 30 September 2023 and as at the date of this document, the issued share capital of the Company comprises 325,227,984 ordinary shares of £0.001 each. Shortly following the date of this document, the Company intends to complete an issue of 1,026,475 new ordinary shares of £0.001 each in the Company to satisfy the release of share awards under the terms of the Company's employee share schemes.

Further information regarding the Company's issued share capital can be found within note 27 on page 108 of the consolidated financial statements. Details of the movements in issued share capital during the year are provided in note 27 to the Group's consolidated financial statements contained on page 108. All the information detailed in note 27 on page 108 forms part of this Directors' Report and is incorporated into it by reference.

Details of employee share schemes are provided in note 29 to the financial statements on pages 109 to 112.

Authority to allot shares

At the AGM of the Company held on 2 March 2023, the Directors were granted authority to allot ordinary shares in the Company up to a maximum nominal amount of £216,708.66 (representing approximately two-thirds of the Company's issued ordinary share capital), of which a maximum nominal amount of £108,354.33 (representing approximately one-third of the Company's issued ordinary share capital) can only be allotted pursuant to a rights issue.

No shares have been issued under this authority since 2 March 2023 to the date of this report.

This standard authority is renewable annually: the Directors will seek to renew it at the 2024 AGM.

Authority to purchase own shares

At the AGM of the Company held on 2 March 2023, the Directors were granted authority to make market purchases of up to 32,506,298 of its ordinary shares, subject to minimum and maximum price restrictions.

No shares were purchased under this authority since 2 March 2023 to the date of this report.

This standard authority is renewable annually: the Directors will seek to renew it at the 2024 AGM. The Directors will only use this power after careful consideration, taking into account the financial resources of the Company, the Company's share price and future funding opportunities. The Directors will also take into account the effects on earnings per share and the interests of shareholders generally.

Rights attaching to shares

All shares have the same rights (including voting and dividend rights and rights on a return of capital) and restrictions as set out in the Articles, described below. Except in relation to dividends which have been declared and rights on a liquidation of the Company, the shareholders have no rights to share in the profits of the Company. The Company's shares are not redeemable. However, following any grant of authority from shareholders, the Company may purchase or contract to purchase any of the shares on or off-market, subject to the Companies Act 2006 and the requirements of AIM rules.

No shareholder holds shares in the Company which carry special rights with regard to control of the Company. There are no shares relating to an employee share scheme which have rights with regard to control of the Company that are not exercisable directly and solely by the employees, other than in the case of the Victorian Plumbing Group Share Incentive Plan, where share interests of a participant in such scheme can be exercised by the personal representatives of a deceased participant in accordance with the scheme rules.

Voting rights

Each ordinary share entitles the holder to vote at general meetings of the Company. A resolution put to the vote of the meeting shall be decided on a show of hands, unless the Directors decide in advance that a poll will be conducted, or unless a poll is demanded at the meeting. On a show of hands, every member who is present in person or by proxy at a general meeting of the Company shall have one vote. On a poll, every member who is present in person or by proxy shall have one vote for every share of which they are a holder.

The Articles provide a deadline for submission of proxy forms of not less than 48 hours before the time appointed for the holding of the meeting or adjourned meeting. No member shall be entitled to vote at any general meeting either in person or by proxy, in respect of any share held by the member, unless all amounts presently payable by the member in respect of that share have been paid. Save as noted, there are no restrictions on voting rights nor any agreement that may result in such restrictions.

Restriction on transfer of securities

The Articles do not contain any restrictions on the transfer of ordinary shares in the Company other than the usual restrictions applicable where any amount is unpaid on a share. Certain restrictions are also imposed by laws and regulations (such as insider trading and marketing requirements relating to close periods) and requirements of the Company's share dealing code whereby Directors and certain employees of the Company require approval to deal in the Company's securities.

Change of control

Save in respect of a provision of the Company's share schemes which may cause options and awards granted to employees under such schemes to vest on takeover, there are no agreements between the Company and its Directors or employees providing for compensation for loss of office or employment (whether through resignation, purported redundancy or otherwise) because of a takeover bid.

Significant contracts

The only significant agreement to which the Company is a party that takes effect, alters or terminates upon a change of control of the Company following a takeover bid, and the effect thereof, is the revolving credit facility agreement, which contains customary prepayment, cancellation and default provisions including, if required by a lender, mandatory prepayment of all utilisations provided by that lender upon the sale of all or substantially all of the business and assets of the Group or a change of control. At the date of this Report, no amounts are drawn under the Company's revolving credit facility.

Transactions with related parties

Relationship Agreement: On 17 June 2021 the Company entered into a relationship agreement with Mark Radcliffe, Neil Radcliffe and Carole Radcliffe (the "Controlling Shareholders"). Under the Relationship Agreement, the Controlling Shareholders shall, and have agreed to use their reasonable endeavours to procure that each of their associates shall, among other things:

(a) not take any action that is intended to preclude or inhibit the Company or any other member of the Group from operating independently of either of the Controlling Shareholders at all times;
(b) make and conduct all transactions and arrangements with the Company on an arm's length and normal commercial basis;
(c) not take any action that would have the effect of preventing the Board from being comprised of at least a majority of Directors who are independent of the Controlling Shareholders and their respective associates;
(d) not take any action that would have the effect of preventing the Directors, the Company or any other member of the Group from complying with obligations under any applicable laws;
(e) where the Company or any member of the Group has entered into a contract or other arrangement with either of the Controlling Shareholders and/or any of their respective associates, ensure that the relevant Controlling Shareholder and/or any of their respective associates procures that any decisions as to the implementation, amendment or enforcement of such contract or arrangement are taken independently of them and (in so far as they are able) their respective associates;
(f) procure that any disputes between the Company (or any member of the Group) and either of the Controlling Shareholders and/or any of their respective associates shall be exclusively dealt with on behalf of the Company or the relevant member of the Group by the Directors other than the Controlling Shareholders and, if applicable, their respective associates; and
(g) exercise any of their voting or other rights and powers as shareholders of the Company to procure that:
    (i) the Group is managed for the benefit of shareholders as a whole and independently of the Controlling Shareholders and their respective associates, rather than for the benefit of any particular shareholder or group of shareholders of the Company; and
    (ii) subject to the applicable laws and the provisions of the Relationship Agreement, the Company is managed in accordance with the chosen Corporate Governance Code (pursuant to AIM Rule 26) to the extent practicable and appropriate for the size, stage of development and operations of the Group from time to time.

Compensation paid to Directors and key management is as disclosed in note 9 to the consolidated financial statements on page 99.

The Group leases certain property from Mark Radcliffe and from Radcliffe Property Management Limited, a third party for which Mark Radcliffe is an Executive Director. Related party transactions are disclosed within note 32 to the consolidated financial statements on page 114.

Research and development

Innovation, specifically in software, is a critical element of Victorian Plumbing's strategy and therefore of the future success of the Group. Accordingly, the majority of the Group's research and development expenditure is predominantly related to this area.

During the year, the Group capitalised £2.6 million of salaries in relation to internally developed software (2022: £2.2 million).

Indemnities and insurance

The Company maintains Directors' and Officers' liability insurance which gives appropriate cover for any legal action brought against its Directors. The Company has also provided an indemnity for its Directors, which is a qualifying third party indemnity provision, for the purposes of Section 234 of the Companies Act 2006.

Environmental

Information on the Group's greenhouse gas emissions is set out in the Environmental, Social and Governance section on page 30 and forms part of this report by reference.

Political donations

There were no political donations made during the year or the previous year.

Post balance sheet events

On 4 October 2023, the Company legally completed a 20-year lease for its new distribution centre in Leyland, Lancashire.

External branches

The Group had no active registered external branches during the reporting period.

Disabled employees

The Group gives full consideration to applications for employment from disabled persons when the requirements of the role can be adequately fulfilled. Where existing employees become disabled, it is the Group's policy to provide continuing employment under normal terms and conditions whenever possible.

Interest in voting rights

At the date of this report, the Company had been notified, in accordance with Chapter 5 of the Financial Conduct Authority's Disclosure and Transparency Rules, or was aware of (to the best of its knowledge) of the following significant interest in the issued ordinary share capital of the Company:

Shareholder	Number of ordinary shares/ voting rights	Percentage of voting rights over ordinary shares of £0.001 each
Mark Radcliffe	153,079,642	47.07%
Neil Radcliffe	30,205,232	9.29%
Kayne Anderson Rudnick	17,195,544	5.29%
Paradice Investment Management	16,235,753	4.99%
Tenzing Global Investors	11,119,641	3.42%
Carole Radcliffe	10,708,031	3.29%
Martin Stewart	10,708,031	3.29%

There have been no other changes to the disclosure of significant interests since the year end.

Disclosure of information to auditors

Each of the Directors has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the Director has taken all the steps that he/she ought to have taken as a Director to make him/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Alex Singer
Company Secretary
21 November 2023

Directors' Report continued

Statement of Directors' responsibilities in respect of the Annual Report and financial statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the Group and parent company financial statements in accordance with UK-adopted international accounting standards ("IFRSs"), and the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ('FRS 102'). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (and in respect of the parent company financial statements, Section 10 of FRS 102) and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs (and in respect of the parent company financial statements, FRS 102) is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and Company financial position and financial performance;
- in respect of the Group financial statements, state whether UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- in respect of the parent company financial statements, state whether UK-adopted international accounting standards, including FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and/or the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's and Group's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the Company and the Group financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the Directors are also responsible for preparing a Strategic report, Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that comply with that law and those regulations. The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's corporate website.

Directors' responsibility statement

The Directors confirm, to the best of their knowledge:

- that the consolidated financial statements, prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit of the parent company and undertakings included in the consolidation taken as a whole;
- that the Annual Report, including the Strategic report, includes a fair review of the development and performance of the business and the position of the Company and undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- that they consider the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy.

Approval of Annual Report

The Strategic report and the Corporate Governance Report were approved by the Board on 21 November 2023.

Approved by the Board and signed on its behalf.

Mark Radcliffe
Chief Executive Officer

Daniel Barton
Chief Financial Officer
21 November 2023

Independent Auditor's Report to the members of Victorian Plumbing Group plc

Opinion

In our opinion:

- Victorian Plumbing Group plc's group financial statements and parent company financial statements (the 'financial statements') give a true and fair view of the state of the group's and of the parent company's affairs as at 30 September 2023 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Victorian Plumbing Group plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 September 2023 which comprise:

Group	Parent company
Consolidated statement of financial position as at 30 September 2023	Balance sheet as at 30 September 2023
Consolidated statement of comprehensive income for the year then ended	Statement of changes in equity for the year then ended
Consolidated statement of changes in equity for the year then ended	
Consolidated statement of cash flows for the year then ended	Related notes 1 to 15 to the financial statements including a summary of significant accounting policies
Related notes 1 to 35 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group and parent company's ability to continue to adopt the going concern basis of accounting included the following procedures:

- In conjunction with our walkthrough of the Group's financial statement close process, we confirmed our understanding of management's going concern assessment process.
- We obtained management's going concern assessment, including the cash forecasts for the going concern review period being the period to 31 December 2024. The Group has modelled a base case scenario and severe but plausible downside scenarios and a reverse stress test. The sensitivities include considering the potential impact of a generalised economic downturn leading to a greater impact on the spending patterns of consumers than has been experienced to date, increased marketing spend, and an increased supplier cost base. The extent to which these factors could adversely affect the Group's revenue, EBITDA and cash was modelled and consideration given to mitigating actions.
- We have tested the factors and assumptions included in each modelled scenario for the cash forecasts and we have considered the impact of rising costs and consumer behaviour arising from the cost of living crisis. This includes challenging the assumptions used in the stress testing performed by group management. We utilised industry reports to interrogate the assumptions included by management. We considered the appropriateness of the methods used to calculate the cash forecasts and determined that they were appropriately sophisticated to be able to make an assessment on going concern. We also checked the arithmetical accuracy of the model, as well as the starting cash position as at 1 October 2023.
- We assessed management's reverse stress test in order to identify what factors would lead to the Group utilising all available liquidity during the going concern period noting that this would require a reduction in revenue of more than 50% from the base case assumptions with no mitigating action taken.
- We assessed management's forecast accuracy by comparing actual recent trading performance with forecasts, including post year end trading.
- We enquired of management as to their knowledge of events or conditions beyond the period of their assessment that may cast significant doubt on the entity's ability to continue as a going concern. No such events or conditions were noted and we did not identify any contradictory evidence to suggest otherwise.
- We read board minutes for any inconsistencies with the risks considered in the going concern assessment.
- We reviewed the Group's going concern disclosures included in the annual report in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

Independent Auditor's Report to the members of Victorian Plumbing Group plc continued

We note that management has performed a going concern assessment with a base case scenario and severe but plausible downside sensitivity. The group has a revolving credit facility in place of £10 million which expires in December 2025 is currently not utilised, nor is it forecast to be utilised in any of the scenarios modelled by management.

Overview of our audit approach

Audit scope	• We performed an audit of the complete financial information of three components. • The components where we performed full or specific audit procedures accounted for 100% of Adjusted profit before tax, 100% of Revenue and 100% of Total assets.
Key audit matters	• Revenue recognition
Materiality	• Overall group materiality of £907,000 which represents 5% of Adjusted profit before tax.

An overview of the scope of the parent company and group audits

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group-wide controls, changes in the business environment and other factors such as recent Internal audit results when assessing the level of work to be performed at each company.

In assessing the risk of material misstatement to the Group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, of the three reporting components of the Group, we selected all three components, with one component representing the principal business unit within the Group.

We performed an audit of the complete financial information of all three components ("full scope components") which were selected based on their size or risk characteristics.

The reporting components where we performed audit procedures accounted for 100% (2022: 100%) of the Group's Adjusted Profit Before Tax, 100% (2022:100%) of the Group's Revenue and 100% (2022: 100%) of the Group's Total assets.

Involvement with component teams

All audit work performed for the purposes of the audit was undertaken by the Group audit team.

Climate change

There has been increasing interest from stakeholders as to how climate change will impact Victorian Plumbing Group plc. The Group has determined that the effects of climate change are not expected to have a significant impact on the Group's operations nor the viability of the Group over the next three years.

These effects are referenced on pages 30 to 31 in the sustainability report and on page 50 in the principal risks and uncertainties, which form part of the "Other information," rather than the audited financial statements. Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements, or our knowledge obtained during the audit or otherwise appear to be materially misstated.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the Audit and Risk Committee
Revenue recognition: cut off around year end **(Revenue 2023: £285.1m, 2022: £269.4m)** *Refer to the Audit and Risk Committee Report (page 65); Accounting policies (page 90); and Note 5 of the Consolidated Financial Statements (page 97)* Risk of inappropriate revenue recognition. This could occur as a result of management override of controls over journal entries recorded to revenue outside the normal flow of transactions throughout the year or through bias adopted in the assumptions used by management to calculate the year-end refund liability and deferred income calculation. Management's incentive to overstate revenue may be driven by weaker than expected results in FY23.	• Gained an understanding of and documented the key processes used to record revenue transactions by performing a walkthrough of the processes. • Used a data driven approach to identify journals to revenue outside of the normal flow of transactions. We assessed any material journals not posted to receivables or cash for any evidence of management bias by corroborating to supporting documentation. • Performed analytical procedures to compare monthly revenue trends to identify unusual items. • Tested management's deferred income cut-off adjustment for completeness by testing a sample of items from the full year's revenue (weighted towards items despatched in September) as well as a sample of items from post year end deliveries from the top 2 couriers used. We verified the delivery date on all items to third party tracking support ensure that where appropriate, revenue was deferred at the year end. • Assessed the completeness of the refund liability by reference to historical trend analysis and performed testing over a sample of post-year end credit notes to the end of October to ensure that revenue had been reversed where a subsequent credit note had been raised.	Revenue has been recognised appropriately in the correct period and in accordance with IFRS 15, Revenue from Contracts with Customers. We did not identify instances of management override of controls in relation to revenue.

Independent Auditor's Report to the members of Victorian Plumbing Group plc continued

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the Group to be £907,000, which is 5% of Adjusted Profit before tax. Profit before tax is a key performance indicator used by management to monitor the Group's performance and also the figure which we believe to be the most relevant to the shareholders when assessing the performance of the Group. However, we considered the Adjusted profit before tax figure (adjusted for IPO related share-based payment charges) to be a more appropriate performance metric on which to base our materiality calculation, as the costs associated with the issuance of share based payments during the year (which are classified separately on the consolidated statement of comprehensive income) are not indicative of the underlying operational performance of the Group.

Starting basis	• Profit before tax - £15,771,000
Adjustments	• Remove exceptional items of £2,369,000 relating to IPO share based payment costs
Materiality	• Totals £18,140,000 adjusted profit before tax • Materiality of £907,000 (5% of profit before tax and exceptional items)

During the course of our audit, we reassessed initial materiality using the yearend figures per the financial statements, which lead to no significant change in our materiality levels.

We determined statutory materiality for the parent company and have capped at the group materiality of £907,000.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2022: 75%) of our planning materiality, namely £680,000 (2022: £589,000).

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the Group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £136,000 to £646,000 (2022: £68,000 to £525,000).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit and Risk Committee that we would report to them all uncorrected audit differences in excess of £45,000 (2022: £39,000), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on page 75, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Opinions on other matters as per the terms of our engagement letter with the Company

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the basis of preparation set out in note 1.

Corporate Governance Statement

ISAs (UK) require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group and company's compliance with the provisions of the UK Corporate Governance Code specified for our review.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting set out on page 51;
- Directors' explanation as to its assessment of the company's prospects, the period this assessment covers and why the period is appropriate set out on page 51;
- Directors' statement on fair, balanced and understandable set out on page 78;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 46;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 44; and
- The section describing the work of the Audit and Risk Committee set out on pages 65 to 68.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 78, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and determined that the most significant frameworks which are directly relevant to specific assertions in the financial statements are those that relate to the reporting framework (international accounting standards in conformity with the requirements of the Companies Act 2006, AIM Rules, UK Tax Legislation, General Data Protection Regulation, and the voluntarily compliance with UK Corporate Governance Code 2018).
- We understood how Victorian Plumbing Group plc is complying with those frameworks by making enquiries of management, those responsible for legal and compliance procedures and the Company Secretary. We corroborate our enquiries through our review of board minutes, papers provided to the Audit and Risk Committee and discussions with the Audit and Risk Committee.

Independent Auditor's Report to the members of Victorian Plumbing Group plc continued

- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by meeting with management and those charged with governance to understand where it considered there was a susceptibility to fraud. We also considered areas of significant judgement including complex transactions, performance targets, economic or external pressures and the impact that these have on the control environment. Where the risk was considered to be higher, we performed audit procedures to address each identified fraud risk, refer to the Key Audit Matters section for further details. These procedures included testing manual journals and were designed to provide reasonable assurance that the financial statements were free from material fraud or error.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. For both direct and other laws and regulations, we considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items. Our procedures involved making enquiries with those charged with governance and senior management, journal entry testing – with a focus on consolidation journals and journals indicating large or unusual transactions based on our understanding of the business and focused testing, as referred to in the key audit matters section above. In addition, we completed procedures to conclude on the compliance of the disclosures in the Annual Report and Accounts with the requirements of the relevant accounting standards, UK legislation and voluntary compliance with the UK Corporate Governance Code 2018. There were no significant instances noted of non-compliance with laws and regulations.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Victoria Venning (Senior statutory auditor)
for and on behalf of Ernst & Young LLP,
Statutory Auditor
Manchester
21 November 2023

Consolidated statement of comprehensive income

for the year ended 30 September 2023

	Note	2023 £m	2022 £m
Revenue	5	**285.1**	269.4
Cost of sales		**(150.5)**	(148.4)
Gross profit		**134.6**	121.0
Administrative expenses before separately disclosed items	6	**(114.6)**	(105.0)
Adjusted operating profit		**20.0**	16.0
Separately disclosed items			
Share-based payments	29	**(3.9)**	(3.9)
Exceptional items	7	**(0.8)**	–
Operating profit		**15.3**	12.1
Finance income/(costs)	10	**0.3**	(0.3)
Profit before tax		**15.6**	11.8
Income tax expense	11	**(3.8)**	(2.6)
Profit for the year		**11.8**	9.2
Earnings per share (pence)			
Basic	13	**4.1**	3.3
Diluted	13	**3.7**	2.9

All amounts relate to continuing operations.

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

Consolidated statement of financial position

at 30 September 2023

	Note	2023 £m	2022 £m
Assets			
Non-current assets			
Intangible assets	14	**4.0**	3.3
Property, plant and equipment	15	**4.9**	1.4
Right-of-use assets	16	**4.3**	4.5
Derivative financial instruments		**0.4**	0.7
Deferred tax asset	25	**–**	0.1
		13.6	10.0
Current assets			
Inventories	17	**34.2**	33.9
Trade and other receivables	18	**4.8**	5.1
Cash and cash equivalents		**46.4**	45.5
		85.4	84.5
Total assets		**99.0**	94.5
Equity and liabilities			
Equity attributable to the owners of the Company			
Share capital	27	**0.3**	0.3
Share premium		**11.2**	11.2
Capital redemption reserve		**0.1**	0.1
Capital reorganisation reserve		**(320.6)**	(320.6)
Retained earnings		**357.8**	353.0
Total equity		**48.8**	44.0
Liabilities			
Non-current liabilities			
Lease liabilities	21	**3.8**	4.1
		3.8	4.1
Current liabilities			
Trade and other payables	19	**38.0**	37.9
Contract liabilities	20	**5.4**	7.1
Lease liabilities	21	**1.0**	0.9
Provisions	26	**0.2**	0.2
Corporation tax payable		**1.8**	0.3
		46.4	46.4
Total liabilities		**50.2**	50.5
Total equity and liabilities		**99.0**	94.5

The financial statements were approved by the Board of Directors on 21 November 2023 and authorised for issue.

Daniel Barton
Chief Financial Officer

Victorian Plumbing Group plc
Registered number: 13379554

Consolidated statement of changes in equity

for the year ended 30 September 2023

	Note	Share capital £m	Share premium £m	Capital redemption reserve £m	Capital reorganisation reserve £m	Retained earnings £m	Total equity £m
Balance at 1 October 2021		0.3	11.2	0.1	(320.6)	339.8	30.8
Comprehensive income							
Profit for the year		–	–	–	–	9.2	9.2
Transactions with owners							
Employee share schemes – value of employee services	29	–	–	–	–	3.9	3.9
Tax impact of employee share schemes		–	–	–	–	0.1	0.1
Total transactions with owners recognised directly in equity		–	–	–	–	4.0	4.0
Balance at 30 September 2022		**0.3**	**11.2**	**0.1**	**(320.6)**	**353.0**	**44.0**
Comprehensive income							
Profit for the year						**11.8**	**11.8**
Transactions with owners							
Dividends paid	12					**(10.6)**	**(10.6)**
Employee share schemes – value of employee services	29					**3.5**	**3.5**
Tax impact of employee share schemes						**0.1**	**0.1**
Total transactions with owners recognised directly in equity						**(7.0)**	**(7.0)**
Balance at 30 September 2023		**0.3**	**11.2**	**0.1**	**(320.6)**	**357.8**	**48.8**

Consolidated statement of cash flows
for the year ended 30 September 2023

	Note	2023 £m	2022 £m
Cash flows from operating activities			
Cash generated from operating activities before exceptional items	30	19.8	18.3
Cash outflow from exceptional items		(0.6)	–
Cash generated from operating activities		19.2	18.3
Income tax paid		(2.1)	(1.4)
Interest received on cash deposits		0.6	–
Net cash generated from operating activities		17.7	16.9
Cash flows from investing activities			
Purchase of intangible assets	14	(3.0)	(2.6)
Purchase of property, plant and equipment	15	(2.0)	(0.3)
Cash used in by investing activities		(5.0)	(2.9)
Cash flows from financing activities			
Dividends paid	12	(10.6)	–
Finance arrangement fees	22	(0.1)	(0.1)
Payment of interest portion of lease liabilities	21	(0.2)	(0.2)
Payment of principal portion of lease liabilities	21	(0.9)	(0.9)
Net cash used in financing activities		(11.8)	(1.2)
Net increase in cash and cash equivalents		0.9	12.8
Cash and cash equivalents at beginning of year		45.5	32.7
Cash and cash equivalents at end of year		46.4	45.5

Notes to the consolidated financial statements

1. General information
Victorian Plumbing Group plc is a public limited company which is listed on the Alternative Investment Market ("AIM") of the London Stock Exchange and is domiciled and incorporated in the United Kingdom under the Companies Act 2006. The consolidated financial statements of the Company as at and for the year ended 30 September 2023 comprise the Company and its interest in subsidiaries (together referred to as the "Group").

The consolidated financial statements of the Group as at and for the year ended 30 September 2023 are available upon request to the Company Secretary from the Company's registered office at 22 Grimrod Place, Skelmersdale, England, WN8 9UU or are available on the corporate website at victorianplumbingplc.com.

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

Basis of consolidation
Subsidiaries are all entities over which the Group has control. Control exists when the Group has existing rights that give it the ability to direct the relevant activities of an entity and has the ability to affect the returns the Group will receive as a result of its involvement with the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intercompany transactions and balances between Group companies are eliminated on consolidation.

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. The Directors have considered a number of key dependencies, which are set out in the Group's risk management section, specifically the Group's exposure to liquidity risk and foreign exchange risk as described in note 23.

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 going concern review period up to 31 December 2024. The assumptions used in the financial forecasts are based on the Group's historical performance and management's extensive experience of the industry. Taking into consideration the wider economic environment, the forecasts have been assessed and stress tested to ensure that a robust assessment of the Group's working capital and cash requirements has been performed.

Liquidity and financing
At 30 September 2023, the Group held instantly accessible cash of £46.4 million. The Group also has access to a revolving credit facility of £10.0 million with HSBC which was undrawn at 30 September 2023 and does not expire until December 2025. There is a sufficient level of liquidity and financing headroom post stress testing across the going concern forecast period to 31 December 2024, as outlined in more detail below.

Approach to stress testing
The going concern analysis, which was approved by the Board in November 2023, reflected the actual trading to October 2023, as well as detailed financial forecasts for the period up to 31 December 2024. The Group has taken a measured approach to its forecasting. The Group has balanced the expected trading conditions with opportunities available in a growing market which is transitioning online and the fact that it continues to lead the bathroom market.

Given the uncertainty around the impact of the current macroeconomic environment, in its assessment of going concern, the Board has considered the potential impact of an economic downturn leading to a greater impact on the spending patterns of consumers. The extent to which this could adversely affect the Group's revenue and gross margin has been modelled, and the Board has considered likely areas of mitigations available to the Group should these scenarios play out.

The Group has prepared a hypothetical, albeit severe, downside scenario in comparison to the base case, incorporating all the following factors without recourse to mitigating actions:

- A lower growth of dispatched order volumes than that achieved in FY23
- A decrease in average order value
- A decrease in gross margin
- An increase in marketing spend as a proportion of revenue

The effect of applying all the above downsides simultaneously is a reduction in adjusted EBITDA of c.28% in FY23. Management has not factored in any cost savings or mitigating factors that could be executed, for example, negotiating payment terms with suppliers and continuing to manage stock levels to reflect changes in consumer demand.

This severe, downside scenario still results in sufficient cash forecast to be held throughout the period to 31 December 2024 to cover the Group's liabilities as they fall due, without utilisation of the Group's revolving credit facilities.

Going concern conclusion
Based on the analysis described above, 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 2024. Accordingly, the Directors conclude it is appropriate that these consolidated financial statements be prepared on a going concern basis.

2. Significant accounting policies

2.1 Changes in significant accounting policies

New and amended standards adopted by the Group

The following amendments to standards have been adopted by the Group for the first time for the financial year beginning on 1 October 2022:

- Narrow scope amendments to IFRS 3, IAS 16, IAS 37
- Annual improvements on IFRS 1, IFRS 9, IFRS 16

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated. The adoption of these amendments has had no material effect on the Group's consolidated financial statements.

Standards, amendments and interpretations to existing standards that are not yet effective

There are a number of amendments to IFRS that have been issued by the IASB that become mandatory in a subsequent accounting period including: Definition and disclosure of accounting policies – Amendments to IAS 1, IAS 8, IAS 12.

The Group has evaluated these changes and none are expected to have a significant impact on these consolidated financial statements.

2.2 Existing significant accounting policies

The following accounting policies applied by the Group in these consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 30 September 2022.

Revenue

The Group derives revenue from contracts with customers relating to sales of bathroom furniture and accessories. Revenue is measured based on the consideration specified in a contract with a customer. Revenue is stated net of discounts, rebates, refunds and value-added tax.

Revenue is recognised from the sale of goods when the Group has satisfied its performance obligation by transferring control of the promised good to the customer. Control is usually transferred to the customer on delivery of the bathroom furniture or accessories to the customer's location.

The Group's policy is to sell its products to customers with a right to return within 30 days, and at its discretion may accept returns after this period. The Group estimates the value of goods that are expected to be returned based on historic data. A refund liability and a right-of-return asset is recognised. The right-of-return asset is measured at the former carrying amount of the inventory less any expected costs to recover the goods. The refund liability is recognised for 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. Refund liabilities are included within trade and other payables (refer to note 19). The Group reviews its estimate of expected returns at each reporting date.

The Group does not offer loyalty points to customers nor are any warranties, other than assurance-type warranties (note 26), offered by the Group.

Cost of sales

Cost of sales includes all direct costs incurred in purchasing products for resale along with packaging, distribution and transaction costs (which include mark to market movements on forward currency contractual arrangements in line with our treasury policy).

Contract liability

Cash is received from customers in advance of delivery of goods and so deferred income is recognised as a contract liability.

Rebates

Rebates from suppliers are accounted for in the period in which they are earned and are based on commercial agreements with suppliers. Rebates earned are mainly purchase volume related and are generally short-term in nature, with rebates earned but not yet received typically relating to the preceding quarter's purchases. Rebate income is recognised in cost of sales in the income statement and rebates earned but not yet received are included in accrued income in the statement of financial position. Accrued rebate income is included within trade and other receivables (refer to note 18).

Employee benefits

Defined contribution pension plan

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions. Payments made to state managed retirement benefit plans are accounted for as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

Short-term benefits

Short-term benefits, including holiday pay and other similar non-monetary benefits, are recognised as an expense in the period in which the employee's entitlement to the benefit accrues.

Share-based payments

The Group operates equity-settled share-based payment options and accounts for these awards in accordance with IFRS 2 'Share-based Payments'.

Equity-settled awards are valued at the grant date, and the fair value is charged as an expense in the income statement spread over the vesting period with a corresponding change in equity. The fair value of each award is measured using a Black-Scholes model. The charge is reassessed at each reporting date to reflect the expected and actual levels of vesting. The Group recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

Finance income

Interest income is recognised in the income statement using the effective interest method.

Finance costs

Finance costs are charged to the income statement over the term of the debt using the effective interest method.

Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities and there is an intention to settle the balances on a net basis.

Separately disclosed items (non-GAAP)

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.

Exceptional items (non-GAAP)

The Group's income statement separately identifies exceptional items. Such items are those that, in the Directors' judgement, are one-off in nature or non-operating and need to be disclosed separately by virtue of their size or incidence and may include, but are not limited to, restructuring costs, acquisition/transformation related costs (including associated legal fees), costs of implementing new systems, impairment of assets and income from legal or insurance settlements. In determining whether an item should be disclosed as an exceptional item, the Directors consider quantitative as well as qualitative factors such as the frequency, predictability of occurrence and significance. This is consistent with the way financial performance is measured by management and reported to the Board. Disclosing exceptional items separately provides additional understanding of the performance of the Group.

Adjusted EBITDA (non-GAAP)

Adjusted EBITDA is EBITDA (earnings before interest, tax, depreciation and amortisation) less separately disclosed items (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 Board to understand the earnings trends of the operating group (note 4) and is considered an additional, useful measure under which to assess the operating performance of the operating group.

Adjusted operating profit (non-GAAP)

Adjusted operating profit is operating profit less separately disclosed items (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 Board to understand the earnings trends of the Operating group and is considered an additional, useful measure under which to assess the operating performance of the operating group (note 4).

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Leadership Team that makes strategic decisions (note 4).

2. Significant accounting policies continued

Underlying costs (non-GAAP)

Underlying costs are defined as administrative expenses before depreciation and amortisation, and separately disclosed items.

Foreign currency
Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in sterling (£), which is the Group's functional and presentational currency.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in the income statement.

Intangible assets
Costs associated with maintaining computer software programs are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it; and there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software development costs recognised as assets are amortised over their estimated useful lives, which is 2–3 years.

IFRIC cloud computing developments are not relevant for the Group as all intangibles are developed in-house, and only stored on the cloud. These storage costs are not capitalised.

Property, plant and equipment
Property, plant and equipment are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Depreciation is provided on all property, plant and equipment at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their estimated useful lives as follows:

Leasehold improvements	– Amortised over the lease period
Plant and machinery	– 4 years
Fixtures and fittings	– 4 years
Office equipment	– 4 years

The residual values, useful lives and methods of depreciation of property, plant and equipment are reviewed at each reporting date and adjusted prospectively, if appropriate.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the income statement within administrative expenses.

Leases
The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones) with a value of less than £5,000. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

For all other leases, the lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset, as detailed below:

Leasehold property	– Lease term
Plant and machinery	– Shorter period of 4 years or the lease term
Motor vehicles	– Shorter period of 4 years or the lease term

If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented within non-current assets in the statement of financial position (note 16). The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Impairment of non-financial assets' policy.

Inventories
Inventories are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is determined using the first-in, first-out ("FIFO") method. Where necessary, a provision is made to reduce the carrying value to no less than net realisable value, having regard to the nature and condition of inventory.

Costs include all costs incurred in bringing each product to its present location and condition. This includes the purchase cost of products and import duties.

Financial instruments
Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Initial recognition and measurement
The Group classifies financial assets on initial recognition as measured at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVTPL") based on the Group's business model for managing the financial asset and the cash flow characteristics of the financial asset.

Financial liabilities are classified and measured at amortised cost except for those derivative liabilities that are measured at FVTPL.

All financial assets and financial liabilities are initially measured at fair value, including transaction costs, except for those classified as FVTPL which are initially measured at fair value excluding transaction costs. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in the income statement.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVTPL

Derecognition
Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when the obligations specified in the contracts are discharged, cancelled or expire. On derecognition of a financial asset or liability, any difference between the carrying amount extinguished and the consideration paid is recognised in the income statement.

2. Significant accounting policies continued

Impairment
For trade receivables and contract assets, the Group applies a simplified approach in calculating expected credit losses (“ECLs”). Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Derivatives
Derivative financial instruments are used to manage the risks arising from changes in foreign currency exchange rates relating to the purchase of overseas products.

The Group enters into derivative financial instruments to manage its exposure to foreign exchange risk via forward currency contracts. The Group does not hold or issue derivative financial instruments for speculative purposes.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting date. The resulting gain or loss is recognised in the income statement and presented within administrative expenses.

Cash and cash equivalents
Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with near insignificant risk of change in value, and have original maturities of three months or less.

Borrowings
Borrowings are recognised initially at fair value, net of transaction costs incurred, and are subsequently carried at amortised cost, with any difference between the proceeds (net of transaction costs) and the redemption value being recognised in the income statement over the period of the borrowings using the effective interest method.

Finance and issue costs associated with the borrowings are charged to the income statement using the effective interest rate method from the date of issue over the estimated life of the borrowings to which the costs relate.

Borrowings are derecognised when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, such that the difference in respective carrying amounts together with any costs or fees incurred are recognised in the income statement. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

Impairment of non-financial assets
The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s (“CGU’s”) fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a post-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group’s CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of three years. A long-term growth rate is calculated and applied to project future cash flows after the third year.

Impairment losses of continuing operations are recognised in the income statement in expense categories consistent with the function of the impaired asset.

Provisions
General
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current post-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Warranties
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 is recognised when the product is sold. Initial recognition is based on historical experience. The estimate of the warranty-replaced costs is revised every six months.

Share capital
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction from the proceeds.

Where the Group purchases its own equity share capital, the consideration paid is deducted from equity attributable to the Group’s shareholders. Where such shares are subsequently cancelled, the nominal value of the shares repurchased is deducted from share capital and transferred to a capital redemption reserve. Where the Group purchases its own equity share capital to hold in treasury, the consideration paid for the shares is shown as own shares held within equity.

Share premium
The amount subscribed for the ordinary shares in excess of the nominal value of these new shares is recorded in share premium. Costs that directly relate to the issue of ordinary shares are deducted from share premium net of corporation tax.

Shares held by the Employee Share Option Trust
The Employee Share Option Trust (“ESOT”) provides for the issue of shares to Group employees principally under share option schemes. The Group has control of the ESOT and therefore consolidates the ESOT in the Group financial statements. Accordingly, shares in the Company held by the ESOT are included in the statement of financial position at cost as a deduction from equity.

Capital reorganisation reserve
The capital reorganisation reserve arose on consolidation as a result of the share-for-share exchange on 27 May 2021 as part of the IPO readiness.

Dividends
The Company recognises a liability to pay a dividend when the distribution is authorised and the distribution is no longer at the discretion of the Company. In accordance with UK company law, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

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

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

3. Judgements in applying accounting policies and sources of estimation uncertainty
Estimates and judgements are continually evaluated and are based on historical experience and other factors, including the expectations of future events that are believed to be reasonable under the circumstances.

3a) Significant judgements in applying the entity’s accounting policies
Share-based payments
Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions.

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

No further significant judgements were required in the process of applying the Group’s accounting policies for these consolidated financial statements.

3b) Significant sources of estimation uncertainty
Other share-based payments
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 and Monte Carlo model have 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 29).

Revenue cut-off
The Group’s management information systems are configured to recognise revenue upon dispatch of inventory from the Group’s warehouses, which may not be aligned to when control has transferred to the customer. Management therefore performs an assessment to capture items that have been dispatched from the Group’s warehouses but not yet delivered by the reporting date, subsequently deferring the recognition of revenue and associated cost of sales into the following period. This gives rise to deferred income, which is recognised as a contract liability and associated inventory in the consolidated statement of financial position.

Management uses a fixed number of distributor platforms to establish the value of revenue to defer. Where this is not possible in good time, an estimate is made based on the last quarter’s data. The shipment delay identified in the distributors tested is extrapolated to the remaining couriers.

3. Judgements in applying accounting policies and key sources of estimation uncertainty continued

3c) Other accounting judgements and sources of estimation uncertainty

Refund liability and right-of-return asset

The refund liability that is recognised within the consolidated financial statements 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 and associated right-of-return asset are estimated using historical rates of the level of refunds relative to revenue.

	2023	2022
Revenue (£m)	285.1	269.4
Refund liability (£m)	0.9	1.0
Refund liability % average quarterly sales	1.3%	1.3%
Right of return asset (£m)	0.3	0.3
Right of return asset % average quarterly sales	0.4%	0.4%

The impact on profit before taxation ("PBT") of increasing the refund rate by 1% of average quarterly revenue would be a reduction of £0.7 million (2022: a reduction of £0.7 million).

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 is recognised when the product is sold. Initial recognition is based on historical experience.

The warranty provision is estimated with reference to the historical level of credit notes raised relative to revenue.

	2023	2022
Revenue for the period (£m)	285.1	269.4
Warranty provision (£m)	0.2	0.2
Warranty provision % average quarterly sales	0.3%	0.2%

The impact on PBT of increasing the warranty provision by 0.5% of average quarterly revenue would be a reduction of £0.4 million (2022: a reduction of £0.3 million).

Intangible assets

Intangible assets relate to the development of the Group's internal bespoke software solutions and comprise both capitalised internal salaries and third party costs. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model.

Capitalisation of salaries

The Group capitalises salary costs for product development projects where employees have been working to enhance an asset. In determining the amounts to be capitalised, management makes assumptions regarding the proportion of time spent by employees on each project.

Impairment review

The Group does not have any indefinite life intangible assets and, given the short time periods between software releases, work in progress is minimal. Any assets held in the 'assets under construction' category will be brought into use in the next 12 months. Due to the nature of these assets and the efficiency gains we anticipate they will bring, an impairment review of these assets is not deemed to be necessary.

Inventory provision

Management has evaluated the level of inventory held and the ageing of inventory in order to consider the need for a provision over stock to cover either slow-moving items, obsolete items or items which the Group may sell at lower than cost. Management does not believe it is necessary to hold an inventory provision based on this analysis, which is consistent with the estimate made in previous years.

4. Segmental information and non-GAAP measures

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

Management has determined that there is one operating and reporting segment based on the reports reviewed by the ELT, which is the chief operating decision-maker. The ELT is made up of the Executive Directors and Key Management, and is responsible for the strategic decision-making of the Group.

Adjusted EBITDA

Operating costs, comprising administrative expenses, are managed on a Group basis. The ELT measures the overall performance of the Operating group by reference to adjusted EBITDA, which is a non-GAAP measure. EBITDA is defined as 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 ELT to understand the earnings trends of the Operating group and is considered an additional, useful measure under which to assess the operating performance of the Operating group.

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.

	2023 £m	2022 £m
Operating profit	15.3	12.1
Amortisation of intangible assets (note 14)	2.3	2.0
Depreciation on property, plant and equipment (note 15)	0.6	0.6
Depreciation on right-of-use assets (note 16)	0.9	0.9
Exceptional items (note 7)	0.8	–
Share-based payments (including associated national insurance charges) (note 29)	3.9	3.9
Adjusted EBITDA	23.8	19.5

Adjusted PBT

Operating costs, comprising administrative expenses, are managed on a Group basis. The ELT measures the overall performance of the Operating group by reference to adjusted PBT, which is a non-GAAP measure. Adjusted PBT is defined as adjusted EBITDA less finance income/(costs), depreciation and amortisation.

This adjusted profit measure is applied by the ELT as an alternative profitability measure, which incorporates the capital investment and the financing structure of the Group.

	2023 £m	2022 £m
Adjusted EBITDA	23.8	19.5
Finance income/(costs) (note 10)	0.3	(0.3)
Amortisation of intangible assets (note 14)	(2.3)	(2.0)
Depreciation on property, plant and equipment (note 15)	(0.6)	(0.6)
Depreciation on right-of-use assets (note 16)	(0.9)	(0.9)
Adjusted PBT	20.3	15.7

5. Revenue

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

	2023 £m	2022 £m
Online	283.6	267.7
Showroom	1.5	1.7
	285.1	269.4

All revenue arose within the United Kingdom.

6. Administrative expenses

Expenses by nature including exceptional items:

	2023 £m	2022 £m
Employee costs (excluding share-based payments) (note 8)	18.4	15.2
Agency and contractor costs	1.3	0.8
Share-based payments (including associated national insurance)	3.9	3.9
Marketing costs	79.2	76.2
Amortisation of intangibles (note 14)	2.3	2.0
Depreciation of property, plant and equipment (note 15)	0.6	0.6
Depreciation of right-of-use assets (note 16)	0.9	0.9
Property costs	6.3	5.1
Computer costs	2.5	1.6
Other costs	3.1	2.6
Exceptional items (note 7)	0.8	–
Total administrative expenses	119.3	108.9
Exceptional items (note 7)	(0.8)	–
Share-based payments (including associated national insurance) (note 29)	(3.9)	(3.9)
Total administrative expenses before separately disclosed items	114.6	105.0

Services provided by the Company's auditor

During the year, the Group obtained the following services from the operating company's auditor:

	2023 £m	2022 £m
Fees payable for the audit of the Company and consolidated financial statements	0.1	0.1
Fees payable for the audit of the subsidiary undertakings	0.1	0.1
	0.2	0.2

7. Exceptional items

	2023 £m	2022 £m
Warehouse transformation costs	0.8	–

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

8. Employee costs

Employee costs, excluding agency and contractor costs but including Directors' remuneration, were as follows:

	2023 £m	2022 £m
Wages and salaries	16.6	13.7
Social security costs	1.5	1.3
Cost of defined contribution scheme	0.3	0.2
Share-based payments (and associated national insurance) (note 29)	3.9	3.9
	22.3	19.1

Employee costs presented above exclude costs capitalised as part of software development as disclosed in note 14 of these consolidated financial statements. The Group capitalised salaries of £2.6 million in the year ended 30 September 2023 (2022: £2.2 million) for in-house development of computer software.

The average monthly number of employees, including the Directors, during the year were as follows:

	2023 Number	2022 Number
Warehouse	371	364
Office and management	241	208
	612	572

9. Directors' and Key Management remuneration

The remuneration of Directors is disclosed in the Directors' Remuneration Report on pages 70 to 74.

Key Management compensation

Key Management comprised the members of the ELT (who are defined in note 4) and the Non-Executive Directors. The remuneration of all Key Management (including all Directors) was as follows:

	2023 £m	2022 £m
Short-term employee benefits	1.8	1.6
Share-based payments	2.5	3.4
	4.3	5.0

10. Finance income/(costs)

	2023 £m	2022 £m
Interest on undrawn revolving credit facility (note 22)	(0.1)	(0.1)
Interest expense on lease liability (note 21)	(0.2)	(0.2)
Interest received on cash deposits	0.6	–
Total finance income/(costs)	0.3	(0.3)

11. Income tax expense

	2023 £m	2022 £m
Corporation tax		
Current tax on profits for the year	3.8	3.1
Adjustments in respect of previous periods	(0.2)	(0.3)
Total current tax	3.6	2.8
Deferred tax		
Adjustments in respect of previous periods	0.2	(0.1)
Effect of changes in tax rates	–	(0.1)
Total deferred tax	0.2	(0.2)
Taxation on profit	3.8	2.6

11. Income tax expense continued

Factors affecting tax charge for the year

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

	2023 £m	2022 £m
Profit on ordinary activities before tax	15.6	11.8
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 22% (2022: 19%)	3.4	2.2
Effects of:		
Expenses not deductible for tax purposes	0.1	–
Share options	0.3	0.8
Adjustments to tax charge in respect of prior periods	–	(0.4)
Total tax charge for the year	3.8	2.6

Taxation on items taken directly to equity was a credit of £0.1 million (2022: £0.1 million credit) relating to tax on share-based payments.

12. Dividends paid and proposed

	2023 Pence per share	2022 Pence per share	2023 £m	2022 £m
Final ordinary dividend recognised as distributions in the year	1.10	–	3.6	–
Special dividend recognised as distributions in the year	1.70	–	5.5	–
Interim ordinary dividend recognised as distributions in the year	0.45	–	1.5	–
Total dividend paid to shareholders in the year			10.6	–
Interim ordinary dividend	0.45	–	1.5	–
Final ordinary dividend	0.95	1.10	3.1	3.5
Total ordinary dividend	1.40	1.10	4.6	3.5
Special dividend	–	1.70	–	5.5
Total dividend	1.40	2.80	4.6	9.0

In order to distribute a total ordinary dividend for the year of 1.40 pence per share (2022: 1.10 pence per share), which would represent growth of 27%, the Board is recommending a full-year final ordinary dividend of 0.95 pence per share (2022: 1.10 pence per share). The Board is not recommending a special dividend (2022: 1.7 pence per share) as it prioritises the preservation of cash to finance the fit-out of the warehouse transformation without the need for indebtedness and to maintain the robustness of the balance sheet.

This results in a total cash distribution to shareholders of £4.6 million (£1.5 million interim paid and £3.1 million final to be paid), subject to shareholders' approval at the AGM on 27 February 2024. The dividends will be paid on 8 March 2024 to shareholders on the register of members at the close of business on 9 February 2024.

13. Earnings per share

Basic and diluted earnings per share

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

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

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

	Weighted average number of ordinary shares	Total earnings £m	Pence per share
Year ended 30 September 2023			
Basic EPS	284,604,317	11.8	4.1
Diluted EPS	317,483,119	11.8	3.7
Year ended 30 September 2022			
Basic EPS	275,832,944	9.2	3.3
Diluted EPS	315,898,691	9.2	2.9

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

	Weighted average number of shares 2023	Weighted average number of shares 2022
Weighted average number of shares for basic EPS	284,604,317	275,832,944
Dilutive impact of unvested ordinary shares in relation to share awards	32,878,802	40,065,747
Weighted average number of shares for diluted EPS	317,483,119	315,898,691

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

	2023 £m	2022 £m
Profit for the year	11.8	9.2
Exceptional items	0.8	–
Share-based payments	3.9	3.9
Tax effect	1.1	(0.7)
Total adjusted profit for the year	15.4	12.4

	Number	Number
Total issued share capital for the purposes of adjusted diluted EPS	325,227,984	325,062,985
Adjusted diluted EPS (pence)	4.7	3.8

The main factors driving the difference between weighted average number of ordinary shares and total issued share capital are the number of share awards outstanding as at 30 September 2023 (33,961,218) and the timing of share issues during the year to 30 September 2023 (6,662,449).

The Directors and management have redefined adjusted diluted EPS following stakeholder feedback, to aid comparability and simplicity. The denominator used in the calculation reflects the aggregate of shares in issue and those shares held in trust (together the total issued share capital) as at the balance sheet date, to represent a fully diluted EPS.

13. Earnings per share continued

Comparison of adjusted diluted EPS under previous measure vs. revised measure:

	Number	Number
Weighted average number of shares for the purposes of adjusted diluted EPS (original measure)	317,483,119	315,898,691
Total issued share capital for the purposes of adjusted diluted EPS (revised measure)	325,227,984	325,062,985
Adjusted diluted EPS, original measure (pence)	4.9	3.9
Adjusted diluted EPS, revised measure (pence)	4.7	3.8

14. Intangible assets

	Computer software £m	Assets under construction £m	Total £m
Cost			
At 30 September 2021	7.5	–	7.5
Additions	2.6	–	2.6
At 30 September 2022	**10.1**	**–**	**10.1**
Additions	2.8	0.2	3.0
At 30 September 2023	**12.9**	**0.2**	**13.1**
Accumulated amortisation			
At 30 September 2021	4.8	–	4.8
Charge for the year	2.0	–	2.0
At 30 September 2022	**6.8**	**–**	**6.8**
Charge for the year	2.3	–	2.3
At 30 September 2023	**9.1**	**–**	**9.1**
Net book value			
At 30 September 2021	2.7	–	2.7
At 30 September 2022	3.3	–	3.3
At 30 September 2023	**3.8**	**0.2**	**4.0**

Computer software comprises both internal salaries and external development capitalised in relation to the Group's bespoke operational software. The Group capitalised internal salaries of £2.6 million in the year ended 30 September 2023 (2022: £2.2 million) for in-house development of computer software. Assets under construction wholly represent capitalised internal salaries in relation to the warehouse transformation project.

For the year to 30 September 2023, the amortisation charge of £2.3 million (2022: £2.0 million) has been charged to administrative expenses in the income statement.

15. Property, plant and equipment

	Leasehold improvements £m	Plant and machinery £m	Fixtures and fittings £m	Office equipment £m	Assets under construction £m	Total £m
Cost						
At 30 September 2021	0.1	1.4	1.2	1.4	–	4.1
Additions	–	0.1	–	0.2	–	0.3
Disposals	–	(0.1)	(0.4)	(0.1)	–	(0.6)
At 30 September 2022	**0.1**	**1.4**	**0.8**	**1.5**	**–**	**3.8**
Additions	–	–	–	0.2	3.9	4.1
Disposals	–	(0.1)	(0.3)	(0.5)	–	(0.9)
At 30 September 2023	**0.1**	**1.3**	**0.5**	**1.2**	**3.9**	**7.0**
Accumulated depreciation						
At 30 September 2021	–	0.7	1.0	0.7	–	2.4
Charge for the year	–	0.2	0.1	0.3	–	0.6
Disposals	–	(0.1)	(0.4)	(0.1)	–	(0.6)
At 30 September 2022	**–**	**0.8**	**0.7**	**0.9**	**–**	**2.4**
Charge for the year	–	0.2	0.1	0.3	–	0.6
Disposals	–	(0.1)	(0.3)	(0.5)	–	(0.9)
At 30 September 2023	**–**	**0.9**	**0.5**	**0.7**	**–**	**2.1**
Net book value						
At 30 September 2021	0.1	0.7	0.2	0.7	–	1.7
At 30 September 2022	0.1	0.6	0.1	0.6	–	1.4
At 30 September 2023	**0.1**	**0.4**	**–**	**0.5**	**3.9**	**4.9**

The items within 'Assets under construction' wholly represent capital expenditure in relation to the warehouse transformation project.

Notes to the consolidated financial statements continued

16. Right-of-use assets

Right-of-use assets relate to leased warehouse and office facilities, and operational vehicles.

	Right-of-use assets £m
Cost	
At 30 September 2021	8.2
Modifications	0.1
At 30 September 2022	**8.3**
Modifications	**0.7**
At 30 September 2023	**9.0**
Accumulated depreciation	
At 30 September 2021	2.9
Charge for the year	0.9
At 30 September 2022	**3.8**
Charge for the year	**0.9**
At 30 September 2023	**4.7**
Net book value	
At 30 September 2021	5.3
At 30 September 2022	4.5
At 30 September 2023	**4.3**

During the year, the Group renewed the lease on two of its properties that had expired; this represents a modification under IFRS 16. The right-of-use asset was increased by £0.7 million to reflect the value of the assets after the modification and the corresponding lease liability increased by £0.7 million.

There are no terms of renewal, purchase options or escalation clauses on the leases.

17. Inventories

	2023 £m	2022 £m
Goods for resale	**34.1**	33.8
Packaging	**0.1**	0.1
	34.2	33.9

Inventories recognised in cost of sales as an expense in the year totalled £122.6 million (2022: £125.2 million). No impairment loss was recognised in cost of sales in the year (2022: £nil). The inventory provision at the year end totalled £nil (2022: £nil).

18. Trade and other receivables

	2023 £m	2022 £m
Trade receivables	**2.2**	2.0
Right-of-return asset	**0.3**	0.3
Accrued income	**0.6**	1.3
Prepayments	**0.9**	1.5
Amounts held in escrow	**0.8**	–
	4.8	5.1

The Group provides against trade receivables using the forward-looking expected credit loss model under IFRS 9. An impairment analysis is performed at each reporting date. Trade receivables, accrued income, and other receivables expected credit losses have been reviewed by management and have been determined to have an immaterial impact on these balances. Accrued income relates to rebates earned but not yet received.

19. Trade and other payables: amounts falling due within one year

	2023 £m	2022 £m
Trade payables	**23.9**	26.2
Other taxation and social security	**7.4**	6.9
Refund liability	**0.9**	0.8
Other payables	**1.3**	1.2
Accruals	**4.5**	2.8
	38.0	37.9

20. Contract liabilities

	2023 £m	2022 £m
Opening balance	**7.1**	7.9
Revenue recognised in the year that was included in contract liability balance at the beginning of the year	**(7.1)**	(7.9)
Additional deferred revenue in the period	**5.4**	7.1
Closing balance	**5.4**	7.1

Deferred revenue outstanding at each year end is expected to be recognised within revenue within six months from the reporting date.

21. Lease liabilities

	Lease liabilities £m
At 30 September 2021	5.8
Modifications	0.1
Interest expense	0.2
Lease payment	(1.1)
At 30 September 2022	**5.0**
Modifications	**0.7**
Interest expense	**0.2**
Lease payment	**(1.1)**
At 30 September 2023	**4.8**

During the year, the Group renewed the lease on two of its properties that had expired; this represents a modification under IFRS 16. The right-of-use asset was increased by £0.7 million to reflect the value of the assets after the modification and the corresponding lease liability increased by £0.7 million.

The Group had total cash outflows for leases of £1.1 million (2022: £1.1 million). The Group also had non-cash additions to right-of-use assets and lease liabilities of £nil (2022: £nil).

Lease liabilities as at 30 September were classified as follows:

	2023 £m	2022 £m
Current	**1.0**	0.9
Non-current	**3.8**	4.1
Total	**4.8**	5.0

22. Borrowings

	2023 £m	2022 £m
Amounts drawn under revolving credit facility	–	–
Unamortised debt issue costs	(0.1)	(0.1)
	(0.1)	(0.1)

On 6 July 2023, we successfully completed an extension of the RCF, which has total commitments of £10.0 million and a termination date of 31 December 2025. The facility is secured by a debenture dated 7 June 2021. Interest on the RCF is charged at SONIA plus a margin based on the consolidated leverage of the Group. A commitment fee of 40% of the margin applicable to the RCF is payable quarterly in arrears on unutilised amounts of the RCF. There is no requirement to settle all, or part, of the debt earlier than the termination date. At 30 September 2023, the Group had not utilised the RCF.

Unamortised debt issue costs of £0.1 million (2022: £0.1 million) are included in prepayments (note 18).

23. Financial instruments

	2023 £m	2022 £m
Financial assets		
Financial assets measured at amortised cost	3.6	3.3
Financial assets at fair value through profit and loss	0.4	0.7
Cash	46.4	45.5
	50.4	49.5
Financial liabilities		
Financial liabilities measured at amortised cost	30.6	31.0
Lease liabilities	4.8	5.0
	35.4	36.0

Financial assets that are debt instruments measured at amortised cost comprise trade receivables, accrued income, other debtors excluding supplier deposits, and amounts held in escrow.

Financial liabilities measured at amortised cost comprise trade payables, refund liability, other payables and accruals.

Financial assets measured at fair value through profit and loss comprise foreign exchange forward contracts. The Group uses foreign exchange forward contracts to manage some of its transaction exposures. The foreign exchange forward contracts are not designated as cash flow hedges and are entered into for periods generally from one to six months.

The Directors consider that the carrying amount of trade and other payables/trade receivables approximates to their fair value.

Financial risk management

Risk management

The Group seeks to reduce exposures to capital risk, liquidity risk, credit risk, interest rate risk and foreign currency risk, to ensure liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The Group does not engage in speculative trading in financial instruments and transacts only in relation to underlying business requirements, and in line with Board approved policy. The Group's treasury policies and procedures are periodically reviewed.

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders through an appropriate balance of debt and equity funding, while maintaining a strong credit rating and sufficient headroom. The Group makes adjustments to its capital structure in light of changes to economic conditions and the Group's strategic objectives. The Group has not made any changes to its capital management strategy in the year. The RCF remains unutilised; consequently no covenant compliance requirements have been in place during the year.

Interest rate risk

The Group has no external debt and holds significant cash, therefore any fluctuation in interest rates gives rise to variable interest income.

Credit risk

Credit risk principally arises on trade receivables. In the vast majority of cases, the Group takes payment in advance of dispatch and therefore the Group is not exposed to significant credit risk. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of financial assets mentioned above.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulties in meeting the obligations associated with its financial liabilities that are settled by delivering cash. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The following table details the Group's remaining contractual maturity for its financial liabilities based on undiscounted contractual payments:

Financial liabilities at 30 September 2023	Within a year £m	1 to 5 years £m	Over 5 years £m	Total £m
Trade payables	23.9	–	–	23.9
Other creditors	1.3	–	–	1.3
Lease liabilities	1.2	2.3	2.3	5.8
	26.4	2.3	2.3	31.0

Financial liabilities at 30 September 2022	Within a year £m	1 to 5 years £m	Over 5 years £m	Total £m
Trade payables	26.2	–	–	26.2
Other creditors	0.5	–	–	0.5
Lease liabilities	1.1	2.3	2.8	6.2
	27.8	2.3	2.8	32.9

Cash flow forecasting is performed on an ongoing basis by the Group's finance team. Rolling forecasts of the Group's liquidity requirements are monitored to ensure it has sufficient cash to meet operational needs.

Foreign exchange risk

The Group makes a significant amount of purchases from overseas and therefore is subject to fluctuations in foreign currency exchange rates, most notably in the US dollar rate. The Group enters into forward contracts to mitigate a part of the foreign exchange risk, in line with Board approved policy.

A 10% appreciation or depreciation of pound sterling against the US dollar would increase or (decrease) profit before tax based on the balances at the reporting date as follows:

	2023 £m	2022 £m
Strengthens by 10%	(0.5)	(0.3)
Weakens by 10%	0.6	0.3

24. Reconciliation of movements in liabilities to cash flows from financing activities

	Lease liabilities £m
Balance as at 1 October 2022	5.0
Changes from financing cash flows	
Payment of lease liabilities	(1.1)
Total changes from financing cash flows	(1.1)
Other changes – liability related	
Interest expense	0.2
Modifications	0.7
Total liability related other changes	0.9
Balance as at 30 September 2023	4.8

	Lease liabilities £m
Balance as at 1 October 2021	5.8
Changes from financing cash flows	
Payment of lease liabilities	(1.1)
Total changes from financing cash flows	(1.1)
Other changes – liability related	
Interest expense	0.2
Modifications	0.1
Total liability related other charges	0.3
Balance as at 30 September 2022	5.0

25. Deferred taxation

	Accelerated capital allowances £m	Share-based payments £m	Other £m	Total £m
Deferred taxation liabilities/(assets)				
At 30 September 2021	0.3	(0.2)	–	0.1
Charged/(credited) to the statement of comprehensive income	(0.2)	0.1	(0.1)	(0.2)
At 30 September 2022	0.1	(0.1)	(0.1)	(0.1)
Charged/(credited) to the statement of comprehensive income	–	–	0.1	0.1
At 30 September 2023	0.1	(0.1)	–	–

26. Provisions

	2023 £m	2022 £m
Warranty provision		
Opening balance	0.2	0.1
Utilised in year	(0.2)	(0.1)
Additional provision in year	0.2	0.2
Closing balance	0.2	0.2

27. Share capital

	2023 £m	2022 £m
Allotted, called up and fully paid		
325,227,984 ordinary shares of 0.1p (2022: 325,062,985 ordinary shares of 0.1p)	0.3	0.3

28. Own shares held

The Employee Share Option Trust purchases shares to fund the Share Incentive Plan ("SIP"). At 30 September 2023, the trust held 635,504 (2022: 635,504) ordinary shares with a book value of £636 (2022: £636). The market value of these shares as at 30 September 2023 was £0.6 million (2022: £0.2 million).

	ESOT shares reserve	
	Number of shares	£
Own shares held at 1 October 2022	635,504	636
Own shares held at 30 September 2023	635,504	636

29. Share-based payments

Of the total issued share capital, 310,271,210 relate to restricted share awards with no IFRS 2 charge as their consideration was at Fair Value. These shares vested either on IPO or over a five year period. As at 30 September 2023, 25,836,603 shares remain unvested.

The Group operates four share plans, being the Share Incentive Plan ("SIP"), a Deferred Bonus Plan ("DBP"), a Long Term Incentive Plan ("LTIP") and a Sharesave scheme ("SAYE"). In addition, both prior to and following Admission to AIM in June 2021, the Group awarded shares to the Chair and certain members of Key Management which had restrictions placed against them that bring the awards into the scope of IFRS 2. These schemes are referred to as the Management Incentive Plan ("MIP"), A ordinary shares, and restricted share awards.

All share-based incentives are subject to a service condition. Such conditions are not taken into account in the fair value of the service received. The fair value of services received in return for share-based incentives is measured by reference to the fair value of share-based incentives granted. Monte Carlo or Black-Scholes pricing models have been used where appropriate to calculate the fair value of share-based incentives with market conditions.

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

The total charge in the year was £3.9 million (2022: £3.9 million) with a Company charge of £1.3 million (2022: £1.8 million). This included associated national insurance ("NI") at 13.8% (2022: 15.1%), which management expects to be the prevailing rate when the awards are exercised, and apprenticeship levy at 0.5%, based on the share price at the reporting date.

	2023 £m	2022 £m
Share Incentive Plan	0.3	0.2
Restricted share awards	2.2	3.4
Deferred bonus plans	0.7	0.3
Long term incentive plans	0.2	–
Sharesave schemes	0.1	–
Total IFRS 2 charge	3.5	3.9
National insurance and apprenticeship levy on applicable schemes	0.4	–
Total charge	3.9	3.9

Share Incentive Plan

The Group operates a 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.

	2023 Number	2022 Number
Outstanding at 1 October	426,974	576,732
Shares awarded (dividend shares)	15,084	–
Forfeited	(95,021)	(149,758)
Outstanding at 30 September	347,037	426,974
Vested and outstanding at 30 September	–	–

The total charge in the year, included in operating profit, in relation to these awards was £0.3 million (2022: £0.2 million). The Company charge for the year was £nil (2022: £nil).

29. Share-based payments continued

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 £130.0 million. The 'Exit' requirement is a non-market performance vesting condition and the hurdle amount is considered to be a market-based performance condition.

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

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

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

Restricted ordinary shares in Victorian Plumbing Group plc	2023 Number	2022 Number
Outstanding at 1 October	5,547,240	6,163,600
Vested	(616,360)	(616,360)
Outstanding and unvested 30 September	**4,930,880**	**5,547,240**

The total charge in the year, included in operating profit, in relation to these awards was £nil (2022: £nil). The Company charge for the year was £nil (2022: £nil). The share awards outstanding at 30 September 2023 have a weighted average remaining vesting period of 2.06 years (2022: 2.8 years).

Management Incentive Plan

A former Executive Director was awarded share options under a 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 left the Group before the options vested, unless under exceptional circumstances.

On 27 May 2021, the Group undertook a reorganisation, through which the options granted under the MIP were converted to be options over ordinary shares and ordinary deferred shares in Victorian Plumbing Group plc. After all of the steps relating to the reorganisation were executed, the participant of the MIP had exchanged its eight ordinary shares and nine A ordinary shares in VIPSO Ltd for 3,219,948 ordinary share options in Victorian Plumbing Group plc. The exchange does not represent a modification of the award under IFRS 2 as the value of the award, and the related service and performance conditions remained unchanged.

On 11 June 2021, the MIP participant entered into a deed (the "MIP deed"), which would become effective on Victorian Plumbing Group plc's Admission to AIM, to modify the terms of the award. All of the options would convert when the performance condition was satisfied (i.e. on Admission), resulting in the participants being awarded ordinary shares. However, 30% of the shares would remain restricted and subject to a service condition (the "restricted shares"). The restricted shares are forfeited if the employee leaves the Group before the vesting date, unless under exceptional circumstances.

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.

Restricted ordinary shares in Victorian Plumbing Group plc	2023 Number	2022 Number
Outstanding at 1 October	676,189	965,984
Vested	(289,795)	(289,795)
Outstanding and unvested at 30 September	**386,394**	**676,189**

The market value per ordinary share for the restricted shares awarded under the MIP that vested in the year was £0.72. The restricted share awards outstanding under the MIP at 30 September 2023 have a weighted average remaining vesting period of 0.75 years (2022: 1.3 years).

The total charge in the year, included in operating profit, in relation to these awards was £nil (2022: £nil). The Company charge for the year was £nil (2022: £nil).

Restricted share awards

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

Grant date	Share price at grant date £	Employee contribution per share	Vesting period (years)	Risk-free rate %	Dividend yield %	Non-vesting condition	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
05/09/2022	0.41	£nil	2.0	–	–	–	0.48

The number of restricted shares outstanding at 30 September 2023 was as follows:

Restricted ordinary shares in Victorian Plumbing Group plc	2023 Number	2022 Number
Outstanding at 1 October	3,043,547	3,442,858
Awarded	–	208,334
Forfeited	–	(38,168)
Vested	(767,543)	(569,477)
Outstanding and unvested at 30 September	**2,276,004**	**3,043,547**

The market value per ordinary share for restricted shares that vested in the year were £0.72 and £0.82. The restricted share awards outstanding at 30 September 2023 have a weighted average remaining vesting period of 1.7 years.

The total charge in the year, included in operating profit, in relation to these awards was £2.2 million (2022: £3.4 million). The Company charge for the year was £0.9 million (2022: £1.8 million).

Deferred Bonus Plan

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

During the year, the Group made awards over 4,418,641 ordinary shares under the DBP scheme subject to the satisfaction of certain performance criteria to be determined by the Remuneration Committee. The fair value of the award was determined to be £0.57, being the average Market Value of a Share on 1 October 2022 and 1 January 2023.

	2023 Number	2022 Number
Outstanding at 1 October	1,893,219	–
Options granted in the year	4,418,641	1,893,219
Forfeited	(1,486,025)	–
Vested	(164,999)	–
Outstanding at 30 September	**4,660,836**	**1,893,219**

The total charge in the year, included in operating profit, in relation to these awards was £0.7 million (2022: £0.3 million). The Company charge for the period was £nil (2022: £nil).

29. Share-based payments continued

Long Term Incentive Plan

The Group operates an LTIP award for the Executive Directors. The extent to which awards vest will depend upon the satisfaction of the Group's financial and operational performance in the financial year of the award date (the "performance conditions").

The 2022 LTIP awards are subject to performance conditions based on adjusted EPS (75% of award) and absolute Total Shareholder Return ("TSR") (25% of award). Awards vest three years after grant subject to EPS and absolute TSR performance conditions, with a two-year post-vesting holding period applying.

The 2023 LTIP awards are subject to performance conditions based on adjusted EPS (100% of award). Awards vest three years after grant subject to EPS performance conditions, with a two-year post-vesting holding period applying.

On 22 February 2023, the Group awarded 870,168 nil cost options under the LTIP scheme. The fair value for the EPS element of the award at £0.81 was based on the share price at the grant date.

	2023 Number	2022 Number
Outstanding at 1 October	323,472	–
Options granted in the year	870,168	323,472
Options lapsed in the year	(75,143)	–
Outstanding at 30 September 2023	**1,118,497**	323,472

The total charge in the year, included in operating profit, in relation to these awards was £0.2 million (2022: £nil). The Company charge for the period was £0.2 million (2022: £30k).

Sharesave scheme

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

Grant date	Share price at grant date £	Exercise price £	Expected volatility %	Option life years	Risk-free rate %	Dividend yield %	Non-vesting condition %	Fair value per option £
30 March 2022	0.51	0.57	67%	3.17	1.42	0	0	0.22
30 March 2023	0.79	0.68	69%	3.17	3.52	1.39	0	0.40

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

	2023 Number of share options	2022 Number of share options
Outstanding at 1 October	443,747	–
Options granted in the year	211,539	443,747
Options lapsed in the year	(121,313)	–
Outstanding at 30 September	**533,973**	443,747
Exercisable at 30 September	**–**	–

The total charge in the year, included in operating profit, in relation to these awards was £0.1 million (2022: £nil). The Company charge for the period was £nil (2022: £nil).

30. Cash generated from operating activities

	2023 £m	2022 £m
Cash flows from operating activities		
Profit before taxation for the financial year	15.6	11.8
Adjustments for:		
Amortisation of intangible assets	2.3	2.0
Depreciation of property, plant and equipment	0.6	0.6
Depreciation of right-of-use assets	0.9	0.9
Share-based payments	3.9	3.9
Finance (income)/costs	(0.3)	0.3
Exceptional items	0.8	–
Adjusted EBITDA	**23.8**	19.5
Fair value loss/(profit) on financial derivative	0.3	(0.7)
Increase in inventories	(0.3)	(1.5)
Increase in receivables	(0.3)	(0.2)
(Decrease)/increase in payables	(3.7)	1.1
Increase in provisions	–	0.1
Cash generated from operating activities before exceptional items	**19.8**	18.3

Free cash flows	2023 £m	2022 £m
Cash generated from operating activities before exceptional items	19.8	18.3
Payment of lease liabilities	(1.1)	(1.1)
Purchase of intangible assets (excluding assets under construction)	(2.8)	(2.6)
Purchase of property, plant and equipment (excluding assets under construction)	(0.2)	(0.3)
VAT not yet recovered on assets under construction	0.4	–
Free cash flows	**16.1**	14.3
Adjusted EBITDA	**23.8**	19.5
Cash conversion	**68%**	73%

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

31. Pension commitments

The Group operates a defined contribution scheme for its employees. The assets of the scheme are held separately from the Group in an independently administered scheme. The pension cost represents contributions payable by the Group to the fund totalling £0.3 million (2022: £0.2 million). Included within creditors is £0.1 million of contributions payable to the fund at 30 September 2023 (2022: £0.1 million).

Notes to the consolidated financial statements continued

32. Related party transactions

Radcliffe Property Management Limited ("RPM") is considered a related party as this is a company which has a common director. The following amounts show arm's length transactions and balances with Radcliffe Property Management Limited:

	2023 £m	2022 £m
Amounts owed by the Group to RPM, included within trade and other payables	0.1	0.1
Lease payments made by the Group	0.6	0.6

Amounts outstanding with RPM at each reporting date are interest free, unsecured and repayable on demand. The Group has not recognised a provision for expected credit losses in respect of the amounts owed to the Group from related parties, nor have any balances been written off.

During the year, the Group agreed to lease some additional property owned by Mark Radcliffe on an arm's length basis. The value of these transactions was <£0.1m in 2023 (2022: £nil).

Other transactions with related parties are as follows:

	2023 £m	2022 £m
Dividends paid by the Group to:		
M Radcliffe	5.0	–
N Radcliffe	1.0	–
C Radcliffe	0.3	–
Other Key Management Personnel	0.1	–

33. Subsidiaries

At 30 September 2023, the subsidiaries of the Group are as follows:

Subsidiary undertakings	Country of incorporation	Principal activity	Class of shares held	Percentage owned by the parent	Percentage owned by the Group
VIPSO Ltd	England and Wales	Holding company	Ordinary, A ordinary	100%	100%
Victorian Plumbing Ltd	England and Wales	Online retailing of bathroom furniture and accessories	Ordinary	–	100%
VIPSO Trading Ltd	England and Wales	Dormant	Ordinary	–	100%

The registered office of all subsidiaries is 22 Grimrod Place, Skelmersdale, England, WN8 9UU.

34. Guarantees

In July 2023, the Group extended its RCF with HSBC plc. The RCF has total commitments of £10 million and a termination date of December 2025. The Group has provided a cross-guarantee by way of a debenture dated 7 June 2021 as security for the facility.

35. Events after the reporting period

a) Lease commitments

On 4 October 2023, the Group achieved legal completion on a new 544,000 square feet purpose-built distribution centre in Leyland, Lancashire. In the financial year ending 30 September 2024, the 20-year lease will result in the recognition of a right of use asset and corresponding IFRS 16 lease liability of c. £45.0 million (provisionally estimated using an incremental borrowing rate of 6.5%).

The future payments related to this non-cancellable lease contract are £2.0 million within one year, an additional £10.0 million within five years, and an additional £68.0 million thereafter.

During the fit-out of and transition to the new distribution centre, the Group will incur double running costs for certain people and property related expenses. The Board estimates that the additional non-recurring expenditure in the financial year ending 30 September 2024 will be c. £8.0 million.

b) Capital commitments

The Group also expects to incur an additional c. £24.0 million of intangible and tangible capital expenditure (non-recurring in nature) during the financial year ending 30 September 2024 to complete the fit-out of the new distribution centre.

On 2 November 2023, the Group entered into arrangements with the main contractor who is overseeing the fit-out of the new distribution centre, which committed the Group to capital commitments of £13.0 million. This leaves c. £11.0 million of uncommitted capital expenditure after that date.

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

Company balance sheet

at 30 September 2023

	Note	2023 £m	2022 £m
Fixed assets			
Investments	5	326.2	323.9
Deferred tax asset	9	0.2	0.1
		326.4	324.0
Current assets			
Debtors	6	1.0	4.8
Cash and cash equivalents		0.1	0.8
		1.1	5.6
Total assets		327.5	329.6
Creditors: amounts falling due within one year	7	(1.0)	(1.0)
Net current assets		0.1	4.6
Net assets		326.5	328.6
Capital and reserves			
Called-up share capital	10	0.3	0.3
Share premium		11.2	11.2
Capital redemption reserve		0.1	0.1
Retained earnings		314.9	317.0
Total equity		326.5	328.6

As permitted by Section 408 of the Companies Act 2006, an entity profit and loss account is not included as part of the published consolidated financial statements of Victorian Plumbing Group plc. The profit for the financial period dealt with in the financial statements of the parent company was £4.9 million (2022: loss £0.3 million).

The financial statements were approved by the Board of Directors on 21 November 2023 and authorised for issue.

Daniel Barton
Chief Financial Officer

Victorian Plumbing Group plc
Registered number: 13379554

Company statement of changes in equity

for the period ended 30 September 2023

	Note	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
At 1 October 2021		0.3	11.2	0.1	313.3	324.9
Comprehensive income						
Loss for the period		–	–	–	(0.3)	(0.3)
Transactions with owners						
Share-based payments		–	–	–	3.9	3.9
Tax impact of employee share schemes		–	–	–	0.1	0.1
Total transactions with owners recognised directly in equity		–	–	–	4.0	4.0
At 30 September 2022		**0.3**	**11.2**	**0.1**	**317.0**	**328.6**
Comprehensive income						
Profit for the period		**–**	**–**	**–**	**4.9**	**4.9**
Transactions with owners						
Share-based payments	29	**–**	**–**	**–**	**3.5**	**3.5**
Tax impact of employee share schemes		**–**	**–**	**–**	**0.1**	**0.1**
Dividends paid	12	**–**	**–**	**–**	**(10.6)**	**(10.6)**
Total transactions with owners recognised directly in equity		**–**	**–**	**–**	**(7.0)**	**(7.0)**
At 30 September 2023		**0.3**	**11.2**	**0.1**	**314.9**	**326.5**

Notes to the Company financial statements

1. General information

Victorian Plumbing Group plc is a public limited company, which is listed on the London Stock Exchange and is incorporated and domiciled in the United Kingdom. The address of the registered office is 22 Grimrod Place, Skelmersdale, England, WN8 9UU.

2. Accounting policies

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied throughout the period.

2.1 Basis of preparation of financial statements

The Company financial statements of Victorian Plumbing Group plc have been prepared in compliance with United Kingdom Accounting Standards, including FRS 102 and the Companies Act 2006. The Company financial statements have been prepared under the historical cost convention, modified for the revaluation of certain financial instruments.

The Company financial statements have been prepared in sterling (£), which is the functional and presentational currency of the Company, and have been rounded to the nearest hundred thousand (£0.1 million) except where otherwise indicated.

As permitted by Section 408 of the Companies Act 2006, an entity profit and loss account is not included as part of the published consolidated financial statements of Victorian Plumbing Group plc. The profit for the financial period dealt with in the financial statements of the parent company was £4.9 million.

As the Company is included in the consolidated financial statements and is considered to be a qualifying entity under FRS 102 paragraphs 1.8 to 1.12, the following exemptions have been applied:

- no separate parent company cash flow statement with related notes have been included;
- no share-based payment disclosures have been made;
- no financial instruments have been disclosed; and
- Key Management Personnel compensation has not been included a second time.

Amounts paid to the Company's auditor in respect of the statutory audit were £50,000. The charge was borne by Victorian Plumbing Limited, a subsidiary company, and not recharged.

2.2 Going concern

The Directors have used the going concern principle on the basis that the current profitable financial projections and facilities of the consolidated Group will continue in operation up to 31 December 2024. Further details can be found within note 1 to the consolidated financial statements.

2.3 Investments

Investments in subsidiaries are held at cost, less any provision for impairment. Annually, the Directors consider whether any events or circumstances have occurred that could indicate that the carrying amount of fixed asset investments may not be recoverable. If such circumstances do exist, a full impairment review is undertaken to establish whether the carrying amount exceeds the higher of net realisable value or value in use. If this is the case, an impairment charge is recorded to reduce the carrying value of the related investment.

Where equity-settled share-based payments are granted to the employees of subsidiary companies, the fair value of the award is treated as a capital contribution by the Company and the investment in subsidiaries is adjusted to reflect this capital contribution.

2.4 Share premium

The amount subscribed for the ordinary shares in excess of the nominal value of these new shares is recorded in share premium. Costs that directly relate to the issue of ordinary shares are deducted from share premium net of corporation tax.

2.5 Shares held by the Employee Share Option Trust

Shares in the Company held by the ESOT are included in the balance sheet at cost as a deduction from equity.

2.6 Current and deferred taxation

UK corporation tax is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred on the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all evidence available, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried-forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average rates that are expected to apply in the periods in which the timing differences are expected to reverse based on the tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

2. Accounting policies continued

2.7 Financial instruments

The Company has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

a) Financial assets

Basic financial assets, including trade and other receivables and cash and bank balances, are initially recognised at transaction price (unless the arrangement constitutes a financing transaction) and are subsequently carried at amortised cost using the effective interest method.

Financial assets which constitute a financing transaction are measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

At the end of each reporting period, financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party, or (c) despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

b) Financial liabilities

Basic financial liabilities, including trade and other payables, bank loans and loans from fellow Group companies are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

2.8 Dividends

The Company recognises a liability to pay a dividend when the distribution is authorised and the distribution is no longer at the discretion of the Company. In accordance with UK company law, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity.

2.9 Pensions

Defined contribution pension plan

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. There are no areas in the Company financial statements involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements.

4. Directors' remuneration

The Company has no employees other than the Directors. Full details of the Directors' remuneration and interests are set out in the Directors' Remuneration Report on pages 70 to 74.

5. Investments

	Investment in subsidiary undertaking £m
At beginning of the period	323.9
Additions	2.3
At 30 September 2023	**326.2**

Subsidiary undertakings are disclosed within note 33 to the consolidated financial statements.

6. Debtors

	2023 £m	2022 £m
Amounts owed by Group undertakings	1.0	4.8
	1.0	4.8

Amounts owed by Group undertakings are non-interest-bearing, unsecured and have no fixed date of repayment.

7. Creditors: amounts falling due within one year

	2023 £m	2022 £m
Trade payables	0.1	0.1
Other taxation and social security	0.2	0.1
Accruals	0.7	0.5
Corporation tax payable	–	0.3
	1.0	1.0

Amounts owed to Group undertakings are non-interest-bearing, unsecured and have no fixed date of repayment.

8. Financial instruments

	2023 £m	2022 £m
Financial assets		
Financial assets measured at amortised cost	1.0	4.8
Financial liabilities		
Financial liabilities measured at amortised cost	0.8	0.6

Current assets and liabilities

Financial instruments included within current assets and liabilities (excluding cash and borrowings) are generally short-term in nature and accordingly their fair values approximate to their book values.

9. Deferred taxation

	2023 £m	2022 £m
Deferred taxation assets		
At beginning of the period	0.1	0.1
Credited to the statement of comprehensive income	0.1	–
Total deferred taxation asset	**0.2**	**0.1**

Notes to the Company financial statements continued

10. Share capital

	2023 £	2022 £
Allotted, called up and fully paid		
325,227,984 ordinary shares of 0.1p (2022: 325,062,985 ordinary shares of 0.1p)	325,228	325,063

11. Own shares held

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

12. Share-based payments
For details of the Company's share-based payments during the period, see note 29 of the consolidated financial statements.

13. Pension commitments
The Company operates a defined contribution scheme for its employees. The assets of the scheme are held separately from the Company in an independently administered scheme. The pension cost represents contributions payable by the Company to the fund totalling £12,750 (2022: £7,483). Outstanding contributions payable to the fund at 30 September 2023 were £2,450 (2022: £2,917).

14. Related parties
During the period, a management charge of £2.5 million (2022: £3.2 million) was raised to Victorian Plumbing Limited in respect of services rendered.

At the period end, balances outstanding with Group undertakings were £1.0 million and £nil (2022: £4.8 million and £nil) respectively for debtors and creditors, as set out in notes 6 and 7.

15. Guarantees
In July 2023, the Group extended its RCF with HSBC plc. The RCF has total commitments of £10 million and a termination date of December 2025. The Group has provided a cross-guarantee by way of a debenture dated 7 June 2021 as security for the facility.

Unaudited five-year record

	Absolute					Year on year			
	2019	2020	2021	2022	2023	2020	2021	2022	2023
Income statement									
Revenue	151.4	208.7	268.8	269.4	285.1	38%	29%	–%	6%
Cost of sales	(89.6)	(116.7)	(138.3)	(148.4)	(150.5)	(30%)	(19%)	(7%)	(1%)
Gross profit	61.8	92.0	130.5	121.0	134.6	49%	42%	(7%)	11%
Underlying operating costs	(50.4)	(66.0)	(90.4)	(101.5)	(110.8)	(31%)	(37%)	(12%)	(9%)
Other operating income	0.1	0.2	–	–	–	100%	(100%)	N/A	N/A
Adjusted EBITDA	11.5	26.2	40.1	19.5	23.8	128%	53%	(51%)	22%
Depreciation and amortisation	(1.7)	(2.2)	(3.0)	(3.5)	(3.8)	(29%)	(36%)	(17%)	(9%)
Share-based payments	–	–	(7.7)	(3.9)	(3.9)	N/A	N/A	49%	–%
Exceptional items	–	–	(9.4)	–	(0.8)	N/A	N/A	100%	(100%)
Operating profit	9.8	24.0	20.0	12.1	15.3	145%	(17%)	(40%)	26%
Finance costs	(0.2)	(0.3)	(0.3)	(0.3)	0.3	50%	–	–	200%
Profit before tax	9.6	23.7	19.7	11.8	15.6	147%	(17%)	(40%)	32%
Taxation	(1.8)	(4.0)	(5.4)	(2.6)	(3.8)	(122%)	(35%)	(52%)	(46%)
Profit after tax	7.8	19.7	14.3	9.2	11.8	153%	(27%)	(36%)	28%
Adjusted EPS	N/A	7.4	11.0	4.5	5.4	N/A	49%	(59%)	20%
Adjusted profit before tax	9.6	23.7	36.8	15.7	20.3	147%	55%	(57%)	29%
Adjusted profit before tax %	6%	11%	14%	6%	7%	5ppts	3ppts	(8ppts)	1ppt
Adjusted profit after tax	7.8	19.7	31.4	13.1	16.5	152%	59%	(58%)	26%
Margin									
Gross profit margin	41%	44%	49%	45%	47%	3ppts	4ppts	(4ppts)	2ppts
Adjusted EBITDA margin	8%	13%	15%	7%	8%	5ppts	2ppts	(8ppts)	1ppt
Cash flow									
Net cash	2.7	10.5	32.7	45.5	46.4	+7.8	+22.2	+12.8	+0.9
Free cash flows	7.8	27.6	32.6	14.3	16.1	72%	18%	(56%)	13%
Operating cash conversion (%)	68%	105%	81%	73%	68%	38ppts	(24ppts)	(8ppts)	(5ppts)
KPIs									
Total orders ('000)	573	776	906	880	932	35%	17%	(3%)	6%
Average order value (£)	264	269	297	306	306	2%	10%	3%	–%
Marketing as % of revenue	27%	25%	26%	28%	28%	(2ppts)	1ppt	(2ppts)	–ppts
Net (liabilities)/assets	2.8	13.0	30.8	44.0	48.8	+10.2	+17.8	+13.2	+4.8
Dividend per share – ordinary	N/A	N/A	N/A	1.1p	1.4p	N/A	N/A	N/A	27%
Dividend per share – special	N/A	N/A	N/A	1.7p	–	N/A	N/A	N/A	(100%)

Glossary – Alternative Performance Measures

In accordance with the Guidelines on APMs issued by the European Securities and Markets Authority ("ESMA"), the Directors have adopted various APMs to provide the Group's stakeholders with additional information on the performance of the business. These measures are not defined by IFRS and therefore may not be directly comparable with other companies' APMs, and they are not intended to be a substitute for, or superior to, IFRS measures.

The Group's APMs are consistent with those used internally and are used to enhance the comparability of information between reporting periods by adjusting for non-underlying items, to aid understanding of the Group's performance.

The key APMs used by the Group are as follows:

APM	Definition	Reconciliation	2023 £m	2022 £m
Adjusted basic earnings per share ("EPS")	Adjusted basic earnings per share is defined as adjusted profit after tax divided by the weighted average number of shares in issue. Adjusted profit after tax is defined as net income before exceptional items and IFRS 2 share-based payments, and after adjusting for the tax impact of those items.	Adjusted basic EPS	5.4	4.5
		Profit after tax	11.8	9.2
		Exceptional items	0.8	–
		Share-based payments	3.9	3.9
		Tax effect	(0.9)	(0.7)
		Total adjusted profit for the year	15.6	12.4

APM	Definition	Reconciliation	2023 £m	2022 £m
Adjusted diluted EPS	Adjusted diluted earnings per share is defined as adjusted profit after tax divided by the total issued share capital. Adjusted profit after tax is defined as net income before exceptional items and IFRS 2 share-based payment, and after adjusting for the tax impact of those items.	**Adjusted diluted EPS**	4.7	3.8

APM	Definition	Reconciliation	2023 £m	2022 £m
Adjusted earnings before interest, tax, depreciation and amortisation ("EBITDA")	Adjusted EBITDA is defined as operating profit before depreciation, amortisation, exceptional items and IFRS 2 share-based payments.	Operating profit	15.3	12.1
		Depreciation	1.5	1.5
		Amortisation	2.3	2.0
		Exceptional items	0.8	–
		Share-based payments	3.9	3.9
		Adjusted EBITDA	23.8	19.5

APM	Definition	Reconciliation	2023	2022
Adjusted EBITDA margin	Adjusted EBITDA margin is defined as adjusted EBITDA as a percentage of revenue.	**Adjusted EBITDA margin**	8%	7%

APM	Definition	Reconciliation	2023 £m	2022 £m
Adjusted operating profit	Adjusted operating profit is defined as operating profit before exceptional items and IFRS 2 share-based payments.	Operating profit	15.3	12.1
		Exceptional items	0.8	–
		Share-based payments	3.9	3.9
		Adjusted operating profit	20.0	16.0

APM	Definition	Reconciliation	2023 £m	2022 £m
Adjusted profit before tax	Adjusted profit before tax is defined as adjusted EBITDA less finance income/(cost), depreciation and amortisation.	Adjusted EBITDA	23.8	19.5
		Finance income/(cost)	0.3	(0.3)
		Depreciation	(1.5)	(1.5)
		Amortisation	(2.3)	(2.0)
		Adjusted profit before tax	20.3	15.7

APM	Definition	Reconciliation	2023 £	2022 £
Average order value	Average order value is defined as revenue divided by total orders in the period.	**Average order value**	306	306

APM	Definition	Reconciliation	2023	2022
Adjusted PBT margin	Adjusted PBT margin is defined as adjusted PBT as a percentage of revenue.	**Adjusted PBT margin**	7%	6%

APM	Definition	Reconciliation	2023 £m	2022 £m
Exceptional items	Exceptional items are defined as those that are one-off in nature or non-operating and need to be disclosed separately by virtue of their size or incidence. They may include, but are not limited to, restructuring costs, acquisition-related costs, costs of implementing new systems, impairment of assets and income from legal or insurance settlements.	**Exceptional items**	0.8	–

APM	Definition	Reconciliation	2023 £m	2022 £m
Free cash flow	Free cash flow is cash generated from operating activities before exceptional items and taxation, less routine capital expenditure and cash flows relating to leases.	Cash generated from operating activities	19.8	18.3
		Repayment of lease liabilities	(1.1)	(1.1)
		Purchase of intangible assets (non-exceptional)	(2.8)	(2.6)
		Purchase of property, plant and equipment (non-exceptional)	(0.2)	(0.3)
		VAT not recovered on exceptional spend	0.4	–
		Free cash flow	16.1	14.3

APM	Definition	Reconciliation	2023 £m	2022 £m
Gross profit	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.	**Gross profit**	134.6	121.0

APM	Definition	Reconciliation	2023	2022
Gross profit margin	Gross profit margin is defined as gross profit as a percentage of revenue.	**Gross profit margin**	47%	45%

APM	Definition	Reconciliation	2023 £m	2022 £m
Net cash	Net cash is defined as the amount of cash or other assets held that are readily convertible into cash.	**Net cash**	46.4	45.5

APM	Definition	Reconciliation	2023 £m	2022 £m
Operating cash conversion %	Operating cash conversion % is defined as cash generated from operating activities before exceptional items and taxation, less non-exceptional capital expenditure and cash flows relating to leases ("free cash flow"), as a percentage of adjusted EBITDA.	Free cash flow	16.1	14.3
		Adjusted EBITDA	23.8	19.5
		Cash conversion	68%	73%

APM	Definition	Reconciliation	2023 £m	2022 £m
Separately disclosed items	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.	**Separately disclosed items:**		
		Share-based payments	3.9	3.9
		Exceptional items	0.8	–

APM	Definition	Reconciliation	2023 £m	2022 £m
Underlying costs	Underlying costs are defined as administrative expenses before depreciation and amortisation, exceptional items and share-based payments.	Marketing	79.2	76.2
		People costs excl share-based payments	19.7	16.1
		Property costs	6.3	5.1
		Other overheads	5.6	4.1
		Underlying costs	110.8	101.5

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