Annual Report and Financial Statements 2022

Victorian Plumbing Group plc

victorian plumbing.co.uk

Victorian Plumbing is the UK's leading retailer of bathroom products and accessories, offering a one-stop shop solution for the entire bathroom. The business has grown rapidly in recent years and is now the UK's leading specialist bathroom retailer.

Victorian Plumbing offers its customers a choice of over 32,000 products spanning the entire bathroom, with more than 130 own and third-party brands across a wide spectrum of price points.

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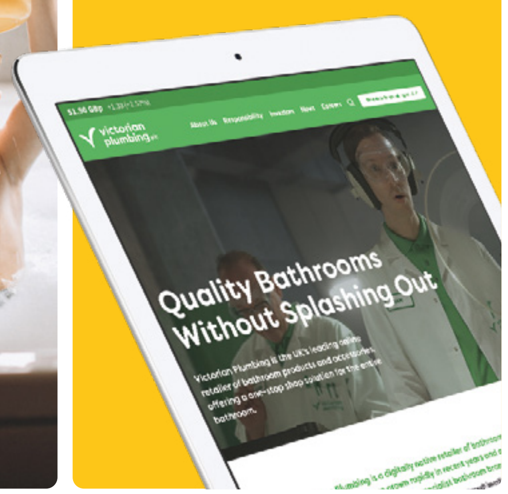
Find out more on our website

victorianplumbingplc.com



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Our purpose

Our purpose is to improve the quality of home life.

We do this by providing affordable bathrooms to every home through 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)

Adjacent products
(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**

Financial highlights

Revenue (£m)

£269.4m
+0%

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

Adjusted EBITDA[1] (£m)

£19.5m
-51%

2022	£19.5m
2021	£40.1m
2020	£26.2m
2019	£11.5m

Gross profit margin (%)

45%
-4ppts

2022	45%
2021	49%
2020	44%
2019	41%

Net cash (£m)

£45.5m
+39%

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

1. Adjusted EBITDA is a non-GAAP measure. A reconciliation to operating profit can be found within note 4 to the consolidated financial statements.

Operational highlights

Total orders ('000)

880
-3%

2022	880
2021	906
2020	776
2019	573

Average order value (£)

£306
+3%

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

Marketing as a % of revenue

28%
+2ppts

2022	28%
2021	26%
2020	25%
2019	27%

Trustpilot score

4.5
+0.2

2022	4.5
2021	4.3
2020	4.3
2019	4.6

Our history

Key
- 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

2011
- Burlington

2013
- MILAN
- Operations move to Skelmersdale

2014
- First TV advert aired
- GROHE
- CHATSWORTH
- AURORA
- KESWICK

2016
- Listed 16th in The Sunday Times Fast Track 100 – fastest growing companies

2017
- 1 million orders
- Digital Growth Hub opened in Birmingham

2018
- hansgrohe
- AREZZO
- Tech Hub opened in Manchester

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
- DURAVIT
- Villeroy & Boch
- Admission to AIM – June 2021

2022
- 3 million orders
- >175k Trustpilot reviews
- #1 bathroom retailer in the UK

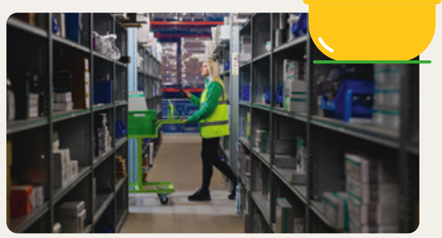
Why invest in us?

1. Digitally native leading brand

We are the leading retailer of bathroom products and accessories in a market that is seeing consumer behaviour shift to online channels. We have developed a highly recognisable brand with a reputation for quality products and great service.

2. Agile supply chain

Our long-standing relationships with our global supplier base which we have built up over many years allow us to effectively manage our supply chain.



3. Significant product range

Customers can complete their entire basket of bathroom purchases through the extensive selection of products we offer through both our own and third-party brands. We offer more than 32,000 products from over 130 brands to provide a one-stop solution for our customers.

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 to maximise conversion and customer satisfaction.

5. Entrepreneurial approach

Our leadership team continues to be led by the Group's founder, Mark Radcliffe. Mark, together with his brother, Neil, (Product Director), and other long-standing members of the Victorian Plumbing leadership team, have worked together to grow the business into the market leader.

6. Robust financial position

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

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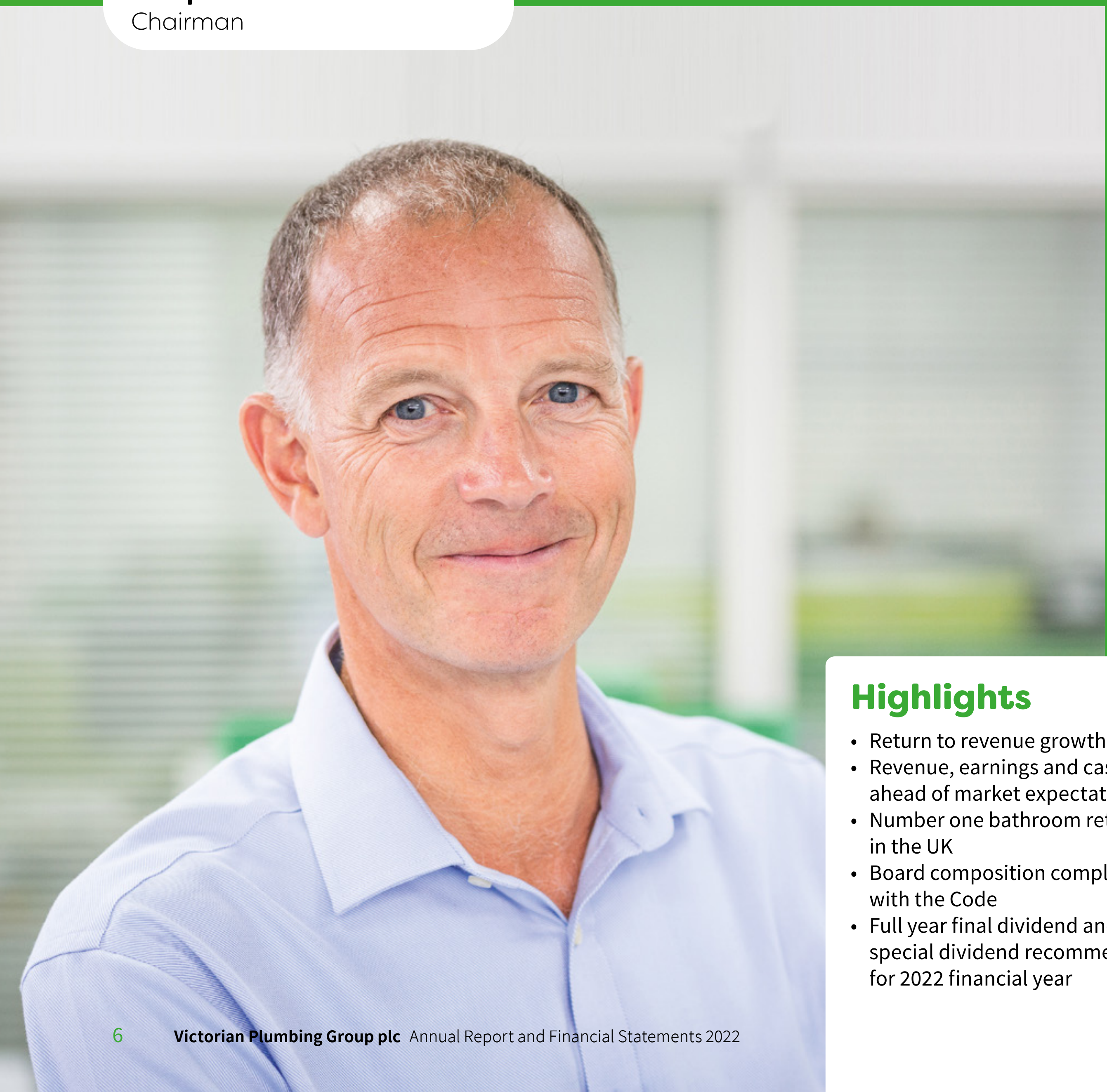
"We are pleased that the financial year finished positively and ahead of market expectations."

Philip Bowcock
Chairman



Highlights

- Return to revenue growth in H2
- Revenue, earnings and cash ahead of market expectations
- Number one bathroom retailer in the UK
- Board composition complies with the Code
- Full year final dividend and special dividend recommended for 2022 financial year

£269m
Revenue for 2022

£19.5m
Adjusted EBITDA[1] for 2022

Introduction

The last 12 months have been ones of considerable progress for Victorian Plumbing, with a return to revenue growth in the second half of 2022, strong operating cash flow, substantial net cash and a robust balance sheet and establishing itself as the largest retailer of bathrooms in the UK.

FY22 performance

Revenue was in line with 2021 for the full year at £269.4 million (2021: £268.8 million). Adjusted EBITDA[1] was £19.5 million, a decrease of 51% over the previous year (2021: £40.1 million).

These results reflect a year of two halves, with an initial more challenging environment in the first half of the year, as UK consumers continued to emerge from Covid-19 related restrictions, against a more challenging comparable trading environment in 2021 when lockdown restrictions were in full force. During this same period, margins were also under pressure from ongoing product and supply chain inflation, and the subdued trading environment made it more difficult to pass on price increases to customers without impacting demand. In the second half of the year, through a combination of carefully managed price increases and ongoing proactive management of the supply chain, gross margins steadily improved compared to the first half of the year.

Governance

On Admission the Company agreed to comply with the UK Corporate Governance Code (the 'Code'), and details of our compliance with the Code are set out on page 59. The Board's composition is as follows:

Philip Bowcock
Chairman

Mark Radcliffe
Chief Executive Officer

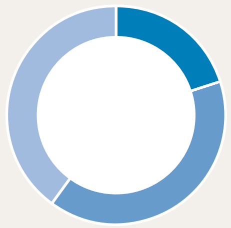
Paul Meehan
Chief Financial Officer

Damian Sanders
Senior Independent Non-Executive Director and Audit Committee Chairman

Dianne Walker
Independent Non-Executive Director and Remuneration Committee Chair

Board composition

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



Whilst the overall bathroom market was still down year on year, we made substantial market share gains and have again delivered revenue growth in the second half of the year, along with a modest improvement in gross margins and a normalisation of marketing spend. The market share gain validates our strategic focus, unwavering customer focus and dedicated management team effort.

Employees

The dedication and hard work of our people across the organisation have enabled the Group to deliver another year of strong strategic progress. On behalf of the Board, I'd like to thank all the Group's employees 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 commitment 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 Company's board of directors (the 'Board') remains compliant with this area of the Code.

On 14 June 2022, the Board approved the appointment of Dianne Walker as an independent Non-Executive Director as a replacement for Kath Smith, who resigned on 24 March 2022. Dianne has extensive experience and a strong background in finance, risk and wider governance, including remuneration. I am delighted to welcome Dianne to the Board and look forward to working with her.

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

The Board is pleased with the start to the new financial year and is confident that the Group is well positioned to drive sustained growth in revenue and profit as it continues to lead the shift in its markets from offline to online. The Board looks forward to making strong strategic and operational progress in the year ahead.

Dividend

The Board is pleased to recommend a full year final dividend of 1.1 pence per share for the 2022 financial year (2021: nil). In addition to this, reflecting the financial strength of the Group, the Board considers it appropriate to recommend a special dividend of 1.7 pence per share (2021: nil). If approved by shareholders, this will bring the total dividend for 2022 to 2.8 pence per share (2021: nil).

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
Chairman

5 December 2022

1. Adjusted EBITDA is a non-GAAP measure. A reconciliation to operating profit can be found within note 4 to the consolidated financial statements.

"We have strengthened our position in the market and are now the number one UK bathroom retailer."

Mark Radcliffe
Chief Executive Officer

Highlights

- Now the number one bathroom retailer in the UK
- Increased our Trustpilot score to 4.5, demonstrating our commitment to delivering excellent customer service
- In our annual engagement survey, 72% of our employees responded positively that they were "Proud to work at Victorian Plumbing"
- Cash generative, with £45.5 million of cash at 30 September 2022

Overview

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

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

This meant that we returned to revenue growth in the second half of FY22 and secured our position as the No. 1 retailer of bathroom products in the UK[1]. Our commitment to provide the most extensive choice of high quality bathroom products and the best customer experience sets us up well for the next phase of our growth.

> **Our second half performance has been encouraging and provides a real sense of momentum for the business going into FY23"**
>
> **Mark Radcliffe**
> Chief Executive Officer

Summary of operating performance

Revenue was in line with last year at £269.4 million (2021: £268.8 million) reflecting a decrease in total orders of 3% and an increase of 3% in the average order value. Adjusted EBITDA[2] decreased by 51% to £19.5 million (2021: £40.1 million) and adjusted EBITDA margin decreased to 7% (2021: 15%).

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

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

Our strategic focus

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

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

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

Our second growth horizon focuses on the B2B opportunity to retail bathroom products and accessories to Trade customers. In the year ended 30 September 2022, 20% (2021: 16%) of our revenue came from Trade accounts, compared with an estimated 30-40% of the market. The Victorian Plumbing brand has historically been mainly consumer-focused. By broadening our marketing approach, such as via targeted radio advertising, expanding our focus to provide relevant products to Trade customers and in particular by providing the best platform to browse and order tailored for Trade customers' needs, we believe we can make further meaningful market share gains in this area.

Finally, our third horizon focuses on adjacent products that consumers look for when renovating a bathroom. Given our position in the bathroom product and accessories market, we have an exciting opportunity to expand our reach into products that often come later in the buying journey, such as tiles and lighting. We have made good progress in 2022 in expanding these adjacent product ranges. Increasing their prominence on our website will allow consumers to use Victorian Plumbing for everything they need to complete their bathrooms.

Strengthening our competitive position

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

Our investment in marketing has delivered as planned. Consumers continue to respond positively to the bold, distinctive and quirky Victorian Plumbing brand. We complement our creative offline content by investing in increasingly targeted digital performance-based marketing. This ongoing and relentless marketing strategy has led to a brand awareness score[3] of 63% (2021: 64%).

As an e-commerce retailer, we continue to benefit from the ongoing structural shift in consumer buying behaviour from offline to online. Online sales of bathroom products and accessories remains at only 31% of the total UK market according to Mintel. We expect our addressable market to grow even further in the coming years.

1. Mintel UK Bathroom and bathroom accessories report 2022.
2. Adjusted EBITDA is a non-GAAP measure. A reconciliation to operating profit can be found within note 4 to the consolidated financial statements.
3. YouGov prompted brand awareness – February 2022, comparatives as of February 2021.

> **The experience that customers have with us is always front of mind."**
>
> **Mark Radcliffe**
> Chief Executive Officer

Audience, defined as the number of unique visitors visiting our platform measured through Google Analytics, increased by 3% to 2.67 million on average each month (2021: 2.59 million).

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

A one-stop shop for bathroom products and accessories

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

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

Agile supply chain

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

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

Seamless customer journey

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

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

Development of our technology platform

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

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

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

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

Entrepreneurial approach

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

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

ESG

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

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

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

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

> **We are proud of the values-led culture at Victorian Plumbing."**
>
> **Mark Radcliffe**
> Chief Executive Officer

Our people

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

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

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

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

Mark Radcliffe
Chief Executive Officer

5 December 2022

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A growing online market

Overview

The UK bathroom and bathroom accessories market was estimated by Mintel to be worth £1.4 billion (including VAT) in 2022, having grown at a relatively steady rate from 2015, when it was estimated to be worth approximately £1.2 billion. Mintel data suggests that the market accelerated in pandemic-related years (2020 & 2021) and we are beginning to see a return to pre-pandemic growth trends. The majority of this spend is still offline, with 31% of sales being generated from online specialists, a proportion that is increasing each year. Across all sales channels, Victorian Plumbing is now the UK's largest retailer of bathroom products.

Covid-19

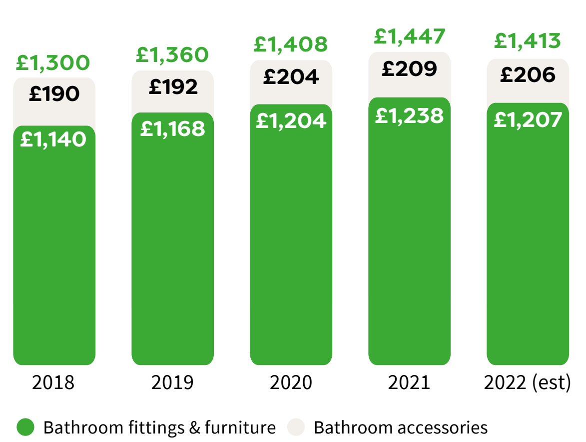
The bathroom and bathroom accessories sector recovered well after the initial shock in April 2020. As people spent more time in their homes, and with reduced opportunities to spend elsewhere, consumers decided to invest in home improvement projects.

As the pandemic became less impactful to daily life for many, and retail and leisure activities resumed, spend on these sectors also recovered. Demand for home improvements became less of a focus than it had initially been in periods of enforced isolation.

The clear takeaway from the impact of the pandemic on the bathroom and bathroom accessories market is an initial acceleration of spend, with the market now normalising to a growth trajectory that was evident pre-pandemic.

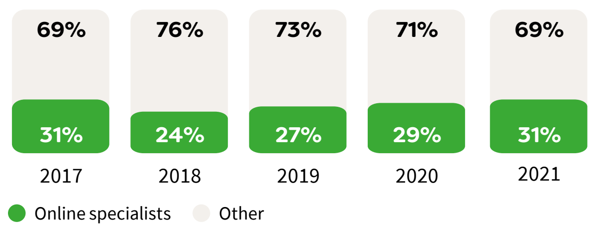
Market value (£m inc. VAT)

Source: Mintel



Online penetration

Source: Mintel



Online penetration

Importantly, 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 almost a third (31%) of bathroom furniture, fittings and accessories purchased from online specialists in 2021, an increase from 27% in 2019. This share is for online specialists only and does not include online sales made from store-based retailers or general e-commerce sites.

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

Consumers appetite for discretionary spend on home improvements in the midst of the current macro economic 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 it is likely that further opportunities will arise out of the current trading environment. Victorian Plumbing will be well placed to capitalise on opportunities that may arise.

Market drivers

The performance of the housing market can impact the performance of the bathroom sector. Not only do new movers typically lead on bathroom purchasing, secondary house sales generally create bathroom demand for up to over a decade as priorities in the home evolve. This thereby creates long-term sustainable demand that is not predicated solely on the volume of house transactions in any one year.

Government incentives introduced post lockdown, such as the stamp duty holiday and help to buy schemes, coupled with an improvement in personal finances as many increased savings through lockdowns, led to a strong housing market. In turn, this has led to an increase in the number of people renovating their newly purchased homes. 52% of consumers have undertaken work on their bathroom in the previous three years (49% in 2020), ranging from smaller cosmetic projects through to full renovation.

Recent increases in interest rates have made the cost of borrowing and mortgages more expensive, which could deter those consumers who would have otherwise looked to move home. In previous similar trading environments, history suggests that these consumers instead turn to renovation of key rooms in the household, such as a bathroom, to create a new look and feel in their living space.

Over the past two years, there has been a renewed focus on physical and mental wellbeing. 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.

Bathrooms are also seen as an important room in the house for positive wellbeing. Mintel reports that 64% of UK consumers believe that well-designed bathrooms are important for their health and wellbeing, and 41% of people said their bathrooms are important for relaxation and self-care.

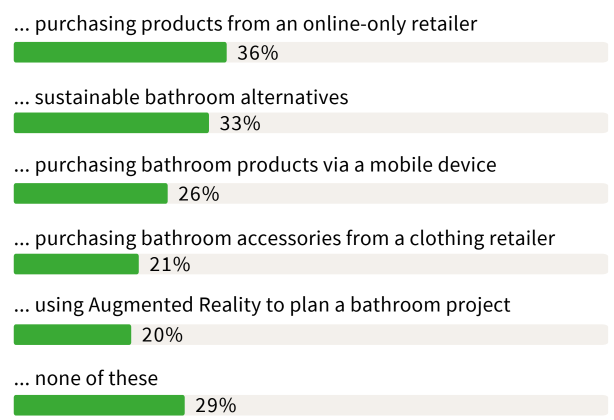
Changing consumer priorities

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. One-third of consumers (33%) are interested in sustainable bathroom alternatives, such as materials or water-saving toilets.

Interest in newer propositions

Source: Mintel

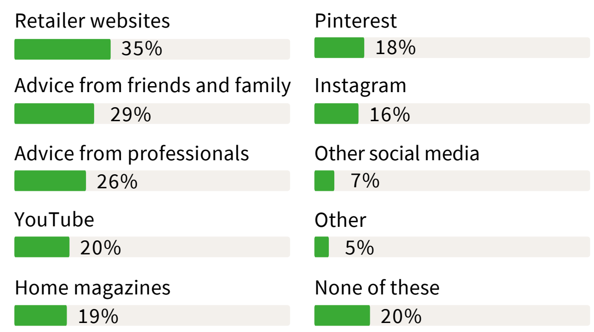
"I would be interested in... please select all that apply."



Priorities when planning a bathroom project, 2022

Source: Mintel

"Which of the following would you use for inspiration for bathroom projects/purchases? Please select all that apply."



This is another area which has grown with the pandemic, with 53% of consumers more likely to prioritise the sustainability of items they purchase for the home now compared with before the outbreak.

Whilst traditional outlets remain the favoured source of inspiration for bathroom products, there is a growing trend towards consumers using social media, with 4 in 10 citing various social platforms they would turn to. Online specialists may have an advantage here, as capturing a consumer's attention via a social media platform and making it easy for them to follow through to a retail transaction at that time could be a key performance driver in future years.

Making it easier to shop online

In general, considered purchases, such as bathroom products, are still more likely to be purchased 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. For example, 3D room design plans or augmented reality may help some consumers visualise their room and remove the need for physical showrooms. 20% of consumers would be interested in using augmented reality to plan a bathroom project. Equally, over one-third (36%) are interested in purchasing products from an online-only retailer and 26% via a mobile device, supporting the growth opportunity in online penetration for future years.

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 Covid-19, energy prices and a shortage of HGV drivers have all put strain on supply chains, no matter what the industry. However, supply chain stakeholders are adapting to the new operating environment, which is evident in the cost of transporting goods via containers reducing substantially from peak prices that were being charged during 2021.

In the UK, the Omicron outbreak in December 2021 was a reminder that whilst lockdowns are hopefully a thing of the past, the rapid spread of a Covid variant could quickly put strain on an already stretched operational workforce. In addition, 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.

How we create value

Our resources

Inputs

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

63%
Prompted brand awareness

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

>32,000
Products available

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

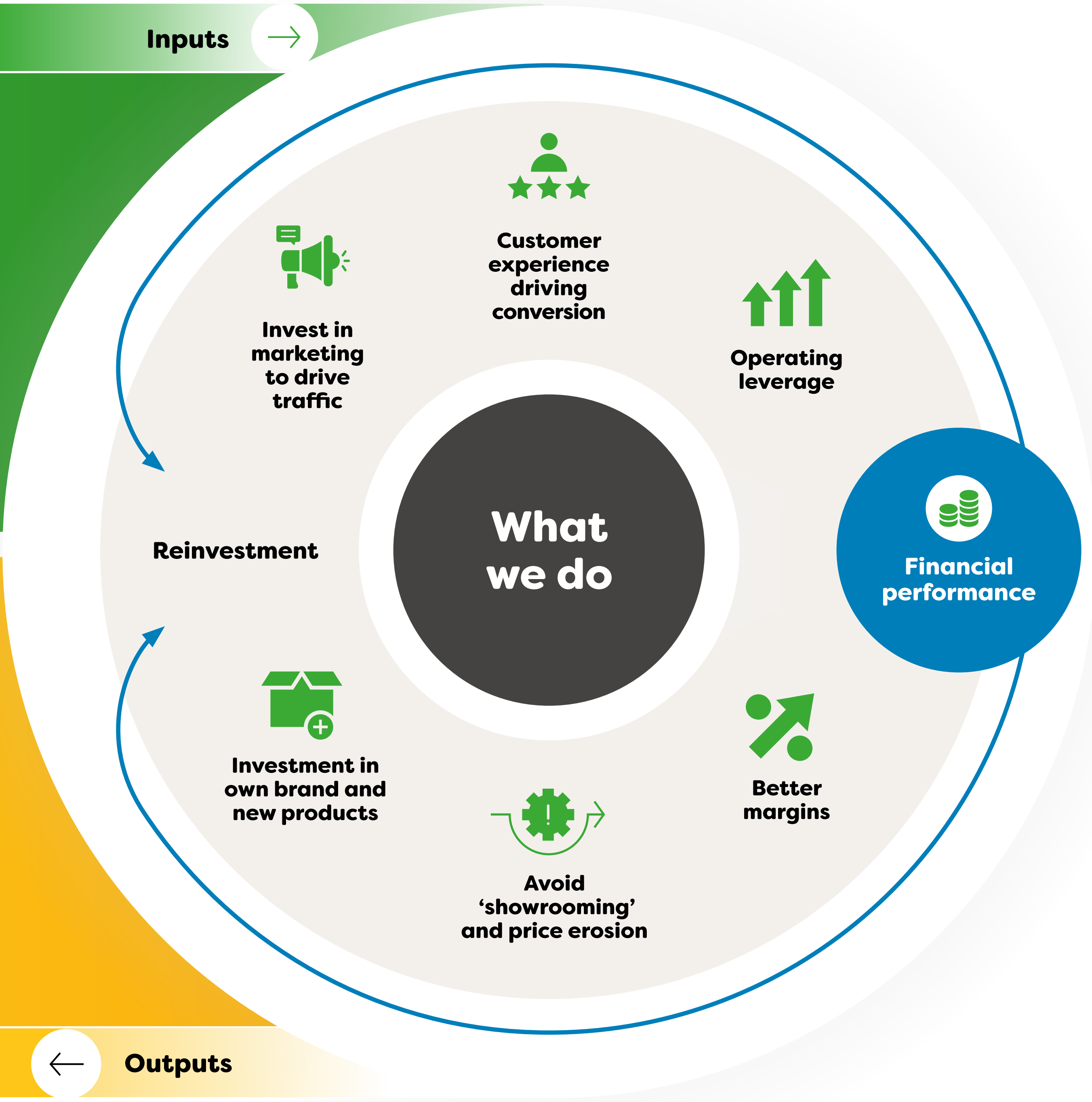
100%
Website uptime

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

572
Number of full-time equivalent employees on average in 2022

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

£14.3m
Operating cash flow
see p45 for reconciliation of this number



Employees
We care about our employees and have installed a values-led culture that encourages our people to develop their careers.

72%
Of employees are proud to work at Victorian Plumbing

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.

1.85
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.

880,000
Total orders in 2022

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

£45.5m
Net cash at 30 September 2022

Value we create

Outputs

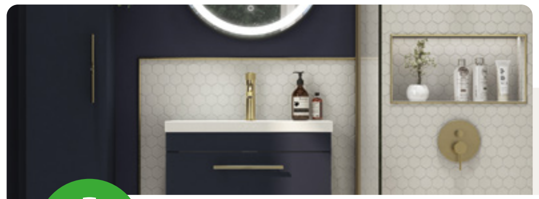
Our strategy

We think about our strategy with reference to 3 horizons

Horizon 1
Core B2C
- Customer acquisition, new product development and innovation
- Further market share gains, ongoing competitor weakness

Horizon 2
Trade
- Focus on sole traders and small and medium-sized enterprises
- Dedicated Trade portal and app
- Increase range of trade-specific product

Horizon 3
Adjacent products
- Products already available including flooring and tiles
- Prominence on website



Core B2C

Our extensive product range, coupled with our creative and bold marketing strategy, has enabled the Group to rapidly gain market share and become the number one bathroom retailer in the UK.

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 and improving 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**

2022 progress
We have invested in our brand and supplemented this with targeted performance spend to attract more visitors than ever before to our platform.

Our Trustpilot score increased from 4.3 to 4.5 (out of 5).

We have expanded our range of SKUs to over 32,000 offerings and introduced 12 additional brands to our range, including Bower, a new range of own brand kitchen taps.

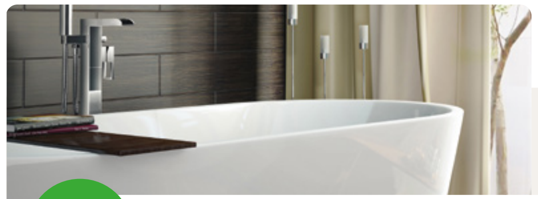
The proportion of orders dispatched from the warehouse within 7 days of order date increased vs. FY21.

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

Key performance indicators are detailed on pages 26 to 29.

Risks
- Macroeconomic trends
- Failure to innovate and changes in consumer buying behaviour
- Pandemic
- Brand and reputation
- Cyber security and data protection
- Supply chain
- Increase in competition
- Sustainability and climate change

For details on the Group's principal risks and uncertainties, see pages 48 to 52.



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**

2022 progress
We have grown trade revenue to 20% of total revenue (2021: 16%).

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

How we measure
- Trade revenue
- Trade revenue as a % of total revenue
- Gross profit and gross profit margin
- Adjusted EBITDA and adjusted EBITDA margin
- Profit before tax
- Cash conversion
- Total orders
- Average order value
- Marketing as a % of revenue

Key performance indicators are detailed on pages 26 to 29.

Risks
- Macroeconomic trends
- Pandemic
- Brand and reputation
- Cyber security and data protection
- Supply chain
- Increase in competition
- Sustainability and climate change

For details on the Group's principal risks and uncertainties, see pages 48 to 52.

Adjacent products

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

Becoming a true one-stop solution for all bathroom spend will allow us to capture a greater share of the customer wallet as well as attracting new customers who are shopping exclusively for these adjacent products. These products also provide an opportunity to extend our footprint to rooms outside of just the bathroom.

Focus areas
6. **Increase our product range in tiles and lighting**

2022 progress
We have grown our range of tile offerings by 56% in the year and increased revenue from tiles by 21% to £4.1 million (2021: £3.4 million).

We have progressed our lighting range, securing key suppliers and stocking almost 800 products and generating revenue in excess of £1 million.

How we measure
- Revenue
- Gross profit and gross profit margin
- Adjusted EBITDA and adjusted EBITDA margin
- Profit before tax
- Cash conversion
- Total orders
- Average order value
- Marketing as a % of revenue
- Trustpilot score
- Active customers
- Number of offerings
- Revenue from adjacent categories

Key performance indicators are detailed on pages 26 to 29.

Risks
- Macroeconomic trends
- Failure to innovate and changes in consumer buying behaviour
- Pandemic
- Brand and reputation
- Supply chain
- Increase in competition
- Sustainability and climate change

For details on the Group's principal risks and uncertainties, see pages 48 to 52.

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.

4.5
Average Trustpilot star rating (score out of 5)

1 Focus area

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

What have we 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 increased to 4.5 across 34,600 reviews (2021: 4.3). We have now generated over 175,000 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 our 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 later in the year.

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.

Opportunities

Website re-platforming
We have undertaken significant work over the last 12 months and beyond to completely re-platform our website to improve its functionality and scalability, and this is due for launch imminently. Following the release of the re-platformed website, we will be launching an app that will enable our Trade customers to browse and purchase products efficiently. These changes will allow us to release updates more frequently and test how those updates perform, as well as giving us greater flexibility on how we display products on site and an optimised search function.

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.

2 Focus area

Provide the largest choice of bathroom products

>32,000
SKU offerings available

What have we done

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

Provide a wide choice of brands
Partnerships with third-party brands continue to be strengthened as well as the introduction of five new brands to our site in the year. These additions complemented the inclusion of two premium brands in September 2021: Duravit and Villeroy & Boch.

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, 'saving water' ranked second in consumers' priorities when planning a bathroom project. We have slowly increased the number of products we hold with water-saving technology, with further opportunity to expand this range over time.

3 Focus area

Improve warehouse and supply chain efficiency

880k
Orders dispatched during 2022

What have we done

Audit of supplier factories
Consultants that we engage in the Far East allow us to proactively manage our key supplier relations in those regions. Having local experts available to us has also been key in introducing 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.

Warehouse semi-automation
Our newest warehouse in Skelmersdale has been fully operational through the year, with a primary objective to service small parcels. This warehouse was our first to encompass semi-automation, which has increased our efficiency.

Management of shipping agents
Supply chain challenges post Covid-19 had a detrimental impact on pricing rates and availability especially for container shipments, albeit, more recently, this price pressure has begun to ease. By actively managing our relationships across multiple suppliers, we ensured availability throughout the year as well as benefitting from reduced shipping costs, especially through the second half of the year.

Local delivery option
During the year, we have trialled a small local delivery network to distribute a selection of products to customers in proximity to our warehouse operations. We will continue to trial this with a view to increasing its scale over time as we have received an excellent response from customers who have been able to use this option.

Opportunities

Warehouse optimisation
Our multi-site warehouse operation has served us well as the business has grown, but there is room for further efficiency. This may mean more automation or consolidation to fewer sites so that we can further increase efficiency.

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.

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 have we done

Trade account management
We have expanded our trade team to provide additional support to our growing trade segment. Trade revenue increased to be 20% of total revenue (2021: 16%).

Repeat orders
Trade customers often make repeat orders, which is efficient from a customer acquisition perspective. Through a focus on KPI reporting, we have actively targeted lapsed accounts in the year resulting in a strong repeat rate that has increased 6ppts versus last year.

Trade dashboard
Trade account holders have access to their own dashboard when logged in, which we have improved to ensure that it provides as much information as would be required. The dashboard includes order history, order tracking and information on the current discount available to them.

Opportunities

On-the-go convenience
Trade customers often need to place orders on the move. An app that is targeted at our trade customers is in the final stages of development. This will provide a more efficient mobile experience to allow us to help our trade customers find what they need more efficiently.

5 Focus area

Extend our product offering for trade customers

What have we done

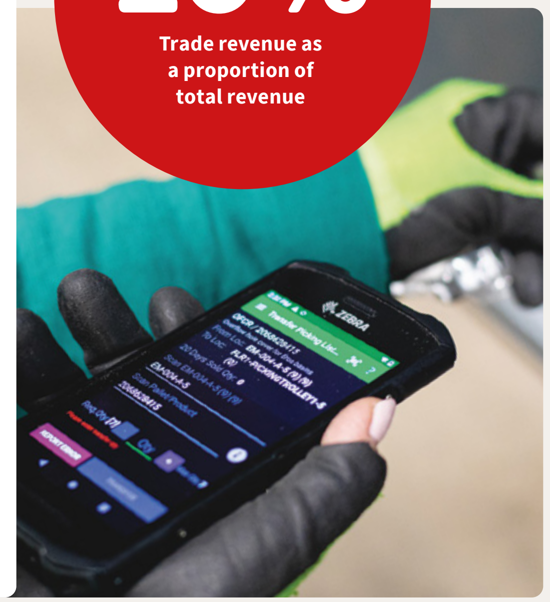
One-stop shop for the trade
To become a one-stop shop for the trade, we recognise that we will be required to provide the smaller 'plumbing' parts that they use frequently. Over the last year, we have increased our supplier network around these products and now offer over 600 plumbing supply products. We will look to increase our offerings of these products further in the forthcoming 12 months.

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. Once completed, our re-platformed website will allow us greater flexibility to make these changes.

34,000
Trade accounts active in 2022

20%
Trade revenue as a proportion of total revenue



Adjacent products

Consumers often require adjacent 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 these products.

£5.4m
Tile and lighting revenue 2022

6 Focus area

Increase our product range in tiles and lighting

What have we done

We have increased our tile range by 56% in the year and grown revenue by 21% to £4.1 million (2021: £3.4 million). We also increased the prominence of tiles on our site so consumers can find our offering more easily.

Our lighting range has also increased as we have built trusted relationships with new suppliers and established our own brand product as the leading brand of lighting on site. At 30 September 2022, we had almost 800 different lighting SKUs available for customers to purchase.

We recruited an in-house designer in the year who has worked on expanding our tile product range ensuring that what we offer is in line with market trends.

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 tile and lighting ranges and will be working to do this over the next year.

Website prominence
Consumers often think about purchasing adjacent products such as tiles and lighting after they have decided on their core bathroom. By improving the customer journey and placing a greater emphasis on adjacent product categories that we stock, we can leverage our additional customer base to increase sales of adjacent products.

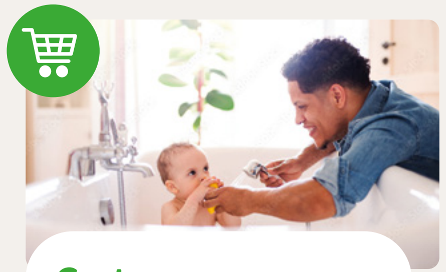
Technology improvements
Consumers are embracing technology more, with Mintel reporting that 20% of consumers would consider using virtual reality to plan a bathroom project. Increasing our capability to show tiles and flooring in a 3D planner view is seen as a key driver to building on the success to date across our tile offering.

Room to grow
Whilst we focus on bathroom-related offerings, there are a growing number of products, such as tiles, flooring, lighting, taps and sinks, that lend themselves to other rooms in the house. Our product quality and excellent customer service give us confidence that we can execute well should we decide to market other rooms in the house to complement our core bathroom offering.

Stakeholder engagement

Directors are required to act in the way they consider, in good faith, would most likely promote the success of the Company for the benefit of its members as a whole, whilst also having regard to the factors listed in Section 172 of the Companies Act 2006.

As a leading e-commerce 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 of our stakeholders. By understanding our stakeholders, and by considering their diverse needs, we can factor into board discussions the potential impact of our decisions on each stakeholder group. The content on these pages sets out how we engage with our key stakeholders.

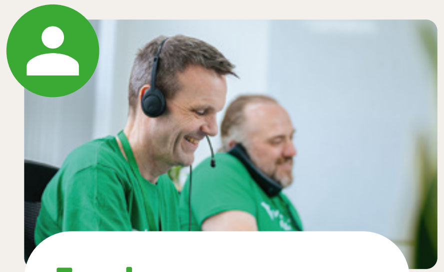


Customers

Their needs
- Extensive choice of quality products
- Ease of buying through our platform
- Clear and accurate information
- Fair and transparent pricing
- Timely delivery

How we engage
- We have dedicated customer service teams for each of our consumer and trade customer groups
- We ask customers to leave product reviews on our website
- We proactively ask for consumers to leave a Trustpilot review and we respond to instances in which the customer feels we could have done better
- We conduct an annual brand health survey with a panel of homeowners to understand awareness, consideration and how our brand is perceived
- We measure consumer brand awareness
- We use Viewers Logic, a TV response system, to understand how our advertising is received by consumers
- We use third parties to conduct consumer research which informs our strategy

Outcomes of engagements
- Adapting the levels of prominence that products have on our website
- Customer feedback drives our new product development
- Engagement with customers influences the keywords we bid on to drive traffic
- We have adapted our customer service flows to ensure we can quickly respond to incoming requests
- We are expanding the number of trade product lines we carry

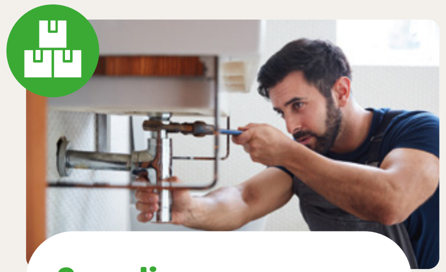


Employees

Their needs
- Working conditions, environment and wellbeing
- Career development and training opportunities
- Diversity & inclusion
- Reward and benefits

How we engage
- Regular interaction from the CEO and other members of the Senior Leadership Team ('SLT') across all departments
- Regular boardroom breakfasts where employees can meet different members of the Board and SLT
- Expanding on our programme of employee engagement surveys after our first survey in September 2021 to include an annual comprehensive survey and regular 'pulse checks'
- This year we have established the 'PlumbedIn' employee engagement team comprising representatives from across the business. It meets monthly with members of the SLT, and the Chairman also attends at regular intervals
- Regular feedback sought and discussed with the PlumbedIn team
- This year we have created a new reward gateway, benefits and intranet site 'The Loop', to which all colleagues have access, which is a source of news and a gateway to employee benefits, but also enables us to share and celebrate colleagues' successes and achievements
- Monthly company newsletter
- Health and safety assessments
- Regular review and benchmarking of salaries and benefits

Outcomes of engagements
- We have significantly increased the level of communication with our employees and this has been extremely well received
- Creation of The Loop – our bespoke reward gateway and intranet site
- We are establishing a programme of annual volunteering days for all staff in conjunction with local charities
- We launched an all-employee Save as You Earn scheme in March 2022. All employees could decide to save up to £250 per month which can then be used to purchase shares at the end of the term. It is intended to offer such a scheme on a regular basis
- Number of charity events organised to raise funds for local charities



Suppliers

Their needs
- Fair trading terms and conditions
- Increasing revenue from increased volumes sold
- Preservation of brand value

How we engage
- Regular engagement with suppliers, which includes regular contact with members of the purchasing and procurement team and SLT
- Supplier procurement processes engage at the time of the appointment and during the relationship: e.g. this year there has been extensive liaison with all suppliers for the purposes of ensuring our compliance with the new plastic packaging tax
- Early involvement from suppliers in the design and prototypes of new products
- Factory audits across our Chinese suppliers and feedback on how they can improve
- Regular review of product quality and feedback on faulty items

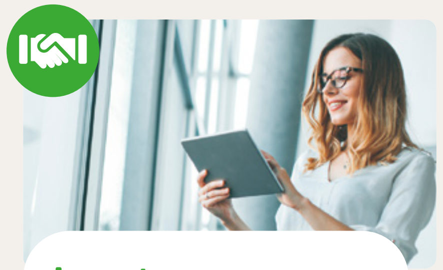
Outcomes of engagements
- Our auditing programme in China has helped our suppliers identify areas in which they could improve and we have helped suppliers resolve these issues in most cases, with ongoing plans to make further improvements
- We give our suppliers insight on product performance so they can further develop their products
- Data from suppliers has contributed to our own product development, and to the development of recyclable packaging where appropriate

The community & environment

Their needs
- Energy usage and carbon emissions
- Giving back to the community
- ESG factors

How we engage
- This year we have chosen a particular local charity to support, for which our employees have undertaken a number of fundraising activities
- We are partnering with local charities to introduce volunteering days for all staff who can choose to spend one of their usual working days helping to make a difference to the local community through one of those charities
- We have engaged with our suppliers to focus on alternatives to plastic packaging

Outcomes of engagements
- We have held several fundraisers over the year to help support our chosen charity
- We are introducing volunteering days for staff to partner with charities in the local areas
- We continue to focus on sustainability and the environment
- We continue to report on our scope 1 and 2 emissions and we have nearly completed mapping our scope 3 footprint in partnership with our external consultants
- In the context of the introduction of plastic packaging tax, we are encouraging our suppliers to use sustainable packaging
- We have sourced recycled pallets for our deliveries



Investors

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

How we engage
- Open, honest and balanced communication available to all shareholders
- Developing investor relations programme including results presentations and subsequent roadshows, plus one-to-one meetings with management when requested
- Private shareholders are encouraged to communicate with the Board through ir@victorianplumbing.co.uk
- Announcements available through our website
- We share industry-related data, such as the latest Mintel report, with analysts
- Our Remuneration Committee Chair wrote to all of our larger shareholders explaining the Directors' Remuneration Policy ahead of its publication in last year's Annual Report and the advisory vote at the Annual General Meeting ('AGM')
- In-person AGM at which all shareholders were able to attend and were encouraged to submit questions

Outcomes of engagements
- Feedback from investors throughout the year informs Board decisions and helps us build and develop on our strategies
- All resolutions proposed at the 2022 AGM were approved by at least 97.5% of the poll votes cast

Section 172 (1) statement

Our stakeholder engagement processes enable our Board to carefully consider the relevant s.172 factors and resulting impacts on our key stakeholders when making decisions so that they can select the course of action that best leads to the high standards of business conduct and success of Victorian Plumbing in the long term.

Our s.172 approach

Stakeholder engagement is central to the formulation and execution of our strategy and is critical in achieving long-term sustainable success.

The needs of our different stakeholders as well as the consequences of any decision in the long term are all considered by the Board. This includes those decisions which involve the competing interests and priorities of our key stakeholders.

We remain clear on the overriding duty to promote the success of the Company and acknowledge that conflicts between differing interests will often arise.

The following strategic decisions taken during the year are intended to provide some insight into the decision-making process at Victorian Plumbing.

Key

- ▲ Likely consequences of decisions in the long term
- ▲ The interests of the Company's workforce
- ▲ The need to foster relationships with suppliers, customers and others
- ▲ Impact of operations on the community and environment
- ▲ High standards of business conduct
- ▲ The need to act fairly between members of the Company

Increasing the amount of stock held in our warehouses and warehouse capacity

Section 172 considerations

▲▲

What was the decision?

The disruption caused by both Covid-19 and other unforeseen macro events is abating but still continues to put pressure on global supply chains. For many industries, including our own, these challenges have resulted in the sourcing of stock being unpredictable. As transparency over stock supply reduces, the chance of 'stock-outs' increases.

Following the decision taken in 2021 to increase the amount of stock that we held on site in our warehouses, we continue to hold more stock on site, which minimises the risk of stock-outs and therefore we have a higher degree of confidence of supplying customers with their orders just days after they have made a purchase. This increases customer satisfaction.

As the business continues to grow, we will need to ensure that we have sufficient warehouse capacity available for stock.

How the Board's engagement with stakeholders influenced the decision

Customers

Our customer surveys show that product choice and availability is key for our customers. Having an increased number of items out of stock would likely impact our reputation.

Our interaction with customers shows that delivering an item late can be extremely frustrating. By holding more stock, we reduce the likelihood that we fail to fulfil an order.

Suppliers

Our transparent relationships with our suppliers allow us to determine quickly if there is unpredictability in the delivery of products to the UK.

We continually review the warehouse real estate environment to ensure that we are well placed when the need for additional warehouse capacity arises.

We used our extensive networks to determine how we could procure additional product from our partner factories and how these could be shipped to the UK efficiently if required.

Re-platforming our website

Section 172 considerations

▲▲▲▲

What was the decision?

Customers find it easy to navigate and use our website. Our user experience does, however, need to be continuously developed to fully optimise our proposition. Although we can currently make improvements, the technology takes time to update and doesn't allow us to test changes in the most efficient manner. As we grow, we also need to increase the scalability of the platform so that users continue to get a best in class experience.

After consideration, we therefore decided in 2021 to re-platform our site to make it easier to update and test new features as well as making it even more secure.

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

How the Board's engagement with stakeholders influenced the decision

Customers

Through our customer engagement, we know that our customers expect to be able to navigate our site easily and find what they are looking for quickly. Re-platforming our site will allow us to test and release features to increase engagement more frequently.

Employees

Engagement with our employees who have experience of other businesses has helped us understand what 'great' looks like and what the possibilities are when re-platforming.

Investors

The feedback we receive from investors gives us confidence that investing in our technology and platform will result in future growth for the business.

Establishment of employee engagement committee

Section 172 considerations

▲▲▲

What was the decision?

The Company was keen to establish a formal mechanism for communication between the Company and its employees to ensure that the Group's entire workforce can be represented, appreciating that different sections of the workforce have different interests and priorities.

It was therefore decided to establish an employee engagement committee comprising employee representatives from every section of the workforce, which on their first meeting was named 'PlumbedIn'.

PlumbedIn meets on a monthly basis and reports views and suggestions to the SLT, and discusses any proposed changes to benefits and terms and conditions before implementation.

The Chairman also attends PlumbedIn meetings on a quarterly basis and in that way the Board is able to ensure that the employee voice is heard.

How the Board's engagement with stakeholders influenced the decision

Employees

The impact that decisions have on our colleagues is always front of mind. The establishment of the PlumbedIn employee engagement committee has created an effective forum for discussion and feedback in relation to any decisions impacting on employees and the business culture more generally. Employee benefit changes made this year, including, for example, the establishment of the new reward gateway,'The Loop', have been made in conjunction with the members of the PlumbedIn committee.

Investors

Feedback we have received from investors tells us that they also recognise the importance of ensuring that the employee voice is heard.

Stakeholder groups

Customers · Employees · Suppliers · The community & environment · Investors

Primary · Secondary

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 journey, great customer service 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. Increase our product range in tiles and lighting

See pages 16 to 21 for more detail on the Group's strategy. The Group's principal risks and uncertainties are detailed on pages 48 to 52.

Financial

1. Revenue (£m)

£269.4m

+0%

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 and accessories to both consumers and trade customers. Revenue is recognised when we have delivered the product.

Progress

Revenue was broadly ahead of the prior year as we attracted more visitors to our platform and increased the average value of each order. We experienced a particularly strong second half of the year, with revenue increasing across both our consumer and trade channels, delivering a total growth of +6% in the period (H1: -5%).

Relevant risks

- Macroeconomic trends
- Failure to innovate and changes in consumer buying behaviour
- Pandemic
- Brand and reputation
- Cyber security and data protection
- Supply chain
- Increase in competition
- Sustainability and climate change

2. Gross profit (£m) and gross profit margin %

£121.0m

-7%

2022	45% Gpm	£121.0m
2021	49% Gpm	£130.5m
2020	44% Gpm	£92.0m
2019	41% Gpm	£61.8m

Relevant focus areas

1 2 3 4 5 6

Definition

Gross profit is defined to be revenue less 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 decreased by four percentage points in the year to 45%. Supply chain pressures, particularly with the cost of containers used to transport goods into the UK and our careful approach to managing price increases impacted margins in H1 as expected. We have seen some recovery through H2, especially with falling container costs albeit offset by $ FX volatility and exited FY22 with a strong 45% margin.

Relevant risks

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

3. Adjusted EBITDA (£m) and adjusted EBITDA margin[1] %

£19.5m

-51%

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. Adjusted EBITDA margin is adjusted EBITDA as a percentage of revenue.

Progress

AEBITDA and adjusted EBITDA margin both decreased as a result of the decrease in gross profit. We made a strategic decision to grow our market share through increased investment in marketing spend, which is the largest element of administrative expenses. This has proven to be successful. Marketing spend as a percentage of revenue was 28% for the year (2021: 26%).

Relevant risks

- Macroeconomic trends
- Failure to innovate and changes in consumer buying behaviour
- Pandemic
- 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. A reconciliation to operating profit can be found within note 4 to the consolidated financial statements.

4. Profit before tax (£m)

£11.8m

-40%

2022	£11.8m
2021	£19.7m
2020	£23.7m
2019	£9.6m

Relevant focus areas

1 2 3 4 5 6

Definition

Profit before taxation ('PBT') is defined as the profit attributable to equity holders of the parent before taxation.

Progress

Costs below AEBITDA that are included within PBT were £12.6 million less in FY22 than they were in FY21 as the prior year included costs as a result of the Company's IPO (£9.4 million) as well as a reduction in the share-based payments expense year on year.

Relevant risks

- Macroeconomic trends
- Failure to innovate and changes in consumer buying behaviour
- Pandemic
- Brand and reputation
- Cyber security and data protection
- Supply chain
- Increase in competition
- Sustainability and climate change

5. Operating cash conversion %

73%

-8ppts

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

Relevant focus areas

1 2 4 5 6

Definition

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

Progress

Over the year, we have increased stock holding by £1.5 million in order to ensure high levels of availability despite supply disruption. This investment in working capital, along with some normalisation of supplier payments, has resulted in a modest decrease in cash conversion in the year.

Relevant risks

- Macroeconomic trends
- Failure to innovate and changes in consumer buying behaviour
- Pandemic
- Brand and reputation
- Cyber security and data protection
- Supply chain
- Increase in competition
- Sustainability and climate change

6. Net cash (£m)

£45.5m

+39%

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 £45.5 million represents a 39% 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
- Failure to innovate and changes in consumer buying behaviour
- Pandemic
- Brand and reputation
- Cyber security and data protection
- Supply chain
- Increase in competition

Key performance indicators continued

Key

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
4. Adapt our customer journey to better serve the trade segment
5. Extend our product offering for trade customers
6. Increase our product range in tiles and lighting

See pages 16 to 21 for more detail on the Group's strategy. The Group's principal risks and uncertainties are detailed on pages 48 to 52.

Operational

1. Total orders ('000)

880

-3%

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 year.

Progress

The total number of orders decreased slightly year on year, with comparatives including lockdown periods that supported an acceleration of online growth. We continue to see significant growth against pre-pandemic levels and the addition of further product ranges through the year and increased marketing spend has contributed to our increased share of the bathroom market.

Relevant risks

- Macroeconomic trends
- Failure to innovate and changes in consumer buying behaviour
- Pandemic
- Brand and reputation
- Cyber security and data protection
- Supply chain
- Increase in competition
- Sustainability and climate change

2. Average order value (£)

£306

+3%

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

Relevant focus areas

1 4 5 6

Definition

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

Progress

Average order value increased in the year, predominantly due to an increase in retail prices of products. These price increases were supported by strong demand for bathroom products, particularly those within our own brand.

Relevant risks

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

3. Marketing as a % of revenue

28%

+2ppts

2022	28%
2021	26%
2020	25%
2019	27%

Relevant focus areas

1

Definition

Marketing spend as a percentage of total revenue.

Progress

Marketing spend as a percentage of revenue increased to 28% (2021: 26%) in the year as we consciously invested in our performance-based spend to attract visitors to the platform, using our strong financial position to support market share gains.

Relevant risks

- Macroeconomic trends
- Failure to innovate and changes in consumer buying behaviour
- Pandemic
- Brand and reputation
- Cyber security and data protection
- Increase in competition

4. Trustpilot score

4.5

+0.2

2022	4.5
2021	4.3
2020	4.3
2019	4.6

Relevant focus areas

1 2

Definition

The monthly average star rating achieved through Trustpilot in the year.

Progress

Our focus on customer satisfaction was demonstrated by a record number of reviews in the period, with total reviews having now surpassed 175,000. The reviews received in the year were highly rated, with our TrustScore increasing to 4.5 (out of 5), consolidating our 'Excellent' Trustpilot rating.

Relevant risks

- Macroeconomic trends
- Failure to innovate and changes in consumer buying behaviour
- Pandemic
- Brand and reputation
- Cyber security and data protection
- Increase in competition

5. Active customers ('000)

608

-5%

2022	608
2021	638
2020	565
2019	422

Relevant focus areas

1 2 3 4 5 6

Definition

Active customers are defined as the number of unique customers who made a purchase in the year.

Progress

The total number of active customers decreased year on year in a period where the wider market experienced a demand reduction. Our bold brand and data-led marketing ensured that we minimised this reduction and attracted >600,000 unique customers to purchase from our site.

Relevant risks

- Macroeconomic trends
- Failure to innovate and changes in consumer buying behaviour
- Pandemic
- Brand and reputation
- Cyber security and data protection
- Supply chain
- Increase in competition
- Sustainability and climate change

6. Trade revenue as a % of total

20%

+4ppts

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

An increase in the team size to provide account management and the launch of pilot radio advertising aimed at trade customers have helped contribute to a 4ppts increase in the proportion of revenue generated from trade customers.

Relevant risks

- Macroeconomic trends
- Failure to innovate and changes in consumer buying behaviour
- Pandemic
- Brand and reputation
- Cyber security and data protection
- Supply chain
- Increase in competition
- Sustainability and climate change

Making a splash

We take our environmental, social and governance responsibilities seriously and are constantly looking at what we can improve on; we aim to make a difference to our people, our communities and the wider environment.

We have always tried to do the right thing, however recognise that as a business that has grown rapidly over the past decade, we have never formalised our approach for sustainable development. We are continuing to develop our strategy and, although there is still some work to do, we are delighted to be able to outline how we plan to make a difference over the coming years.

Developing our strategy

As we developed our strategy, we took a number of key considerations into account:

Engaging with our stakeholders
We sought feedback from our stakeholder groups, including our people and our investor base.

Linking to business priorities
Our making a difference strategy is to be part of our overall strategy and so the business goals need to be considered.

Supporting global goals
We have also considered our alignment with UN Sustainable Development Goals, focusing on the following goals: 5 on gender equality, 8 on decent work, 12 on responsible consumption and 13 on climate action.

Current and emerging trends
We have considered current and emerging trends in the media and our industry.

Our purpose

Our purpose is to improve the quality of home life.

We do this by providing affordable bathrooms 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:

Governance and ethics

Trust and transparency are integral to our business. We have always strived to do the right thing and everyone in our business understands our expectation of behaving professionally, ethically and legally.

Read more on pages 32 to 33

Diversity and inclusion

We understand the value of having a diverse and inclusive workforce to fuel innovation, drive engagement and attract talent.

There is a lot more we could do to improve diversity and inclusion within our organisation and particularly in leadership positions.

Read more on pages 34 to 35

Environmental sustainability

As we become more environmentally aware, we are looking to cut our carbon emissions. We have reported our scope 1 and 2 emissions again this year and are currently working on mapping our scope 3 emissions as we look to develop a strategy to become net zero.

Read more on pages 36 to 37

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 of our existing and new suppliers are required to adhere to an Ethical Procurement Policy and Supplier Code of Conduct, which we developed last year. We proactively seek supplier relationships with those who equally 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.

During the year, we have built upon our supplier audit programme. 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 audited 30 suppliers in the Far East against our employment and social compliance standards, and conducted 17 full factory audits in the Far East: of these, two suppliers failed and were required to improve in line with a remediation plan within a prescribed time scale. Of these two, one has now been reaudited to our satisfaction, but we have terminated our relationship with the other.

We have zero tolerance for any aspect of bribery and corruption, both within our business and in respect of any third parties with whom we have dealings. We have an established anti-bribery and corruption 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 whenever they have any concerns or experience any serious malpractice or wrongdoing in our business. Our whistleblowing policy provides employees with details on how they can provide confidential and/or anonymous feedback. Reports obtained through the whistleblowing process are directed to the Audit Committee Chair.

Health and safety
We recognise our responsibility for the health and safety of our workforce and others who could be affected by our activities. We assess the hazards and risks faced by our workforce in the course of their work and take action to control those risks to an acceptable, tolerable level.

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:

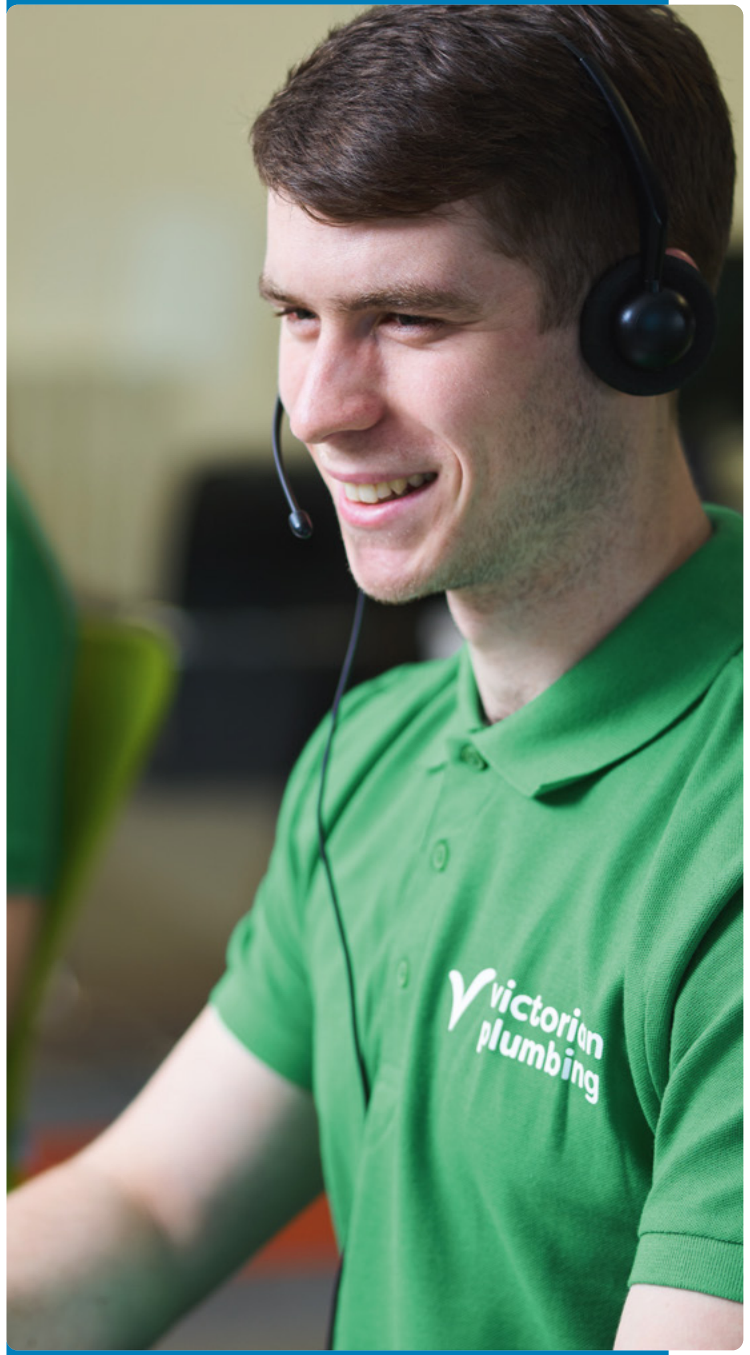
- providing leadership and adequate control of identified health and safety risks;
- consulting with our employees on matters affecting their health and safety;

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 of our employees and job applicants are treated fairly and equally. It is our policy not to discriminate based on gender or gender identity, sexual orientation, marital or civil partner status, gender reassignment, race, religion or belief, colour, nationality, ethnic or national origin, disability or age, pregnancy or trade union membership, or on the basis that their work is part-time or fixed-term.

> **We have strengthened our position in the market and are now the UK's No. 1 bathroom retailer"**
>
> **Mark Radcliffe**
> Chief Executive Officer



Health and Safety continued
- 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 cyber crime very seriously. This year we have appointed a new Head of Infrastructure and Security, who works closely with the Chief Technology Officer to continually monitor and improve our data security and infrastructure.

During the year, an Information Security Team was established, consisting of senior management, which meets monthly to review policies and processes, and 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, as well as investing in security infrastructure. Our development teams 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 and NIST frameworks. Penetration testing is also performed at least annually and during 2022 no significant issues were found.

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 privacy policy.

Explicit consent is obtained to contact consumers for marketing purposes. 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 carefully vet any third parties with whom we share data, and they are obliged to keep it securely, and to use it only to fulfil the service they provide on our behalf.

We record all instances of data loss 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 Information Commissioner's Office ('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. In 2022, our total tax contribution was £42.4 million (2021: £35.8 million). Taxes borne by the Group totalled £6.0 million (2021: £8.8 million) and consisted of corporation tax, employer's national insurance contributions, import duty and stamp duty. Taxes collected by the Group totalled £36.4 million (2021: £27.0 million) and consisted of PAYE deductions, employees' national insurance contributions and net VAT collected.

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.

Diversity for everyone at Victorian Plumbing means respect for and appreciation of differences in: gender identity and expression, age, sexual orientation, disability, race and ethnic origin, religion and faith, marital status, 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 a lot more that we could do to improve diversity and inclusion in our organisation and particularly in leadership positions. We have therefore made increasing the level of diversity and inclusion at Victorian Plumbing a key pillar of our strategy.

We are also mindful that most of our employee base relates to warehouse roles (64%), who are almost exclusively recruited from the local area, and therefore the diversity of our workforce is inextricably linked to the diversity of the surrounding environment. We will therefore consider over the coming year whether other metrics such as socio-economic background are relevant, together with those already reported on, when evaluating the diversity of our workforce.

How we will take action:

- We will ensure that we are interviewing 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 educate our people about why diversity and inclusion is important. We will also raise awareness amongst our people around the pitfalls of unconscious bias and how it may be impacting our progress.
- We will improve the employee experience, remove barriers and reduce the gender pay gap.

How we will measure impact:

- We will monitor the makeup of our people with specific focus on gender and those in leadership roles.
- We will analyse and act on employee feedback.
- We will 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 e-commerce retail, we have room for improvement and so this is an area of focus for us.

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 important 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.

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 (2021: 4:1). The proportion of women in leadership positions, as defined by the Hampton-Alexander Review, has increased to 19% (2021: 12%) with two additional female hires into leadership roles during the year.

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

During 2022, we published our Gender Pay Gap Report for the April 2022 reporting date, supporting the Government's initiative to promote transparency on gender pay.

Gender diversity

As at 30 September 2022

	Men	Women	Men as % of total	Women as % of total
Board	4	1	80%	20%
SLT	5	2	71%	29%
SLT direct reports	18	4	82%	18%
Total employees	**413**	**154**	**73%**	**27%**

As at 30 September 2021

	Men	Women	Men as % of total	Women as % of total
Board	4	1	80%	20%
SLT	6	1	86%	14%
SLT direct reports	16	2	89%	11%
Total employees	**407**	**152**	**73%**	**27%**

Gender pay gap

Hourly pay gap between men and women

2022 Mean	2021 Mean	2022 Median	2021 Median
10.2%	13.7%	4.2%	3.7%

Ethnic diversity

As at 30 September 2022

	White	Other	Not disclosed	White as % of disclosed	Other % of disclosed
Board	5	–	–	100%	–
SLT	7	–	–	100%	–
SLT direct reports	20	2	–	91%	9%
Total employees	**356**	**26**	**185**	**93%**	**7%**

As at 30 September 2021

	White	Other	Not disclosed	White as % of disclosed	Other % of disclosed
SLT direct reports	16	2	–	89%	11%
Total employees	**253**	**27**	**–**	**90%**	**10%**

Our median hourly pay gap has increased slightly; however, our mean hourly pay gap has decreased, and remains below the industry average. The reduction in the mean hourly pay gap is reflective of the recruitment of women into leadership roles across the last 12 months and the increase in the median was partly because we have decreased the proportion of women in lower level roles, as well as having increased the proportion of women in the upper quartile.

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.

Ethnicity, LGBT+, age and disability

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 and disability. As with gender diversity, we have more to do in these areas.

Our business is committed to becoming more inclusive and welcoming of – and, just as importantly, retaining – a diverse workforce.

Employee engagement

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

Following on from our first employee engagement survey in September 2021, we have subsequently sought feedback from shorter 'pulse' surveys in the year as well as a full engagement survey in September 2022. Pleasingly, we have seen a significant increase in response rates to these surveys as employees recognise how their feedback can help shape the organisation going forward. Significantly, we have also seen an increase in the % of employees who responded positively to the question "Are you proud to work at VP", which increased to 72% in 2022 (2021: 58%). This demonstrates how the actions that the business has taken over the past 12 months around benefits, communications and general employee engagement have had a positive impact.

We also launched an internal engagement team, PlumbedIn, with representatives from all departments of the business to act as a conduit between employees and the SLT. This team has done a fantastic job to gather colleague feedback and present it to the senior team, who can take forward and implement a variety of the suggestions made.

Earlier in the year we also launched the Company's first Save as You Earn ('SAYE') scheme, which provided all employees with the option 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 do 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.

Through the year we have looked to increase the awareness of mental health across our employee base. Our biggest initiative to date in this area over the last 12 months is the set-up of our online employee rewards, recognition and wellbeing portal, 'The Loop', which is immediately available to all employees on day one of their employment with the business. Our dedicated online wellbeing centre provides education materials as well as support tools to help support our employees live a healthier and happier life, with focus provided across 4 main areas: 'Move' (Get active), 'Munch' (Eat healthier), 'Money' (Financial wellbeing) and 'Mind' (Mastering your mental health).

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.

Environmental sustainability

As the world transitions to a low carbon economy, we expect that regulatory change and changes in consumer behaviour will have an impact on our market, which will mean we need to develop and adapt our business.

We are early in our discovery into what this will mean for our business, but it is already clear that in order to make a difference in this area, we will have to drive change across our operations and our supply chain. Given our share of consumer voice, we should also use our capabilities to help consumers purchase more sustainable products. We believe we need to give back more to the planet than we take out of it and protect our business from the impact of climate change.

How we will take action:

- **Net zero carbon emissions** – As we become more environmentally aware, we are looking to cut our carbon emissions, with a goal of doing no harm to the planet through net zero carbon emissions. The first step to doing this is to understand our carbon emissions and we have been working with external consultants on mapping our scope 3 emissions with a view to then developing a strategy to work towards net zero.
- **Supporting consumers** – Our customers care about the environment and so we have the responsibility to help them understand the environmental impact of our products. We will continue to increase the visibility of sustainable products on our platform.
- **Working with suppliers** – The introduction of a plastic packaging tax in the year allowed us to fully review the use of plastic packaging in products that we import. By championing plastic alternatives, a higher grade of recycled materials or removing plastic completely from the product, we have reduced the volume of plastic that would have otherwise been used. Whilst the tax is not applicable to plastic used in our own operations, we have taken lessons learned and applied them across our warehouse operations.

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 emissions is based on the financial consolidation approach, as defined in the Greenhouse Gas Protocol, A Corporate Accounting and Reporting Standard (Revised Edition). Emissions factors used are from UK Government conversion guidance for the year reported.

Total CO_2 emissions[1]

	2022	2021
Scope 1	158	169
Scope 2	339	310
Total (scopes 1 and 2)	**497**	**479**
Revenue (£m)	269.4	268.8
Carbon intensity[2]	**1.85**	**1.78**

1. Scopes 1 and 2 are reported in tonnes of CO_2 equivalent.
2. Absolute carbon emissions divided by revenue in millions.

We choose to present a revenue intensity ratio as a measure of our GHGs, as this is a relevant indicator of our growth and is aligned with our business strategy.

Our desire to reach net zero carbon

We are at the very start of our carbon net zero journey, but we are committed to making progress over the coming years.

We currently understand and report our 'scope 1' (combustion of fuel) and 'scope 2' (purchased electricity and gas, and fuel associated with leased cars) emissions. As an online retailer with no manufacturing or logistics capability, we have a relatively low carbon footprint across these two areas.

In conjunction with our external consultants, we are in the process of mapping our 'scope 3' emissions and hope to be able to start reporting these in FY23. We can then look to establish a plan to reach net zero carbon.

Helping consumers to make sustainable choices

Our success comes from a breadth of expertise and we want to combine that with our voice in the industry to increase awareness of products that are more sustainable and environmentally friendly.

Consumers are now more conscious of products that either use sustainable materials or use water-saving technology and we are working with our suppliers to develop products that will fit these criteria. We are looking to increase the range of such products and we will also be looking to provide greater visibility of these products on site to support the decision-making process for consumers looking for sustainable purchases.

Partnerships

Environmental impact

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.

In the financial year we have evaluated our electricity contracts to ensure we will use renewable energy sources where possible.

We are also exploring sustainable options when performing our review of warehouse expansion and consolidation and will look to utilise the latest developments in technology to make our warehouse operations more environmentally friendly.

Reporting frameworks

Since IPO, we have made great progress on ESG factors. We are, however, still relatively early on in our ESG corporate reporting journey and there is more that we can do to evidence how ESG is embedded into our strategy; how we assess and manage risks and opportunities; and what metrics and targets we are using. We aim to report comprehensively and transparently about ESG topics and 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

The TCFD has published recommendations to encourage businesses to increase disclosure of climate-related information. These recommendations focus on governance; risk management; strategy; and metrics and targets.

TCFD reporting is not yet mandatory for the Group, however we are committed to transparency in this area. The disclosure included below outlines the work we have started to align our climate risk disclosure with the TCFD recommendations. It is expected that these disclosures will continue to evolve as the Group looks to move closer to full alignment in due course.

As our response to the TCFD guidelines evolves, we will be reviewing our internal governance structures to ensure climate change risks are included in our strategic group risk mechanisms, ensuring they are appropriately managed and opportunities are seized.

TCFD alignment at a glance

The Group Risk Register incorporates risks relating to the impact of climate change on our business, and this is now disclosed as a principal risk. The disclosure below outlines the work we have started to align our climate risk disclosure with the TCFD recommendations.

TCFD recommendation	Progress
Governance Disclose the organisation's governance around climate-related risks and opportunities.	The Board is responsible for the oversight of sustainability. Climate-related risks and opportunities are monitored by the Board on an ongoing basis and ESG matters will be included on the Board agenda at least three times per year.
Strategy Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material.	We have made progress this year in defining the areas which will be of focus to us. We plan to develop our strategy to manage the potential impact of climate change risk and until that is finalised ensure that ESG matters are considered in key business decisions.
Risk management Disclose how the organisation identifies, assesses and manages climate-related risks.	Our risk management framework (see pages 46 to 47) separates responsibilities into three lines of defence – our Senior Leadership Team, oversight functions and Committees, and independent assurance. Our Group risk register includes risk of climate change as a principal risk.
Metrics and targets Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.	We have reported our scope 1 and scope 2 emissions, see page 36. We are working with an expert consultancy to determine our scope 3 emissions, which will inform the targets and metrics which we intend to include in future annual reports.

SASB disclosure topics and accounting metrics

In 2021, we took the decision to align our ESG reporting to SASB standards. We have set out below our progress against the e-commerce SASB standards – we have again reported progress against 9 of the 13 relevant standards. We acknowledge that we have not fully disclosed against all metrics. We will undertake further work in the current year and will report additional progress and metrics in our next Annual Report.

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 36 for details. Grid electricity accounted for 97% (2021: 92%) of total energy usage. Of energy used, 51% (2021: 52%) 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	The Group consumed 1,375 (2021: 1,570) cubic metres of water in the year. No water was consumed in regions with high or extremely high baseline water stress. There was no water withdrawn by the Group in the year.
	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 the Microsoft Azure platform, which 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 33 for details on our data privacy policy. Further progress has been made in this area during the year following the appointment of a Head of Infrastructure and Security.
Data security	Description of approach to identifying and addressing data security risks	See page 33 for further information on our approach to data security and privacy.
	(1) Number of data breaches (2) Percentage involving personally identifiable information ('PII') (3) Number of users affected	The Group had no reportable data breaches in the year.

Topic	Disclosure required	Progress
Employee recruitment, inclusion and performance	Employee engagement as a percentage	The Group performed its second annual all-employee engagement survey during the year. Of the responses received, 72% (2021: 58%) of people said they were proud to work at Victorian Plumbing.
	(1) Voluntary turnover rate for all employees (2) Involuntary turnover rate for all employees	The Group had a voluntary turnover rate for employees of 52% (2021: 61%) and an involuntary turnover rate of 13% (2021: 11%).
	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 is reported on page 35. In addition, as at 30 September 2022, 88% (2021: 88%) of technical staff identify as male and 12% (2021: 12%) as female. The ethnic diversity of management and the workforce as a whole as at 30 September is reported on page 35. Of technical staff who disclose their ethnicity, 83% identify as white with 17% identifying as from an ethnic minority. (2021: 72% white, 28% ethnic minority).

Non-financial information

We aim to comply with all areas of the UK's Non-Financial Reporting Directive. The table below sets out where stakeholders can find further information for each area within this Annual Report:

Non-financial risk	Policies, procedures and employee guilds	Section within this Annual Report	KPIs
Environmental		Environmental sustainability (pages 36 to 37) Reporting frameworks (pages 38 to 40)	• Scope 1 and 2 emissions • Total energy consumed • Percentage grid electricity • Percentage renewable • Total water consumed
Our people	• Code of conduct • Employee engagement • Whistleblowing	Diversity and inclusion (pages 34 and 35) Section 172 statement (pages 24 and 25)	• Gender diversity • Women in leadership roles • Ethnic representation • People who are proud to work at Victorian Plumbing
Social and community	• Ethical procurement policy • Supplier audits	Governance and ethics (pages 32 and 33)	• Gender diversity • Women in leadership roles • Suppliers audited
Human rights	• Modern slavery policy • Privacy policy • Supplier audits	Governance and ethics (pages 32 and 33)	
Anti-bribery and corruption	• Anti-bribery, gifts and hospitality policy	Governance and ethics (pages 32 and 33)	
Business model		Business model (pages 14 and 15)	
Principal risks		Principal risks and uncertainties (pages 48 to 52)	
Non-financial key performance indicators		Operational KPIs (pages 28 and 29)	

"We finished the financial year strongly and our robust financial position sets us up for further growth."

Paul Meehan
Chief Financial Officer

Highlights

- Revenue, earnings and cash ahead of market expectations
- Revenue growth in H2 of +6% with a particularly strong final quarter
- Cash conversion of 73% and finishing the year with £45.5 million of cash
- Maiden full year final and special dividend recommended with a total cash distribution of £9.0m

Introduction

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

	2022 £m	2021 £m	Change
Revenue	269.4	268.8	0%
Cost of sales	(148.4)	(138.3)	(7%)
Gross profit	121.0	130.5	(7%)
Underlying costs	(101.5)	(90.4)	(12%)
Adjusted EBITDA	19.5	40.1	(51%)
Depreciation and amortisation	(3.5)	(3.0)	(17%)
Share-based payments	(3.9)	(7.7)	49%
Exceptional items	–	(9.4)	n/a
Operating profit	12.1	20.0	(40%)

> **"We are pleased to report revenue, adjusted EBITDA and cash ahead of market expectations"**
>
> **Paul Meehan**
> Chief Financial Officer

Revenue

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

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

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

Gross profit

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

We define gross profit as revenue less cost of sales. Cost of sales includes all direct costs incurred in purchasing products for resale along with packaging, distribution and transaction costs.

Cost of sales increased by 7% to £148.4 million (2021: £138.3 million), reflecting inflation both in product costs but also freight and distribution costs. The disruption caused by Covid-19 impacted our supply chain throughout the year, causing increases in the cost of raw materials, transport and packaging. The strength of the Group's supplier relationships and the agility of our team ensured robust sourcing processes and good product availability. Furthermore, the pricing power of the Group, particularly on own brand products, allowed us to increase prices to partially protect gross margin, which increased in the second half of 2022.

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

Underlying costs

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

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

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

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

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

Adjusted EBITDA

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

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

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

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

Exceptional items

Total fees incurred in 2021 of £9.8 million were in relation to the IPO, of which £9.4 million was expensed through the income statement as an exceptional item, with the balance of £0.4 million being charged to the share premium account.

Share-based payments

The Group incurred share-based payment charges (including associated national insurance) of £3.9 million (2021: £7.7 million). The majority of the charge recognised relates to shares awarded to management on the June 2021 IPO.

Depreciation and amortisation

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

Operating profit

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

Profit before taxation

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

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

In June 2021, the Group signed into a new revolving credit facility (the 'RCF') with HSBC. The RCF has a total commitment of £10.0 million and a termination date of June 2024. The facility remained undrawn throughout the financial year. Interest on the undrawn revolving credit facility in the year was £0.1 million (2021: £nil).

Taxation

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

Earnings per share

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

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

	2022 £m	2021 £m	Change
Profit for EPS	**9.2**	14.3	(36%)
Share-based payments	**3.9**	7.7	(40%)
Exceptional items	**–**	9.4	n/a
Tax effect	**(0.7)**	(1.9)	(63%)
Adjusted profit for EPS	**12.4**	29.5	(58%)
Weighted average number of ordinary shares for diluted EPS (millions)	**315.9**	315.8	-%
Adjusted diluted EPS	**3.9**	9.3	(58%)

Cash flow and net cash

The Group continues to achieve strong cash generation with free cash flow of £14.3 million (2021: £32.6 million), resulting in cash conversion of 73% (2021: 81%).

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

Changes in working capital resulted in a cash outflow of £1.2 million in the year, largely as a result of the decision to further increase our stock holding to minimise the risk of stock-outs, therefore providing a better and more dependable experience for customers. This was partially offset by an increase in payables.

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

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

Events after the reporting period

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

Dividend

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

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

Paul Meehan
Chief Financial Officer

5 December 2022

Risk management

The Board is collectively responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives.

Risk management and internal control

The Company does not have a separate Risk Committee; the Board is collectively responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives.

The Board is also responsible for establishing and maintaining the Group's system of risk management and internal controls. It receives regular reports from management identifying, evaluating and managing the risks within the business. The risk management framework is described below.

Our risk management framework

Risks are reviewed on an ongoing basis and are captured in a risk register, identifying 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's role is to consider whether, given the risk appetite of the Group, the level of risk is acceptable within its strategy.

Responsibilities

Board

- Overall responsibility for overseeing the Group's risk management and internal control process
- Determines the Group's risk appetite
- 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

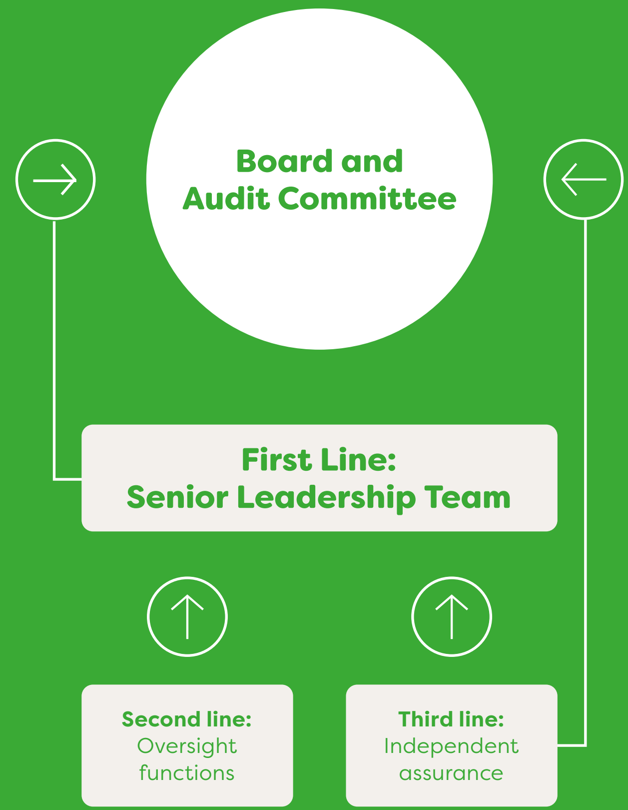
Audit Committee

- Assesses the scope and effectiveness of the Group's internal controls and risk management systems
- Agrees the scope of the external audit functions, and reviews their work
- Evaluates the need for an internal audit function

Senior Leadership Team

- Identifies, assesses, monitors, manages and mitigates risks, and exploits opportunities
- Embeds risk management and internal controls as business as usual
- Ensures corrective actions to mitigate risks and addresses control deficiencies

Lines of defence



First line: Senior Leadership Team

- Primary responsibility for day-to-day risk management
- Identify, assess, monitor, manage and mitigate risks, and exploit opportunities
- Embed risk management and internal controls as business as usual
- Design and execution of appropriate mitigations and internal controls
- Ensure corrective actions to mitigate risks are implemented
- Must be satisfied that control or mitigation procedures are working

Second line: Oversight functions

- Functions: Human Resources, Finance (internal controls)
- Groups: Health and Safety, IT steering group, Data Security, Information Security
- Establish appropriate policies, provide guidance, advice and direction on implementation
- Monitor the first line of defence

Third line: Independent assurance

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

Our risk management process

We recognise that effective risk management is critical to enable us to meet our strategic objectives and to achieve sustainable long-term growth. A four-step process has been adopted to identify, monitor and manage the risks to which the Group is exposed:

Explanation of the risk management process

A top-down and bottom-up approach is used to identify principal risks across the business.

Whilst the Board has overall responsibility for the effectiveness of internal control and risk management, the detailed work is delegated to the SLT.

Risks and controls are analysed and evaluated to establish the impact and likelihood of occurrence.

The Group categorises risks into eight areas: economy, market and business environment risk; financial risk; asset risk; operational risk; competitive risk; technology infrastructure risk; regulatory risk and non-business-as-usual risk.

The SLT is responsible for monitoring progress against principal risks in a continual process. The Board reviews the Group's risk register and assesses the adequacy of the principal risks identified and the mitigating controls and procedures adopted.

The effectiveness and adequacy of controls in place is assessed.

If additional controls are required to mitigate identified risks then these are implemented and responsibilities assigned.

Key: Risk movements in year
Increased risk Same risk Reduced risk

Identifying, monitoring and managing 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 each risk identified, and the mitigating actions being taken. Risk levels were modified to reflect the current view of the relative significance of each risk.

The principal risks and uncertainties identified are detailed in this section. Additional risks and uncertainties to the Group, including those that are not currently known or that the Group currently deems immaterial, may individually or cumulatively also have a material effect on the Group's business, results of operations and financial condition.

1. Macroeconomic trends

Potential impact
Specific macroeconomic factors and changes can have an impact on how customers behave and can also have an impact on our operations and the operations of our supply chain. In turn, this could impact our overall financial performance.

Changes in the year
The operating and economic environment remains challenging and has resulted in inflationary pressure, continued supply chain challenges and a reduction in size of the bathroom market. These factors, together with domestic and international political instability have increased risk to the Group.

How do we manage the risk?
We continue to monitor shifts in all relevant macroeconomic risks, with particular focus on challenges that impact our customers and workforce as well as our supply chain. Mitigations put in place to help prepare the Group for any potential volatility include the following:

- We have carefully controlled price increases and discounts as we balance the Group's strategy with our customers' expectations.
- We have recently reviewed the salaries for a large majority of the workforce – recognising the cost-of-living crisis that many of our staff are experiencing.
- We have a strong supply chain consisting of multiple suppliers across multiple locations. This helps minimise over-reliance on any individual country or supplier.
- We have relationships with multiple carriers and logistics providers so we have flexibility in our choice of providers if required.
- We continually review stock levels and increase our investment in stock when uncertainties arise. This helps us to reduce stock-outs and strengthen our competitive position.

2. Failure to innovate and changes in consumer buying behaviour

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

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

Changes in the year
We remain at the forefront of innovation in the sector and we have further strengthened our position through partnerships with additional well-known bathroom product brands.

Through the year, we have innovated and launched several new products across several of our brands with success.

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.

How do we manage the risk?
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.

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

3. Pandemic

Potential impact
The Covid-19 pandemic caused unprecedented levels of disruption to every aspect of the economy, our customers, our suppliers and the way that we operate our business in past years. Whilst a risk that further restrictions or a stricter and more prolonged lockdown period could adversely impact the ability for our business and our supply chain to operate efficiently, we believe this risk to have been reduced through vaccination programmes.

As an e-commerce business, we benefitted from the acceleration of consumers towards online retail and this is reflected in our comparators.

Changes in the year
Our business was able to operate fully throughout the pandemic. Our suppliers were also impacted from time to time, though the supply chain continues to normalise.

The overall situation has improved from a year ago, with the inflationary pressure and cost-of-living crisis impacting consumer confidence more than further pandemic related concerns. Whilst a risk from a pandemic is still considered to be a principal risk, it is reduced vs. the prior year.

How do we manage the risk?
We continue to monitor the situation across functions so that we can respond rapidly to developments as they occur.

We maintain the level of scrutiny of our ongoing supplier base, with a focus on its ability to continue to operate and its financial viability.

We already had a robust business continuity plan, but we have evolved this through the crisis, making sure that it is safe for our staff to work at our premises. We continue to review and address all key person dependencies in the event of high staff absences if another wave of this or any other pandemic hits.

Principal risks and uncertainties continued

Key: Risk movements in year
Increased risk | Same risk | Reduced risk

4. Brand and reputation

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 prompted brand awareness has consistently increased over the last three years, according to YouGov, and was at 63% in February 2022 when measured as part of our annual brand health check. Our bold, differentiated and quirky marketing content alongside our data-driven pay-per-click strategy helps us to stay front of mind with consumers.

During the year, we have improved our high Trustpilot score to 4.5/5.

How do we manage the risk?
We invest in new and innovative marketing campaigns that are bold and quirky to help us grow our brand awareness.

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

We perform quality checks on products to ensure that items we deliver to customers are to the standard we expect. We hold all suppliers to high quality standards and address any failure to meet expectations.

Our customer service teams do everything they can to help customers who do have queries resolve those queries quickly.

5. Cyber security and data protection

Potential impact
As an e-commerce 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 data breach, whether as a result of our own failures or a cyber attack, would lead to a loss in confidence by both customers and suppliers. This could result in reputational damage, loss of audience, loss of revenue and potential financial losses in the form of penalties.

Changes in the year
We continue to invest in our technology and infrastructure & security team and have strengthened our data protection team, recognising the increased risk in this area as a result of wider geopolitical considerations.

We have made substantial progress in re-platforming our website which is due to launch imminently. Once completed, this will increase our resilience and allow us to implement updates more easily.

A number of our applications are hosted in the cloud, which increases the resilience of our systems and the security of our data.

Following a review of our IT infrastructure last year, we have implemented a number of new solutions to mitigate risks identified and continue to assess our IT environment.

The Information Security Team meets monthly to review policies and processes, and the acquisition of various tools, to enable us to increase our security posture. Ultimately this will enable us to seek certification under ISO 27001.

How do we manage the risk?
We have a disaster recovery plan in place, and this has been reviewed in the year.

We implemented solutions for risks that were identified during the IT review last year. We monitor our resilience and susceptibility to attack through Microsoft Azure and address risks as they emerge.

We hold low levels of customer data and use facilities offered by our payment providers so that we do not have to store customer card details within our systems.

6. Supply chain

Potential impact
We are reliant on multiple third-party suppliers and service providers throughout the customer journey, from website to fulfilment, to the product itself. This means that if there is a failure on their part, we may suffer from a disruption to our operations and overall business.

Any failure in day-to-day operations risks negatively impacting our ability to process or fulfil customer orders, resulting in reduced customer proposition, lost opportunity and a loss of customer confidence.

Our customers expect us to provide quality products without compromising on the integrity of how they are produced. They want to feel confident about where their products come from and know that the people who make them are not being exploited. Failure to monitor our supply chain could lead to extensive reputational damage and ultimately financial loss.

Changes in the year
As our business grows, we increase our reliance on third parties, most notably suppliers of our stock and the distribution channels we use to deliver items to customers.

We have invested in our purchasing team in recent years, which has increased the level of experience in the team and broadened our relationships with suppliers. We work closely with our local experts in China to ensure that we are able to readily perform due diligence on suppliers in that region. As explained in more detail on page 32, we continue to develop our supplier audit programme.

Different macroeconomic factors, such as the Ukraine conflict and rising energy costs, have put further pressure on supply chains. The Group has mitigated its risk through expanding its supplier base and increasing inventory held, whilst we have increased retail prices to protect gross margin.

Our website relies on third-party cloud infrastructure as well as a several other third-party providers. Our increasing traffic levels mean that a drop in service from any of these providers would have a greater impact than it would have previously.

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

How do we manage the risk?
Where possible, we limit reliance on a single supplier to reduce potential single points of failure. We have an extensive supply chain that is spread across multiple regions so that we reduce our exposure to localised disruption. Our dedicated purchasing team continuously monitors stock availability.

The resilience of our supply chain has been demonstrated very effectively this year. One of our most popular ranges of products have previously been sourced from a supplier in Ukraine. Our purchasing team was able to source those products from alternative suppliers quickly and efficiently to mitigate the erratic deliveries we received from Ukraine, whilst continuing to support the Ukrainian supplier as far as possible.

We hold all suppliers to high standard levels and address any failures promptly. We carry out due diligence on suppliers and the quality of the products that they supply at the onset of our relationship and monitor throughout.

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

During the prior year, we implemented an audit programme for our Chinese suppliers and have made continued progress through the year. Where improvements have been required, we have reiterated the standards we expect and worked with those suppliers to ensure progress is made, and a reaudit is performed after a period of time.

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

Principal risks and uncertainties continued

7. Increase in competition

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

Changes in the year
The competitive landscape continues to develop, particularly as more of the market moves online. The legacy impact of Covid-19 has resulted in some traditional store-based retailers reiterating their focus on providing an omni-channel experience that includes an online element. The full impact of the more recent cost-of-living crisis is yet to be felt, albeit we believe that our unique proposition and strong balance sheet well position the Group to prosper in the future.

Our diversification into adjacent products and a larger focus on trade sales also results in a wider competitor set.

How do we manage the risk?
We have the largest and most engaged audience across any online specialist bathroom retailer. Our investment 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 SLT and Board level.

We continue to invest in our product offering. We engage consistently with third-party brands and continuously evolve our own brand products to ensure we are addressing the latest consumer trends.

8. Sustainability and climate change

Potential impact
The focus on climate change and sustainability continues to be at the forefront of stakeholder sentiment. We recognise that we need to play our part in combating climate change and, if we fail to do this, we risk adversely impacting our brand and reputation.

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.

Whilst multi-national bodies such as the United Nations, together with national governments, continue to decide on the best approach to climate change that impacts all of our stakeholders, we, at Victorian Plumbing, focus on our own risk mitigation.

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

During the year we have introduced new, sensibly sourced products, including bathroom taps and toilets with water-saving functionality, radiator valves with energy saving technology and products made from sustainable materials such as bamboo. In addition, we continue to improve the information that 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 and supplies to determine whether other more environmentally friendly options are available.

Lastly, 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.

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 2025.

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 and uncertainties (pages 48 to 52).

The Board has determined that a period of three years to September 2025 is the most appropriate period 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 online 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 more challenging.

The first year of the financial forecast is based on the Group's 2023 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 Senior Leadership Team and the Board. The key assumptions in the financial forecasts, reflecting the overall strategy, include:

- growing our core B2C business and consolidating our position as the number one online bathroom retailer in the UK with an increase in the number of unique visitors year on year;
- increasing our proportion of revenue from trade customers; and
- increased growth in adjacent products such as tiling and lighting.

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. To make the assessment of viability, however, additional scenarios have been modelled over and above those in the ongoing plan, based upon a number of the Group's principal risks and uncertainties, which are documented on pages 48 to 52.

These scenarios were overlaid into the plan to quantify the potential impact of all of 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 cash balances, owing to its continued profitability and strong cash conversion. Whilst the business has access to a £10 million revolving credit facility, this is not required to be drawn down, even in the severe worst-case scenario used for viability assessment. Equally, with no external debt funding, 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. Management has identified a course of actions that could be undertaken, which include but are not limited to:

- a reduction in headcount across operational departments;
- a reduction in capital investment (e.g. development of bespoke technology);
- reducing discretionary spend (e.g. brand marketing);
- managing stock levels closely to demand; and
- no dividends being declared or paid.

A selection of these measures, which are deemed to be readily available, have been modelled from FY23 onwards to give the Board oversight of profitability and cash options available should such a scenario occur that could further strengthen its financial position and further reinforce the Group's viability.

Stress testing
As an extension of the downside scenario modelled for going concern purposes, a scenario was modelled in which the following factors were assumed for the full period to September 2025:

- a reduction in customer conversion growth rate when compared with the Base Case and 2022 actual results;
- maintenance of average order value at 2021 actual levels, despite seeing average order value grow significantly in recent years;
- significant increased marketing spend as a proportion of revenue;
- increased carriage costs as a percentage of revenue;
- increased cost of goods as a result of higher prices charged by suppliers;
- wage inflation over and above budgeted levels; and
- no growth in unique visitors to the website.

In this scenario, management has not factored in any cost savings or mitigating factors that could be executed, as described in the going concern assessment, nor does it forecast using the available revolving credit facility. This facility expires in June 2024. 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 September 2025.

Going concern
The Directors also considered it appropriate for the Going Concern Review period to December 2023, 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 53, was approved by the Board on 5 December 2022 and signed on its behalf by:

Mark Radcliffe
Chief Executive Officer

5 December 2022

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 from Admission for its financial year ending on 30 September 2022 and to the date of this report, except for those provisions described on page 59. 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 2022
- Gender Pay Gap Report 2022
- Notice of Annual General Meeting 2023

Composition of the Board

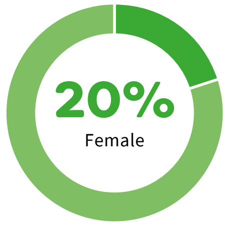
- 1–Chairman
- 2–Executive Directors
- 2–Non-Executive Directors

Age

- 1 – 40–49
- 4 – 50–59

Gender

- 1–Female
- 4–Male



Chairman's introduction to Corporate Governance

Philip Bowcock
Chairman

> "The Board is committed to high standards of corporate governance"
>
> **Philip Bowcock**
> Chairman

Welcome to our Corporate Governance Report for our first full financial year since the shares of Victorian Plumbing Group plc were admitted to AIM on 22 June 2021.

Dear shareholders,

The Board recognises the importance of, and is committed to, high standards of plc corporate governance. On Admission to AIM in June 2021, the Company voluntarily committed to complying with the UK Corporate Governance Code 2018. All the Directors are fully aware of their duties and responsibilities under the Code and the AIM rules.

The Board is committed to high standards of corporate governance. However, stakeholders will appreciate that as the Company has only been listed for a relatively short time, and that prior to Admission the Company was predominantly family owned, there are some circumstances in which, at this stage in the Board's development, it is not necessarily relevant for us to comply with the Code.

Governance framework

In conjunction with our external advisors, 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.

Board composition

The Board comprises two independent Non-Executive Directors, two Executive Directors and myself as Chairman. The proportion of independent Non-Executives on the Board is compliant with the Code, and has been throughout the year (except for the short period between Kath Smith's resignation and Dianne Walker's appointment).

Annual General Meeting

The 2023 AGM will take place as a physical meeting at 09:30am on Thursday 2 March 2023 at PwC LLP, No 1 Spinningfields, 1 Hardman Square, Manchester, M3 3EB. Myself and the other Directors will join the meeting either in person or by telephone. 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.

Philip Bowcock
Chairman

5 December 2022

Our team

Key to Committee membership

- A Audit Committee
- N Nomination Committee
- R Remuneration Committee
- Committee Chair

Mark Radcliffe
Chief Executive Officer

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.

Appointed to plc Board: May 2021 (on incorporation)
External appointments: Radcliffe Property Management Limited

Paul joined Victorian Plumbing in December 2020. He was previously CFO of On the Beach Group plc from January 2017 until July 2020 and prior to that was Finance Director at Gala Coral Group between April 2012 and December 2016. He has held a number of other Finance Director roles in other businesses in the UK and is a chartered certified accountant.

Appointed to plc Board: May 2021 (on incorporation)
External appointments: None

Paul Meehan
Chief Financial Officer

Philip Bowcock
Chairman

N A R

Philip Bowcock was appointed as a Director and Chair on 16 June 2021. He has extensive listed company experience, having been CEO of William Hill plc between June 2016 and September 2019 and, before that, CFO. Prior to joining William Hill, he was CFO of Cineworld Group plc from 2011 until June 2015 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. Most recently, he served as interim CEO of Countrywide Limited between November 2020 and March 2021.

Appointed to plc Board: June 2021
Independent on appointment: Yes
External appointments: Eurochange Ltd

Damian Sanders was appointed as the Senior Independent Non-Executive Director on 16 June 2021. Damian is Chair of the Audit Committee and a member of the Nomination Committee. Damian has over 20 years' experience as a senior equity audit partner at Deloitte, acting as advisor and corporate governance specialist for a number of FTSE boards. He is also a non-executive director of Cineworld Group plc and THG Holdings plc.

Appointed to plc Board: June 2021
Independent on appointment: Yes
External appointments: THG Holdings plc, Cineworld Group plc

Damian Sanders
Senior Independent Non-Executive Director

A N R

Dianne Walker
Independent Non-Executive Director

R N A

Dianne Walker was appointed as an independent Non-Executive Director on 14 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 advisor 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.

Appointed to plc Board: June 2022
Independent on appointment: Yes
External appointments: Inspired PLC, Development Bank of Wales plc, Scott Bader Company Ltd

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 SLT 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 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 SLT, 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. The Code is available on the Financial Reporting Council website at frc.org.uk.

Introduction

On Admission to AIM on 22 June 2021, the Board committed to comply with the UK Corporate Governance Code. Prior to 22 June 2021, the Company had no obligation to comply with provisions of the Code. Stakeholders will appreciate that as the Company has only been listed for a relatively short time, and prior to Admission the Company was predominantly family owned, there are some circumstances in which, at this stage in the Board's development, it is not necessarily relevant for the Company to comply with the Code.

During this financial year, steps were taken to ensure full compliance with the Code by the end of the year in respect of the following two provisions (which were noted as not compliant in last year's report):

Provision	Detail	Explanation of the Company's compliance
5	For engagement with the workforce, one or a combination of the following methods should be used: • a director appointed from the workforce; • a formal workforce advisory panel; or • a designated non-executive director. If the board has not chosen one or more of these methods, it should explain what alternative arrangements are in place and why it considers that they are effective.	The Board has addressed this during this financial year and is now fully compliant with this provision of the Code, using a combination of methods to ensure that the employee voice is heard. Since the beginning of the year, a series of boardroom breakfasts have been held to enable all employees to meet and direct questions to the Board and the Senior Leadership Team ('SLT') (two of whom attend each meeting on a rotational basis). In February 2022, the 'PlumbedIn' employee engagement committee was established: this meets monthly and consists of employee representatives from every sector of the business, who can discuss ideas and concerns with representatives from the SLT. This operates as an effective forum for discussion and feedback in relation to any decisions impacting on employees and the business culture more generally. The Chair of the Board also attends these meetings on a quarterly basis. More details relating to the 'PlumbedIn' engagement committee can be found on pages 22, 25 and 35.
21	There should be a formal and rigorous annual evaluation of the performance of the board, its committees, the chair and individual directors. The chair should consider having regular externally facilitated board evaluation.	No evaluation was conducted in the short period of time from Admission to the end of the Company's first financial year as a listed company on 31 September 2021. However, the Company is now also compliant with this provision of the Code: the Board has this year conducted an internal evaluation of its performance, its Committees, the Chair and its individual directors, more details of which can be found on page 67. The Board will look to commission an externally facilitated Board evaluation in future, but at this early stage the Board was satisfied that an internal evaluation was sufficient.

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.	On Admission, the membership of the Audit Committee was Damian Sanders as Chair (Senior Independent Non-Executive Director); Kath Smith (independent Non-Executive Director) and Philip Bowcock (Chairman). Given the size of the business on Admission, the Board deemed it preferable for the Audit Committee to have three members, one of whom was the Chairman, compared with the alternative option of the Audit Committee comprising only two members. On the appointment of Dianne Walker to the Audit Committee (following Kath Smith's resignation), the Nomination Committee further reviewed this position. It was decided to continue with the Chair as one of the three members of the Audit Committee, particularly given his finance background, rather than reducing the number of Committee members. It also considered whether it would be appropriate to appoint an additional Non-Executive Director to the Board and to the Audit Committee, but decided against it at this stage in the Company's development.

Board leadership and Company purpose

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 53, 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 Chairman and Non-Executive Directors have spent time in the business with the leadership team and key employees.

We undertook our first all-employee engagement survey in September 2021 to solicit feedback from employees on a wide range of topics, the outcomes of which were discussed with the Board. Consequently, we have implemented an annual full engagement survey to take place in September of each year, with regular 'pulse checks' soliciting feedback on a narrower range of topics.

The Board now also receives a Cultural Scorecard as part of its regular Board reports, which allows the Board to monitor various cultural indicators such as staff retention, diversity, absences and employee engagement.

Additionally, the Board and senior management now engage with the workforce both through the continuance of regular boardroom breakfasts and with the establishment of the 'PlumbedIn' employee engagement committee, further details of which are set out on pages 22, 25 and 35.

Engagement with shareholders

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 gave a formal presentation to investors and analysts on the 2021 full-year results in December 2021 and will do so in December 2022 and every subsequent year, as well as a formal presentation for the half-year results each May.

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 and Numis, and on the views of institutional investors on a non-attributed and attributed basis.

If major shareholders' concerns were to arise (there have been none to date), these would be communicated to the Board by the Executive Directors. The Chairman, 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 2023 AGM will take place as a physical meeting at 09:30am on Thursday 2 March 2023 at PwC LLP, No 1 Spinningfields, 1 Hardman Square, Manchester, M3 3EB. The Chairman and the other Directors will join the meeting either in person or by telephone. We encourage all shareholders to cast their votes by proxy, and to send any questions in respect of AGM business to ir@victorianplumbing.co.uk. All proxy votes received in respect of each resolution at the AGM are counted and the balance for and against, and any votes withheld, are indicated.

At the meeting itself, voting on all the proposed resolutions will be conducted in line with the Articles of Association.

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 published on the Company's website victorianplumbingplc.com following the AGM.

Whistleblowing

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 Committee, which will then be advised of the investigations carried out and any actions arising as a result.

Conflicts of 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 such conflicts to be considered for authorisation. Any external appointments or other significant commitments of the Directors require the prior approval of the Board.

At the date of this report, Mark Radcliffe is the only Executive Director to hold an external directorship. Mark Radcliffe is an executive director of Radcliffe Property Management Limited ('RPML'), a property company from which the Group leases warehouses. As RPML is a related party to the Group, transactions with RPML are detailed within note 33 to the consolidated financial statements on page 116.

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. The directors may authorise a director to be involved in a situation in which the director has or may have a direct or indirect interest which conflicts or may conflict with the interests of the Company and may impose such terms or conditions on the grant of such authorisation as they think fit and in doing so will act in such a way, in good faith, as they consider will be most likely to promote the success of the Company.

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

Concerns over operation of the Board

All of the Directors have the right to have their opposition to, or concerns over, any Board decision noted in the minutes. Directors are entitled to take independent professional advice at the Company's expense in the furtherance of their duties, where considered necessary.

Division of responsibilities

Board roles

To ensure a clear division of responsibility at the head of the Company, the positions of Chairman and Chief Executive Officer are separate and not held by the same person.

The division of roles and responsibilities between the Chairman and the Chief Executive Officer is set out in writing and has been approved by the Board. Damian Sanders is the Senior Independent Director.

Board and Committee responsibilities

The Board has adopted a formal schedule of matters reserved for its approval and has delegated other specific responsibilities to its Committees. The schedule sets out key aspects of the affairs of the Company which the Board does not delegate and is reviewed at least annually.

Each Committee has formally approved Terms of Reference which are reviewed and approved at least annually, or more frequently as circumstances require.

Details are published on our website at victorianplumbingplc.com/investors.

Chairman

- Leadership and governance of the Board
- 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

- Responsible for the day-to-day operations and results of the Group
- Develops the Group's objectives, strategy and 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 Senior Leadership Team (comprising the Executive Directors and senior management) who have responsibility for all areas of the business

Non-Executive Directors

- 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

Senior Independent Director

- Acts as a sounding board for the Chairman
- Available to shareholders if they have concerns which the normal channels through the Chairman, Chief Executive Officer or other Directors have failed to resolve
- Meets with the other Non-Executive Directors without Executive Directors present
- Leads the evaluation of the Chairman's performance

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

Composition, succession and evaluation

At the date of this report, the Board consists of the Non-Executive Chairman, two independent Non-Executive Directors and two Executive Directors.

The Chairman (Philip Bowcock) and the Senior Independent Director (Damian Sanders) were appointed prior to Admission and were external appointments.

Following the resignation of Kath Smith, the Nomination Committee led the search for an additional Non-Executive Director, which resulted in the appointment of Dianne Walker. A search brief was agreed, including the industry and public company skills, knowledge and experience required for the role. External recruitment consultants, Axon Moore, with whom the Group has no other relationship, were used for this process. The Company also used references from advisors to search for appropriate candidates.

Composition, succession and evaluation continued

Short-listed candidates met with the CEO, CFO, the Chairman, the Senior Independent Director and members of the Senior Leadership Team prior to their appointment.

The Chairman (Philip Bowcock) was considered to be independent on appointment. 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 determined that he remained independent for the purposes of the UK Corporate Governance Code.

The two Non-Executive Directors (Damian Sanders and Dianne Walker) are considered 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 2022 and to the date of this report, the Company is compliant with the Code provision that at least half the Board, excluding the Chairman, should comprise independent Non-Executive Directors.

The Chairman's fees and the Non-Executive Directors' fees are disclosed on page 77. In addition, the Chairman (Philip Bowcock) was issued 1,526,718 ordinary shares on Admission, equating to £4.0 million at the placing price, at a price of £0.001 per share. The shares are subject to a restriction, which is removed in four equal tranches on each anniversary of Admission, and accordingly 381,680 of these shares became unrestricted on 22 June 2022. The terms of the restriction provide that if Philip Bowcock ceases to serve as the Non-Executive Chair of the Company for any reason other than (i) death, (ii) injury, ill-health or disability (subject to certain exceptions) evidenced to the satisfaction of the Board of Directors of the Company, (iii) retirement by agreement with the Company, (iv) Mr Mark Radcliffe becoming Chair of the Board, (v) Mark Radcliffe and other Radcliffe family members or any persons acting in concert with them exercising their voting rights to remove Philip Bowcock as a director or requesting his resignation or removal, or (vi) otherwise in the Board's absolute discretion, then he will forfeit and surrender to the Company for no value any such shares over which such restriction remains. If (v) above applies, the restriction over the relevant number of shares that would have been removed on the next anniversary of Admission will be removed if the event occurs after six months of the preceding anniversary. If the event occurs on or within six months after that preceding anniversary, the shares will be forfeited.

Board and Committee activity

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'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. The table below provides a high level overview of the issues that have been considered by the Board this year, with input from the SLT when appropriate.

	Regular reports	Issues considered throughout the year
Strategy		Operating plan and strategic focus areas ESG strategy
Operational	Monthly operational report with key achievements and issues in the month; view of the industry, competitors and customers	Deep dives into each of marketing, warehouse operations, technology team, adjacent categories, customer service, finance systems, and purchasing supply chain
Financial	Monthly financial report with results, KPIs, current forecast and external analyst consensus	Treasury policy Capital and dividend policy Financial plan Tax strategy and policy Results statements Regular re-forecasting
People and culture	Cultural scorecard Report on annual and quarterly employee engagement surveys	Remuneration framework and policy Gender pay gap reporting Employee engagement Succession planning, talent and diversity Long Term Incentive Plan ('LTIP'), bonus plans and awards Launch of SAYE scheme for all employees
Shareholders and other stakeholders	Regular feedback from investor and analyst meetings	Employee engagement – regular boardroom breakfasts and participation in PlumbedIn employee engagement meetings Discussion of scope 3 emissions and climate/environmental reporting Market and shareholder feedback and updates
Risk and governance		Review and approval of the risk register and internal controls more generally; review of Financial Position and Prospects Procedures ('FPPP') Infrastructure and Information Security Business continuity and disaster recovery plans Review of corporate governance generally Board effectiveness and evaluation External audit effectiveness

Attendance at meetings

	Board	Nomination Committee	Audit Committee	Remuneration Committee
Number of scheduled meetings held	9	3	3	4
Director				
Philip Bowcock	9/9	3/3	3/3	4/4
Mark Radcliffe	9/9	N/A	N/A	N/A
Paul Meehan	9/9	N/A	N/A	N/A
Damian Sanders	9/9	3/3	3/3	4/4
Kath Smith	5/5	N/A	2/2	3/3
Dianne Walker	3/3	N/A	1/1	1/1

Time commitment

Any external appointments or other significant commitments of the Directors require the prior approval of the Board. At the date of this report, Mark Radcliffe (Chief Executive Officer) is the only Executive Director to hold an external directorship. Mark Radcliffe is an executive director of Radcliffe Property Management Limited, a property company from which the Group leases warehouses. The Board is comfortable that external appointments of the Chief Executive, Chairman and the Non-Executive Directors do not impact on the time that any Director devotes to the Company.

Induction and development

In preparation for Admission, all Directors received an induction briefing from the Company's legal advisors on their duties and responsibilities as Directors of a publicly listed company, and it is intended to refresh this advice on a regular basis.

On her appointment, Dianne Walker received an induction briefing from the Company's nominated advisor. Dianne Walker's induction programme also included meeting key members of senior management to familiarise herself with the Group.

Information and support available 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 advice and services of the Company Secretary, Rachel Donnelly. The appointment or removal of the Company Secretary is a matter for the whole Board.

Appointments to the Board

On Admission, the Board established a Nomination Committee, chaired by Philip Bowcock, with all other members comprising independent Non-Executive Directors. The main responsibilities of this Committee are to keep under review the structure, size and composition of the Board and its Committees; to identify and nominate candidates for appointment to the Board; and to ensure that there are formal and orderly succession plans in place.

The work of the Committee is described on pages 65 to 67, and included overseeing the recruitment of Dianne Walker following Kath Smith's resignation. The Board and its Committees have an appropriate balance of skills, experience and knowledge of the Group to enable them to discharge their respective duties and responsibilities effectively in accordance with main principle K of the Code. Biographies of all members of the Board appear on pages 56 and 57.

Election of Directors

The Board can appoint any person to be a Director, either to fill a vacancy or as an addition to the existing Board. Any Director so appointed by the Board shall hold office only until the next AGM and shall then be eligible for election by the shareholders. The AGM Notice sets out the specific reasons for reappointing each Director.

Tenure of Chair

The 2018 UK Corporate Governance Code contains a provision that the Chairman should not remain in post beyond nine years from the date of their first appointment to the Board. Philip Bowcock joined the Victorian Plumbing Group plc Board on 16 June 2021, the same month in which the Company listed on AIM. Prior to this, Philip Bowcock had no involvement with the Company.

Letters of appointment

The Chairman 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.

Board evaluation and effectiveness

Victorian Plumbing 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.

A more detailed review of the Board evaluation process carried out this year can be found in the Report of the Nomination Committee on page 67.

Audit, risk and internal control

The Board's Audit Committee is chaired by Damian Sanders, with Dianne Walker (independent Non-Executive Director) and Philip Bowcock (Chairman) as members. Given the size of the business on Admission, the Board deemed it preferable for the Audit Committee to have three members, one of whom was the Chairman, compared with the alternative option of the Audit Committee comprising just two members. The Nomination Committee has reviewed this position again this year and has decided that the Audit Committee will be most effective if it remains at three members for the time being, although this will be further reviewed over the next year.

The Committee has defined Terms of Reference which include assisting the Board in discharging many of its responsibilities with respect to financial and business reporting, risk management, internal control, internal audit and external audit. The work of the Committee is described on pages 68 to 72.

Financial and business reporting

Assisted by the Audit Committee, the Board has carried out a review of the 2022 Annual Report and considers that, in its opinion, the report is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy. Refer to the Report of the Audit Committee on pages 68 to 72 for details of the review process.

See page 53 for the Board's statement on going concern and the viability statement.

Risk management and internal control

The Company does not have a separate Risk Committee; the Board is collectively responsible for determining the nature and extent of the principal risks it is willing to take in achieving its strategic objectives.

The Board acknowledges its responsibility for establishing and maintaining the Group's system of risk management and internal controls and it receives regular reports from management identifying, evaluating and managing the risks within the business. 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 processes in place for assessment, management and monitoring of risks are described in Principal risks and uncertainties on pages 48 to 52.

During the IPO process, the Board reviewed the effectiveness of the system of risk management and internal controls, and this was supplemented by work performed through the FPPP work stream. In this financial year, the Board has ensured that focus remains on improving the control environment most notably with respect to improving the IT infrastructure and security controls.

Since its formation in June 2021, the Audit Committee has taken responsibility for monitoring the system of risk management and internal controls through reports received from management, along with those from external auditors. Management continues to focus on how internal controls 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.

Remuneration

The Board's Remuneration Committee is chaired by Dianne Walker, who was appointed as Chair of the Remuneration Committee on her appointment to the Board in June 2022. On appointment, Dianne Walker had previously served on a remuneration committee for longer than 12 months. The other Committee members are Philip Bowcock (Chairman), who was independent on appointment, and Damian Sanders (Senior Independent Non-Executive Director).

The Remuneration Committee is responsible for determining the Remuneration Policy, and for setting remuneration for the Executive Directors, the Chairman and senior employees; for monitoring the remuneration policies for the wider organisation; and for ensuring the alignment of reward with the culture of the organisation.

The work of the Committee is described on pages 73 to 78.

Nomination Committee Report

Philip Bowcock
Chairman

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

Dear shareholders,

I am pleased to introduce the Report of the Nomination Committee (the 'Committee') for 2022.

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.

The Code recommends that the Committee is composed of a majority of independent Non-Executive Directors. Damian Sanders and Dianne Walker are independent, and whilst I was considered to be independent on appointment, the Code provides that thereafter the test of independence is not appropriate in relation to the Chairman.

Rachel Donnelly, the Company Secretary, acts as Secretary to the Committee, and by invitation, the meetings of the Committee may be attended by the Chief Executive Officer and Chief Financial Officer.

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. The Committee is responsible for ensuring that there are formal and orderly succession plans in place for the members of the Board.

Activities of the Nomination Committee

During the financial year, the Committee met formally three times, with additional informal discussions as required when considering the appointment of a new Non-Executive Director following Kath Smith's resignation.

The meetings held reviewed the Committee's Terms of Reference, considered Board evaluation, the composition of the Board and its Committees, succession planning, and the recruitment and appointment of a new Non-Executive Director.

How the Committee operates

The Chairman 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).

The Committee meets at least twice a year, and on an ad-hoc basis as required. Only members of the Committee have the right to attend meetings; however, the Chief Executive Officer and Chief Financial officer can attend by invitation so that the Committee can understand their views, particularly in the context of succession planning within the business as a whole.

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 and the workforce more generally, 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.

Following the resignation of Kath Smith, the Nomination Committee led the search for an additional Non-Executive Director, which resulted in the appointment of Dianne Walker. A search brief was agreed, including the industry and public company skills, knowledge and experience required for the role. External recruitment consultants, Axon Moore, with whom the Group has no other relationship, were used for this process. The Company also used references from advisors to search for appropriate candidates.

At the end of our financial year, 20% of the Board Directors were women. At a leadership level, 29% (2021: 14%) of the SLT and 18% (2021: 11%) of the SLT's direct reports were women, which equates to a combined total of 21% (2021: 12%). This has improved significantly this year, and we are committed to the continual improvement of gender diversity at all levels of the business.

As at 30 September 2022, 9% (2021: 11%) of the SLT's direct reports identified as being from an ethnic minority, compared with 91% (2021: 89%) who identified as white. Of the Board of Directors and SLT, 100% identified as being white, which remains unchanged from last year. We acknowledge that we have to make improvements in this area.

Board composition and skills

Board evaluation

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.

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 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; and
- 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 Chairman.

The Chairman 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 (the CEO and CFO then formally reported on this issue at the first subsequent Board meeting);
- further developing and enhancing the Board's role in strategic planning and decision-making; and
- a move towards more focused Board materials.

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

In accordance with the UK Corporate Governance Code, all Directors will retire at the forthcoming AGM and offer themselves for 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 2023 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
Chairman, Nomination Committee

5 December 2022

Audit Committee Report

Damian Sanders
Chairman, Audit Committee

> **"Victorian Plumbing continues to develop and progress and I am pleased with the quality of reporting and insights brought to the Audit Committee."**
>
> **Damian Sanders**
> Chairman, Audit Committee

Dear shareholders,

I am pleased with the outcome of our first full year of Audit Committee meetings as a newly listed business. Victorian Plumbing continues to develop and progress and I am pleased with the quality of reporting and insights brought to the Audit Committee (the 'Committee') for discussion in accordance with its Terms of Reference.

The Audit Committee met three times during the year, with the focus of the meetings being to review the external auditor's plan for the year ended 30 September 2022 and improvements to the internal control environment. Following the year end, the Committee has met again to approve the Group's Annual Report and Financial Statements.

Dianne Walker was appointed to the Committee on 14 June 2022 when she joined the Board following Kath Smith's resignation. The Committee therefore continues to be made up of two independent non-executive members and the Chairman of the Board.

We acknowledge that the UK Corporate Governance Code advises against the Chairman being a member of the Audit Committee. The Nomination Committee has considered this again this year and decided it to be preferable to have three Audit Committee members, one of whom is the Chairman, who was independent on appointment, compared with the other option of having just two members on the Audit Committee. The Nomination Committee will review this position again during the course of the year ahead.

The Board considers that Philip Bowcock, Dianne and I have recent and relevant financial experience.

The Committee is a sub-committee of the Board. The Committee's Terms of Reference were adopted prior to Admission and remain appropriate and, other than the point on membership mentioned above, are aligned to the Code. 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. The Committee will meet at least three times a year.

During the year, the Committee, supported by the CFO, undertook a detailed assessment of the following key areas:

- Board governance including the Committee and the procedure for assessing the Group's key risks;
- management accounting process and the information provided to the Board;
- external financial reporting procedures, audit arrangements and reporting standards;
- internal control environment at both high and detailed levels;
- complex transactions, potential exposure and risk;
- information systems; and
- budgeting and forecasting procedures and controls.

The Directors recognise the need to maintain the financial reporting procedures, review them on an ongoing basis and adapt them to changing circumstances. Their continuous review will form part of the Committee's agenda going forward together with its wider role and responsibilities, which are set out in more detail on page 58 of this report.

I look forward to meeting shareholders at the AGM.

Damian Sanders
Chairman, Audit Committee

5 December 2022

Fair, balanced and understandable

At the request of the Board, the Committee has reviewed the content of the 2022 Annual Report and considered whether, taken as a whole, in its opinion it is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position, performance, business model and strategy. The Committee was provided with a draft of the Annual Report and the opportunity to comment where further clarity or information should be added. The final draft was then recommended for approval by the Board. When forming its opinion, the Committee had regard to discussions held with management and reports received from external auditors.

Is the report fair?	• Is a complete picture presented and has any sensitive material been omitted that should have been included? • Are key messages in the narrative aligned with the KPIs and are they reflected in the financial reporting? • Are the revenue streams described in the narrative consistent with those used for financial reporting in the financial statements?
Is the report balanced?	• Is there a good level of consistency between the reports in the front and the reporting in the back of the Annual Report? • Do you get the same messages when reading the front end and the back end independently? • Is there an appropriate balance between statutory and adjusted measures, and are any adjustments explained clearly with appropriate prominence? • Are the key judgements referred to in the narrative reporting and significant issues reported in the Report of the Audit Committee consistent with disclosures of key estimation uncertainties and critical judgements set out in the financial statements? • How do these compare with the risks that EY includes in its report?
Is the report understandable?	• Is there a clear and cohesive framework for the Annual Report? • Are the important messages highlighted and appropriately themed throughout the document? • Is the report written in accessible language and are the messages clearly drawn out?

Following the Committee's review, the Directors confirm that, in their opinion, the 2022 Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for shareholders to assess the Company's position and performance, business model and strategy.

Risk management and internal control

The Board acknowledges its responsibility for establishing and maintaining the Group's system of internal controls. 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 Audit Committee reviews the system of internal controls through reports received from management, along with others from 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 control. 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 under review 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.
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 SLT and the Board. Results are compared against the Plan 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 2022 and monthly results reported against this. This Plan has now been updated to forecast FY23 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 SLT and the Board. The Plan is approved by the SLT 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 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 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 Audit 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 Audit 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 Audit 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 experience. 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.

Internal audit

The Group did not have an internal audit function during the year. As part of its review of FPPP during the IPO, the Committee agreed to consider the need for an internal function in the six months following IPO and this was subsequently discussed at the November 2021 meeting.

The Committee concluded at that time that it was not necessary for the Group to have a separate internal audit function, and having reconsidered this in June 2022, is of the same view. 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 advisors to perform specific reviews over specific risk areas when appropriate.

External auditor

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

EY was appointed as the Group's external auditor in 2021 prior to Admission, and so audited the Company's first accounts at the end of FY21. Accordingly, the Audit Committee conducted an evaluation of EY's audit for FY21 and at the same time considered EY'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; and
- 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.

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 Audit 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 (in 2021, EY charged the Group £0.9 million for non-audit related services).

A breakdown of the fees paid to EY during the year is set out in note 7 to the consolidated financial statements.

Remuneration Report

Dianne Walker
Chair of the Remuneration Committee

> **This year we granted the first awards under the new incentive plans for the senior management team.”**
>
> **Dianne Walker**
> Chair of the Remuneration Committee

Dear shareholders,

I am delighted to have been appointed as the Chair of the Remuneration Committee (the ‘Committee’). I am pleased to present the Company’s Remuneration Report for its first full financial year as a listed company. This report sets out the remuneration paid to the Directors during the past financial year and the basis for remuneration in the year ending 30 September 2023.

As a relatively newly listed company, the focus of the Committee this year has been on continuing the transition from a founder-led business into the listed environment. This included the grant of the first awards under the new incentive plans for the senior management team, and evolving the details on remuneration, as set out in our Admission document, into a full remuneration policy which aligns all stakeholders’ interests, supports the long-term business strategy, enables us to retain and recruit executives in a competitive sector and encourages a high performance culture.

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 this policy continues to be fit for purpose and, therefore, do not propose to make any amendments this year. For ease of reference, a summary of the remuneration policy is included on pages 74 to 76 of this report.

Remuneration highlights include the following:

- No base salary increases were awarded to the Executive Directors, nor will any be awarded in FY23. This is in contrast to the wider workforce: of those employees who were employed at the beginning of FY22, 95% received a salary increase during FY22, with an average awarded increase of 12.3%.
- Annual bonus measures were based on a combination of financial and non-financial targets that link directly to the strategic priorities of the Company. Based on performance against these targets, a bonus of 30% of salary was approved by the Committee for each of the Executive Directors. Although the customer satisfaction target was met in full, the EBITDA element of the performance measures was not met at a threshold level.
- The first Long Term Incentive Plan (‘LTIP’) award was granted during the year. This award will vest at the end of three years and will be subject to a further two-year holding period. The performance conditions are based 75% on EPS performance and 25% on returns to shareholders.

Whilst the performance targets for the LTIP awards issued in FY22 were based on a combination of EPS and TSR, the Committee feels that in the current economic climate it would be very difficult to set appropriate TSR targets. As such, it has been decided to remove the TSR measure for FY23, and to focus on EPS performance.

The Board is continuing to develop its ESG strategy and over the course of FY23 intends to obtain a baseline for metrics to be used in future, including scope 3 emissions. Once a robust baseline has been established, the Committee will seek to incorporate performance measures into the implementation of the remuneration policy to support the broader ESG strategy. Additionally, we have, for the first time, adopted employee engagement targets for the Executive and wider management team incentive plans for FY23.

I hope that you find the information in this Report helpful. The Remuneration Committee takes the views of its shareholders seriously and intends to maintain an open dialogue to seek their views. I am always happy to hear from the Company’s shareholders and you can contact me via the Company Secretary if you have any questions on this Report or more generally in relation to the Company’s remuneration.

Dianne Walker
Chair of the Remuneration Committee

5 December 2022

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
Chairman and Non-Executive Director fees	Non-Executive Directors are paid a base fee and additional fees for the chairmanship of Committees. No additional fees are paid to Non-Executive Directors or the Chairman 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 Chairman and Non-Executive Directors.	The base fees for Non-Executive Directors are set with reference to the market rate. In general, the level of fee increase for the Non-Executive Directors will be set taking account of any change in responsibility and will take into account the general rise in salaries across the UK workforce.	N/A

Remuneration Report continued

Remuneration Policy on recruitment

The remuneration package for a new Executive Director would be set in accordance with the terms of the Company's 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 FY22 (audited)

The following table summarises the total remuneration of the Directors who served during the year to 30 September 2022:

Executive Directors

	Salary		Benefits[3]		Bonus[4]		Other[5]		Pension[6]		Total	
£'000	FY22	FY21	FY22	FY21	FY22	FY21	FY22	FY21	FY22	FY21	FY22	FY21
Mark Radcliffe[1]	250	90	2	1	75	–	–	–	8	3	335	94
Paul Meehan[2]	315	205	4	2	95	105	-	8,433	-	6	414	8,749

Non-Executive Directors

	2022				2021			
£'000	Fees	Other	Benefits	Total	Fees	Other	Benefits	Total
Philip Bowcock[7]	150	–	–	150	44	3,998	–	4,042
Kath Smith[8]	29	–	–	29	18	–	–	18
Damian Sanders	60	–	–	60	18	–	–	18
Dianne Walker[9]	18	–	–	18	–	–	–	–

1. Mark Radcliffe was appointed to the Board of the Company on incorporation (6 May 2021). Mark Radcliffe is also a director of VIPSO Ltd, the former ultimate parent company of the Group, and has been a director of VIPSO Ltd throughout the current and comparative year. Amounts disclosed for FY21 therefore represent the total remuneration as a director of VIPSO Ltd prior to 6 May 2021 and for Victorian Plumbing Group plc since 6 May 2021.
2. Paul Meehan was appointed to the Board of the Company on incorporation (6 May 2021). Paul Meehan was appointed to the board of VIPSO Ltd, the former ultimate parent company of the Group, on 2 December 2020. Amounts disclosed for FY21 therefore represent the total remuneration as a director of VIPSO Ltd prior to 6 May 2021 and for Victorian Plumbing Group plc since 6 May 2021.
3. Benefits are in respect of private healthcare.
4. 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 FY22, which will be paid shortly after the finalisation of this report.
5. The FY21 entry represents the value of the shares issued to Paul Meehan on 22June 2021 at the time of the Company's Admission to AIM. Paul Meehan received 3,219,948 ordinary shares 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 and 676,189 shares remain restricted. The shares were granted under the terms and conditions stated under Part VII, paragraph 5.2 of the Company's Admission document. The remaining 2,253,964 shares vested on Admission.
6. Where employer's pension contributions were paid in respect of Executive Directors, they were paid at 3% of salary.
7. The FY21 entry represents the value of shares issued to Philip Bowcock on 22 June 2021 at the time of the Company's Admission to AIM. Philip Bowcock received a one-off award of 1,526,718 restricted shares in respect of his support and guidance during the IPO process. 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 and 1,145,038 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.
8. Kath Smith stepped down from the Board of the Company on 24 March 2022.
9. Dianne Walker was appointed to the Board of the Company on 14 June 2022.

Payments to past Directors/payments for loss of office

There were no payments in the financial year.

Outstanding share awards

Award	Grant date	Final vesting date	Recipient	Exercise price	Number of shares outstanding	Number of shares lapsed
Philip Bowcock IPO award	22 June 2021	22 June 2025	Philip Bowcock	nil	1,145,038	–
Paul Meehan IPO award	9 March 2021	22 June 2024	Paul Meehan	nil	676,189	–
2022 LTIP award	29 March 2022	29 March 2025	Mark Radcliffe	nil	143,129	–
	29 March 2022	29 March 2025	Paul Meehan	nil	180,343	–

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 and 676,189 shares remain restricted. The shares were granted under the terms and conditions stated under Part VII, paragraph 5.2 of the Company's Admission document. The first round of vesting occurred on 22 June 2022, whereby in line with the vesting schedule, 30% (289,795) of the 965,984 restricted shares vested.

Following the successful Admission to AIM, the Chairman, 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. 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 and 1,145,038 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.

The first awards under The Victorian Plumbing Long Term Incentive Plan were granted on 29 March 2022 to each of the Executive Directors. The awards will vest in March 2025 subject to performance against stretching EPS and shareholder return targets. Once vested, the awards will be subject to a further two-year holding period.

Statement of Directors' shareholding and share Interests

Director	Shareholding requirement (% of salary)	Current shareholding (% of salary)[1]	Beneficially owned shares not subject to any conditions	Scheme interests subject to continued employment performance	Scheme interests subject to performance	Shareholding requirements met?
Mark Radcliffe	200%	22,257.8%	153,079,642	–	143,129	Yes
Paul Meehan	200%	189.5%	966,331	676,189	180,343	No
Philip Bowcock	N/A	N/A	299,680	1,145,038	–	N/A
Damian Sanders	N/A	N/A	25,933	–	–	N/A
Dianne Walker	N/A	N/A	22,154	–	–	N/A

1. A share price of £0.3635 has been used to calculate current shareholding as a % of salary being the closing share price on 30 September 2022.

Implementation of Policy for FY23

We summarise below the Executive Director salaries, pension levels and incentive opportunities for FY23:

Base salary

Mark Radcliffe: £250,000

Paul Meehan: £315,000

Pension funding

3% of base salary

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 being split equally between customer satisfaction targets and employee engagement targets. The actual performance targets are not disclosed as they are considered to be commercially sensitive.

Bonus awards will be paid in cash.

LTIP

In accordance with the Policy, it is intended that awards will be granted to Mark Radcliffe and Paul Meehan during FY23. The maximum LTIP awards for the Executive Directors will be 150% of 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 FY23

Philip Bowcock: £150,000
Damian Sanders: £60,000
Dianne Walker: £60,000

Shareholder approval of the Directors' Remuneration Report

The 2022 AGM was the first AGM as a public company. Although not required under AIM listing rules, the Directors' Remuneration Report and the Remuneration Policy were put to an advisory vote at the 2022 AGM. These resolutions were passed as follows:

	For		Against		Withheld
Resolution	No. of votes	%	No. of votes	%	No. of votes
To approve the directors' remuneration report	299,793,618	99.84%	484,299	0.16%	30,912
To approve the directors' remuneration policy	297,423,713	99.05%	2,854,204	0.95%	30,912

Attendance at Remuneration Committee meetings

There were four Remuneration Committee meetings held during the year. The following table sets out individual attendance by members:

Non-Executive Directors	Meetings attended
Dianne Walker (Chair)	1/1
Kath Smith (former Chair)	3/3
Philip Bowcock	4/4
Damian Sanders	4/4

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 as PwC has confirmed there are no conflicts of interest.

Directors' Report

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 to 30 September 2022.

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 Report approved by the Board is provided on pages 54 to 78 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 34 Stakeholder engagement – page 22 Section 172(1) statement – pages 24 and 25
Financial instruments	Financial statements: note 24 to the consolidated financial statements (pages 109 and 110)
Future developments of the business	Strategic report: Our strategy – pages 16 to 21
Greenhouse gas emissions	Strategic report: Environmental, Social and Governance – page 36
Stakeholder engagement	Strategic report: Stakeholder engagement – pages 22 and 23 Section 172(1) statement – pages 24 and 25
Non-financial reporting	Strategic report: Environmental, Social and Governance – page 41

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 34 on page 116.

Strategic report

The Strategic report, which can be found on pages 2 to 53, 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 uncertainties; 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 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 Committee, and the Directors' Remuneration Report and Policy report on pages 54 to 78; all of which form part of this Directors' Report and are incorporated into it by reference.

2023 Annual General Meeting

The 2023 AGM will take place at 09:30am on Thursday 2 March at PwC LLP, No 1 Spinningfields, 1 Hardman Square, Manchester, M3 3EB. 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 2022, and to the date of approving this report unless otherwise stated:

- Mark Radcliffe
- Paul Meehan
- Philip Bowcock
- Damian Sanders
- Dianne Walker (from her appointment on 14 June 2022)
- Kath Smith (until her resignation on 24 March 2022)

All Directors will stand for election or re-election at the 2023 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 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 of Association.

Directors' Report continued

Results and dividends
The Group's and Company's audited financial statements for the year are set out on pages 89 to 122.

The Directors are recommending a full year final dividend of 1.1 pence per share (FY21: nil). In addition to this, reflecting the strong year end cash position and ongoing cash generation, the Board considers it appropriate to recommend a special dividend of 1.7 pence per share (2021: nil). If approved by shareholders, this will bring the total dividend for 2022 to 2.8 pence per share (2021: nil). Subject to shareholders' approval at the AGM on 2 March 2023, the dividend will be paid on 10 March 2023 to shareholders on the register of members at the close of business on 10 February 2023.

Amendment of the Articles
The Company's Articles of Association 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 of Association 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.

The issued share capital of the Company as at 30 September 2022 and 5 December 2022 comprises 325,062,985 ordinary shares of £0.001 each. Further information regarding the Company's issued share capital can be found within note 28 on page 111 of the consolidated financial statements. Details of the movements in issued share capital during the year are provided in note 28 to the Group's consolidated financial statements contained on page 111. All the information detailed in note 28 on page 111 forms part of this Directors' Report and is incorporated into it by reference.

Details of employee share schemes are provided in note 30 to the financial statements on pages 112 to 115.

Authority to allot shares
At the AGM of the Company held on 24 February 2022, 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 24 February 2022 to the date of this report.

This standard authority is renewable annually: the Directors will seek to renew it at the 2023 AGM.

Authority to purchase own shares
At the AGM of the Company held on 24 February 2022, 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 24 February 2022 to the date of this report.

This standard authority is renewable annually: the Directors will seek to renew it at the 2023 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 10 to the consolidated financial statements on page 103.

The Group leases certain property from Radcliffe Property Management Limited, a third party for which Mark Radcliffe is an Executive Director. Related party transactions are disclosed within note 33 to the consolidated financial statements on page 116.

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 £2.2 million of salaries in relation to internally developed software (2021: £1.2 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 36 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
No material events have occurred between the year end date of 30 September 2022 and the date of this report.

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. More information regarding our approach to diversity and inclusion can be found on pages 34 and 35.

Interest in voting rights
During the financial year, the Company was notified, in accordance with Chapter 5 of the Financial Conduct Authority's Disclosure and Transparency Rules, of the following significant interest in the issued ordinary share capital of the Company, which was supplemented by a further notification received by the Company on 6 October 2022, so that as at 6 October 2022 the details of that significant interest were as follows:

Shareholder	Number of ordinary shares/voting rights	Percentage of voting rights over ordinary shares of £0.001 each
Mark Radcliffe	153,079,642	47.09%

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.

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 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 5 December 2022.

Approved by the Board and signed on its behalf.

Rachel Donnelly
Company Secretary

5 December 2022

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 2022 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 2022 which comprise:

Group	Parent company
Consolidated statement of financial position as at 30 September 2022	Balance sheet as at 30 September 2022
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 36 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:

- 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 2023. The Group has modelled a base scenario and a series of severe but plausible downside scenarios, including a worst case sensitivity which is a combination of all the individual downside scenarios. 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, an increased marketing spend, increasing costs due to the impact of disruption to the supply chain caused by Covid-19, Brexit and the Russia / Ukraine conflict and wage inflation. The extent to which these factors could adversely affect the Group's revenue, gross margin and customer acquisition costs was modelled, along with consideration of potential cost savings and mitigating actions. Management also modelled a reverse stress test to determine the level of market decline that would lead to an extinguishment of the Group's liquidity or a covenant breach.
- We considered the appropriateness of the key assumptions included in each modelled scenario for the cash forecasts. This included searching for contradictory evidence in industry reports.
- We checked the arithmetical accuracy of the model, and verified the starting cash position as at 1 December 2022 to the bank.
- We evaluated the amount and timing of mitigating factors under the Group's control that could preserve cash, if required.
- We considered the appropriateness of management's reverse stress test scenario, to understand the conditions under which there would be a liquidity shortfall or a breach of a financial covenant during the going concern period and whether these conditions have no more than a remote possibility of occurring.
- 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 identified and we did not identify any contradictory evidence to suggest otherwise.

Independent Auditor's Report to the members of Victorian Plumbing Group plc continued

- 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.

The group has a revolving credit facility in place of £10 million which expires in June 2024 and is currently not utilised, nor is it forecast to be utilised in any of the scenarios modelled by management. The severe but plausible downside scenario showed continuing liquidity position for the group throughout the going concern review period, without utilising the revolving credit facility.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for a period to 31 December 2023.

In relation to the group and parent company's reporting on how they have voluntarily applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

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 £785,000 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% (2021: 100%) of the Group's Adjusted Profit Before Tax, 100% (2021: 100%) of the Group's Revenue and 100% (2021: 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 36-40 in the sustainability report and on page 52 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 Committee
Revenue recognition: cut off around year end **(Revenue 2022: £269.4m, 2021: £268.8m)** *Refer to the Audit Committee Report (page 68); Accounting policies (page 94); and Note 5 of the Consolidated Financial Statements (page 101)* There is a risk of material misstatement within revenue, particularly in relation to revenue being recorded in the wrong period, due to either error or management bias. The risk is primarily associated with the recording of inappropriate manual journals by management, or via the understatement of refund liability or revenue deferral adjustment to achieve favourable operating results.	• We gained an understanding of and documented the key processes used to record revenue transactions by performing a walkthrough of the processes. • As the Group's revenues primarily comprises of high volume and relatively low value transactions, we used a data driven approach in order to test the revenue figure. This included the use of analytical tools in our audit of revenue and the identification of revenue journals of audit interest and correlation analysis between the revenue streams, receivables and cash to identify any anomalies requiring further investigation. • We used a data driven approach to identify manual journals affecting revenue. We assessed any material manual journals posted to revenue which have not been posted to receivables or cash for any evidence of management bias by corroborating to supporting documentation. • We performed analytical procedures to compare revenue recognised month by month to identify unusual items. • We tested management's deferred revenue adjustment for completeness by testing a sample of items from the entire revenue population over the whole year and a specific sample of items from October 2022 deliveries from the top 4 couriers used. We verified the delivery date on all items to ensure that where appropriate, revenue was deferred at the year end. • We 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 ensure that revenue has been reversed where a subsequent credit note has 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

In the prior year, our auditor's report included a key audit matter in relation to prior year adjustments. In the current year, this is no longer relevant as these adjustments were found in 2021 following our appointment as auditors and the procedures performed in relation to the historical financial information (HFI) included in the admissions document.

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 £785,000, 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 for this year 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	• Starting point – £11,822k • Profit before tax
Adjustments	• Remove exceptional items of £3,885k relating to share based payment costs
Materiality	• Totals £15,708k Adjusted profit before tax • Materiality of £785k (5% of Profit before tax and exceptional items)

During the course of our audit, we reassessed initial materiality using the year end figures per the financial statements, which led to no significant change in our materiality levels.

We determined statutory materiality for the parent company and have capped at the group materiality of £785,000.

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% (2021: 50%) of our planning materiality, namely £589,000 (2021: £727,000). We have set performance materiality at this higher percentage due to this no longer being an initial audit.

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 £68,000 to £525,000 (2021: £36,000 to £713,000).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit Committee that we would report to them all uncorrected audit differences in excess of £39,000 (2021: £72,000), 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 pages 1 to 82, 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 53;
- 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 53;
- Directors' statement on fair, balanced and understandable set out on page 82;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 48;
- The section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 46; and
- The section describing the work of the audit committee set out on pages 68 to 72.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 82, 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 Committee and discussions with the Audit 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 manual 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
5 December 2022

Consolidated statement of comprehensive income

for the year ended 30 September 2022

	Note	2022 £m	2021 £m
Revenue	5	**269.4**	268.8
Cost of sales		**(148.4)**	(138.3)
Gross profit		**121.0**	130.5
Administrative expenses before separately disclosed items	7	**(105.0)**	(93.4)
Other operating income	6	**–**	–
Adjusted operating profit		**16.0**	37.1
Separately disclosed items			
Share-based payments	30	**(3.9)**	(7.7)
Exceptional items	8	**–**	(9.4)
Operating profit	7	**12.1**	20.0
Finance costs	11	**(0.3)**	(0.3)
Profit before tax		**11.8**	19.7
Income tax expense	12	**(2.6)**	(5.4)
Profit for the year		**9.2**	14.3
Earnings per share (pence)			
Basic	14	**3.3**	5.3
Diluted	14	**2.9**	4.5
Adjusted earnings per share (pence)			
Basic	14	**4.5**	11.0
Diluted	14	**3.9**	9.3

All amounts relate to continuing operations.

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

Consolidated statement of financial position

at 30 September 2022

	Note	2022 £m	2021 £m
Assets			
Non-current assets			
Intangible assets	15	3.3	2.7
Property, plant and equipment	16	1.4	1.7
Right-of-use assets	17	4.5	5.3
Derivative financial instruments		0.7	–
Deferred tax asset	26	0.1	–
		10.0	9.7
Current assets			
Inventories	18	33.9	32.4
Trade and other receivables	19	5.1	4.9
Corporation tax recoverable		–	1.0
Cash and cash equivalents		45.5	32.7
		84.5	71.0
Total assets		94.5	80.7
Equity and liabilities			
Equity attributable to the owners of the Company			
Share capital	28	0.3	0.3
Share premium		11.2	11.2
Capital redemption reserve		0.1	0.1
Capital reorganisation reserve		(320.6)	(320.6)
Retained earnings		353.0	339.8
Total equity		44.0	30.8
Liabilities			
Non-current liabilities			
Lease liabilities	22	4.1	4.9
Deferred tax liability	26	–	0.1
		4.1	5.0
Current liabilities			
Trade and other payables	20	37.9	36.0
Contract liabilities	21	7.1	7.9
Lease liabilities	22	0.9	0.9
Provisions	27	0.2	0.1
Corporation tax payable		0.3	–
		46.4	44.9
Total liabilities		50.5	49.9
Total equity and liabilities		94.5	80.7

The financial statements were approved by the Board of Directors on 5 December 2022 and authorised for issue.

Paul Meehan
Chief Financial Officer

Victorian Plumbing Group plc
Registered number: 13379554

Consolidated statement of changes in equity

for the year ended 30 September 2022

	Note	Share capital £m	Share premium £m	Capital reorganisation reserve £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
Balance at 1 October 2020		–	–	–	–	13.0	13.0
Comprehensive income							
Profit for the year		–	–	–	–	14.3	14.3
Transactions with owners							
Employee share schemes – value of employee services	30	–	–	–	–	6.5	6.5
Tax impact of employee share schemes		–	–	–	–	0.7	0.7
Capital transaction – Group restructure, share-for-share exchange and issue of Victorian Plumbing Group plc shares	28	0.3	11.2	(320.6)	0.1	320.2	11.2
Dividends paid on ordinary shares	13	–	–	–	–	(14.9)	(14.9)
Total transactions with owners recognised directly in equity		0.3	11.2	(320.6)	0.1	312.5	3.5
Balance at 30 September 2021		0.3	11.2	(320.6)	0.1	339.8	30.8
Comprehensive income							
Profit for the year		–	–	–	–	9.2	9.2
Transactions with owners							
Employee share schemes – value of employee services	30	–	–	–	–	3.9	3.9
Tax impact of employee share schemes		–	–	–	–	0.1	0.1
Total transactions with owners recognised directly in equity		–	–	–	–	4.0	4.0
Balance at 30 September 2022		0.3	11.2	(320.6)	0.1	353.0	44.0

Consolidated statement of cash flows

for the year ended 30 September 2022

	Note	2022 £m	2021 £m
Cash flows from operating activities			
Cash generated from operating activities before exceptional operating items		18.3	36.9
Cash outflow from exceptional operating items		–	(9.1)
Cash generated from operating activities	31	18.3	27.8
Income tax paid		(1.4)	(3.4)
Net cash generated from operating activities		16.9	24.4
Cash flows from investing activities			
Purchase of intangible assets	15	(2.6)	(1.8)
Purchase of property, plant and equipment	16	(0.3)	(1.4)
Amounts received/(paid) in respect of related party loans		–	5.9
Cash (used in)/generated by investing activities		(2.9)	2.7
Cash flows from financing activities			
Dividends paid	13	–	(14.9)
Finance arrangement fees	23	(0.1)	(0.1)
Proceeds from the issue of shares net of costs		–	11.2
Payment of interest portion of lease liabilities	22	(0.2)	(0.3)
Payment of principal portion of lease liabilities	22	(0.9)	(0.8)
Net cash used in financing activities		(1.2)	(4.9)
Net increase in cash and cash equivalents		12.8	22.2
Cash and cash equivalents at beginning of year		32.7	10.5
Cash and cash equivalents at end of year		45.5	32.7

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 2022 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 2022 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.

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 24.

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 2023. The assumptions used in the financial forecasts are based on the Group's historical performance and management's extensive experience of the industry. Taking into consideration the wider economic environment, the forecasts have been assessed and stress tested to ensure that a robust assessment of the Group's working capital and cash requirements has been performed.

Liquidity and financing

At 30 September 2022, the Group held instantly accessible cash of £45.5 million. The Group also has access to a revolving credit facility of £10.0 million with HSBC which was undrawn at 30 September 2022 and does not expire until June 2024. There is a sufficient level of liquidity/financing headroom post stress testing across the going concern forecast period to 31 December 2023, as outlined in more detail below.

Approach to stress testing

The going concern analysis, which was approved by the Board in November 2022, reflected the actual trading to October 2022, as well as detailed financial forecasts for the period up to 31 December 2023. 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 that it continues to take a bigger share of.

Given the uncertainty around the impact of the current macroeconomic environment, the Board has in its assessment of going concern considered the potential impact of an economic downturn leading to a greater impact on the spending patterns of consumers. In addition, the Board has considered the impact of disruption to the supply chain and the impact on gross margin. The extent to which these factors could adversely affect the Group's revenue, gross margin and customer acquisition costs has been modelled as well as a review of likely areas of mitigations should these scenarios play out.

The Group has prepared a series of severe-but-plausible downside scenarios, each incorporating one of the assumptions listed, and a worst case being the combination of them all:

- Reduction in customer conversion rate when compared to Base Case and 2022 actual
- Maintenance of average order value at 2022 levels, despite seeing average order value grow significantly in recent years
- Significant increased marketing spend as a proportion of turnover
- No growth in new unique visitors to our site
- Significant increase in salary costs as a proportion of turnover

The effect of the combination of applying all the above downsides is a reduction in adjusted EBITDA of c.70% on 2022. Management has not factored in any costs savings or mitigating factors that could be executed, for example, cancellation of non-committed marketing spend, recruitment costs and capital expenditure.

This combined downside scenario still results in sufficient cash forecast to be held throughout the period to 31 December 2023 to cover the Group's liabilities as they fall due, without utilisation of the Group's revolving credit facilities.

1. General information continued

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 2023. 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 2021:

- IBOR phase 2 – Amendments to IFRS 4, IFRS 7, IFRS 9, IFRS 16; and
- Covid-19 related rent concessions – Amendment to 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.

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 2021.

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 20). 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 27), offered by the Group.

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.

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.

Government grants

Government grants are recognised where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

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 rate 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 liabilities are provided on taxable temporary differences arising from investments in subsidiaries except for any deferred tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised on deductible temporary differences arising from investments in subsidiaries, only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

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 relating to the IPO, 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-related costs, 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.

2. Significant accounting policies continued

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.

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 Senior Leadership Team that makes strategic decisions (note 4).

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.

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.

Intangible assets

Costs associated with maintaining computer software programmes 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. Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

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 17). 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.

2. Significant accounting policies continued

Financial assets – 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.

Financial assets – 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

Financial assets – 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.

Financial assets – 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 pre-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 pre-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 key 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. 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 30).

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) Key sources of estimation uncertainty

Refund liability

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 is estimated using historical rates of the level of refunds relative to revenue. The table below shows the percentage of average quarterly sales in the period and the impact that increasing the refund rate by 1% of quarterly sales would have on the consolidated statement of comprehensive income.

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

Warranty provision

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

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

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

3c) Other judgements and estimates

Revenue cut-off

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

Intangible assets

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

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 SLT, which is the chief operating decision-maker ('CODM'). The SLT is made up of the Executive Directors and Key Management and is responsible for the strategic decision-making of the Group.

Adjusted EBITDA

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

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

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

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

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

	2022 £m	2021 £m
Operating profit	12.1	20.0
Depreciation on property, plant and equipment (note 16)	0.6	0.6
Depreciation on right-of-use assets (note 17)	0.9	0.8
Amortisation (note 15)	2.0	1.6
Exceptional items (note 8)	–	9.4
Share-based payments (including associated national insurance charges) (note 30)	3.9	7.7
Adjusted EBITDA	19.5	40.1

5. Revenue

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

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

All revenue arose within the United Kingdom.

6. Other operating income

	2022 £m	2021 £m
Coronavirus Job Retention Scheme	–	(0.1)
Other income	–	0.1
	–	–

Notes to the consolidated financial statements continued

7. Operating profit

Expenses by nature including exceptional items:

	2022 £m	2021 £m
Employee costs (excluding share-based payments)	15.2	12.6
Share-based payments (including associated NI)	3.9	7.7
Agency and contractor costs	0.8	1.1
Marketing costs	76.2	69.7
Depreciation of property, plant and equipment (note 16)	0.6	0.6
Depreciation of right-of-use assets (note 17)	0.9	0.9
Amortisation charge (note 15)	2.0	1.6
Property costs	5.1	4.1
Computer costs	1.6	1.2
Other costs	2.6	11.0
Total administrative expenses	108.9	110.5
Included within exceptional items (note 8)	–	(9.4)
Share-based payments (including associated NI) (note 30)	(3.9)	(7.7)
Total administrative expenses before separately disclosed items	105.0	93.4

Services provided by the Company's auditor

During the year, the Group obtained the following services from the operating company's auditor:

	2022 £m	2021 £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
Fees payable for audit-related assurance services associated with the IPO	–	0.2
Fees payable for other non-audit services associated with the IPO	–	0.7
	0.2	1.1

8. Exceptional items

	2022 £m	2021 £m
IPO costs in respect of the Group's listing on AIM in June 2021	–	9.4

9. Employee costs

Employee costs, excluding contractors but including Directors' remuneration, were as follows:

	2022 £m	2021 £m
Wages and salaries	13.7	11.4
Social security costs	1.3	1.0
Cost of defined contribution scheme	0.2	0.2
Share-based payments (and associated national insurance)	3.9	7.7
	19.1	20.3

Employee costs presented above exclude costs capitalised as part of software development as disclosed in note 15 of these consolidated financial statements. The Group capitalised salaries of £2.2 million in the year ended 30 September 2022 (2021: £1.2 million) for in house development of computer software.

The average monthly number of employees, including the Directors, during the year were as follows:

	2022 Number	2021 Number
Warehouse	364	351
Office and management	208	181
	572	532

10. Directors' and Key Management remuneration

The remuneration of Directors is disclosed in the Directors' Remuneration Report on pages 73 to 78.

Key Management compensation

Key Management comprised the members of the SLT (who are defined in note 4) and the Non-Executive Directors. The remuneration of all Key Management (including all Directors) was as follows:

	2022 £m	2021 £m
Short-term employee benefits	1.6	0.9
Pension contributions	–	–
Share-based payments	3.4	6.5
	5.0	7.4

11. Finance costs

	2022 £m	2021 £m
Interest on undrawn revolving credit facility (note 23)	0.1	–
Interest expense on lease liability	0.2	0.3
	0.3	0.3

12. Taxation

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

12. Taxation continued

Factors affecting tax charge for the year

The tax assessed for the period is higher (2021: higher) than the standard rate of corporation tax in the UK of 19% (2021: 19%). The differences are explained below:

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

Taxation on items taken directly to equity was a credit of £0.1 million (2021: £0.7m credit) relating to tax on share-based payments.

Factors that may affect future tax charges

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

13. Dividends

	2022 £m	2021 £m
Dividends paid to shareholders prior to IPO	–	14.9
Dividends paid to shareholders in the year	–	–

The Directors are recommending a full year final dividend of 1.1 pence per share (FY21: nil). In addition to this, reflecting the strong year end cash position and ongoing cash generation, the Board considers it appropriate to recommend a special dividend of 1.7 pence per share (2021: nil). If approved by shareholders, this will bring the total dividend for 2022 to 2.8 pence per share (2021: nil). Subject to shareholders' approval at the AGM on 2 March 2023, the dividend will be paid on 10 March 2023 to shareholders on the register of members at the close of business on 10 February 2023.

14. 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 2022			
Basic EPS	275,832,944	9.2	3.3
Diluted EPS	315,898,691	9.2	2.9
Year ended 30 September 2021			
Basic EPS	267,781,231	14.3	5.3
Diluted EPS	315,755,339	14.3	4.5

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

	Weighted average number of shares 2022	Weighted average number of shares 2021
Weighted average number of shares for basic EPS	275,832,944	267,781,231
Dilutive impact of unvested ordinary shares in relation to share awards	40,065,747	47,970,764
Impact of ordinary shares held in ESOT	–	3,344
Weighted average number of shares for diluted EPS	315,898,691	315,755,339

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

Adjusted earnings per share

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

	2022 £m	2021 £m
Profit for the year	9.2	14.3
Exceptional items	–	9.4
Share-based payments	3.9	7.7
Tax effect	(0.7)	(1.9)
Total adjusted profit for the year	12.4	29.5

	2022	2021
Adjusted basic earnings per share (pence)	4.5	11.0
Adjusted diluted earnings per share (pence)	3.9	9.3

15. Intangible assets

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

Computer software comprises both internal salaries and external development capitalised in relation to the Group's bespoke operational software. The Group capitalised internal salaries of £2.2 million in the year ended 30 September 2022 (2021: £1.2 million) for in house development of computer software.

For the year to 30 September 2022, the amortisation charge of £2.0 million (2021: £1.6 million) has been charged to administrative expenses in the income statement. At 30 September 2022, there were no software and website development costs representing assets under construction (2021: £nil).

16. Property, plant and equipment

	Leasehold improvements £m	Plant and machinery £m	Fixtures and fittings £m	Office equipment £m	Total £m
Cost					
At 30 September 2020	–	0.7	1.0	0.9	2.6
Additions	0.1	0.7	0.2	0.5	1.5
At 30 September 2021	**0.1**	**1.4**	**1.2**	**1.4**	**4.1**
Additions	**–**	**0.1**	**–**	**0.2**	**0.3**
Disposals	**–**	**(0.1)**	**(0.4)**	**(0.1)**	**(0.6)**
At 30 September 2022	**0.1**	**1.4**	**0.8**	**1.5**	**3.8**
Accumulated depreciation					
At 30 September 2020	–	0.4	0.9	0.5	1.8
Charge for the year	–	0.3	0.1	0.2	0.6
At 30 September 2021	**–**	**0.7**	**1.0**	**0.7**	**2.4**
Charge for the year	**–**	**0.2**	**0.1**	**0.3**	**0.6**
Disposals	**–**	**(0.1)**	**(0.4)**	**(0.1)**	**(0.6)**
At 30 September 2022	**–**	**0.8**	**0.7**	**0.9**	**2.4**
Net book value					
At 30 September 2020	–	0.3	0.1	0.4	0.8
At 30 September 2021	0.1	0.7	0.2	0.7	1.7
At 30 September 2022	**0.1**	**0.6**	**0.1**	**0.6**	**1.4**

17. 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 2020	8.1
Additions	0.6
Modifications	(0.4)
Disposals	(0.1)
At 30 September 2021	**8.2**
Modifications	**0.1**
At 30 September 2022	**8.3**
Accumulated depreciation	
At 30 September 2020	2.1
Charge for the year	0.9
On disposals	(0.1)
At 30 September 2021	**2.9**
Charge for the year	**0.9**
At 30 September 2022	**3.8**
Net book value	
At 30 September 2020	6.0
At 30 September 2021	5.3
At 30 September 2022	**4.5**

During the 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 £0.1 million to reflect the value of the assets after the modification and the corresponding lease liability increased by £0.1 million.

There are no terms of renewal, purchase options or escalation clauses on the leases.

18. Inventories

	2022 £m	2021 £m
Goods for resale	**33.8**	32.3
Packaging	**0.1**	0.1
	33.9	32.4

Inventories recognised in cost of sales as an expense in the year totalled £125.2 million (2021: £112.7 million).

No impairment loss was recognised in cost of sales in the year (2021: £nil). The inventory provision at the year-end totalled £nil (2021: £nil).

19. Trade and other receivables

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

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

20. Trade and other payables: amounts falling due within one year

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

21. Contract liabilities

	2022 £m	2021 £m
Opening balance	7.9	7.3
Revenue recognised in the year that was included in contract liability balance at the beginning of the year	(7.9)	(7.3)
Additional deferred revenue in the period	7.1	7.9
Closing balance	7.1	7.9

Deferred revenue outstanding at each year end is expected to be recognised within revenue within 12 months from the reporting date.

22. Lease liabilities

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

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

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

Lease liabilities as at 30 September were classified as follows:

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

23. Borrowings

	2022 £m	2021 £m
Amounts drawn under revolving credit facility	–	–
Unamortised debt issue costs	(0.1)	(0.1)
	(0.1)	(0.1)

On 7 June 2021, the Group signed into a new RCF. The RCF has total commitments of £10 million and a termination date of June 2024. The facility is secured by a debenture dated 7 June 2021. Interest on the RCF is charged at SONIA plus a margin of between 2.3% and 2.8% depending on the consolidated leverage of the Group. A commitment fee of 40% of the margin applicable to the RCF is payable quarterly in arrears on unutilised amounts of the RCF. There is no requirement to settle all, or part, of the debt earlier than the termination date. At 30 September 2022 the Group had not utilised the RCF.

Unamortised debt issue costs of £0.1 million (2021: £0.1 million) are included in prepayments (note 19).

24. Financial instruments

	2022 £m	2021 £m
Financial assets		
Financial assets measured at amortised cost	3.3	3.2
Financial assets at fair value through profit and loss	0.7	–
Cash and fixed term deposits	45.5	32.7
	49.5	35.9
Financial liabilities		
Financial liabilities measured at amortised cost	31.0	27.2
Lease liabilities	5.0	5.8
	36.5	33.0

Financial assets that are debt instruments measured at amortised cost comprise trade receivables, accrued income, other debtors excluding supplier deposits and amounts owed by related parties.

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. 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.

Interest rate risk

The Group has no external debt, therefore any fluctuations in interest rates do not have a significant effect on the Group.

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.

24. Financial instruments continued

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 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

Financial liabilities at 30 September 2021	Within a year £m	1 to 5 years £m	Over 5 years £m	Total £m
Trade payables	23.5	–	–	23.5
Other creditors	1.2	–	–	1.2
Lease liabilities	1.1	2.8	3.3	7.2
	25.8	2.8	3.3	31.9

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 the foreign exchange risk, when deemed appropriate.

A 10% appreciation or depreciation of pound sterling against the US dollar would increase or (decrease) profit before tax based on the activity in the period and balances at the reporting date as follows:

	2022 £m	2021 £m
Strengthens by 10%	(0.3)	(0.1)
Weakens by 10%	0.3	0.2

25. Reconciliation of movements in liabilities to cash flows from financing activities

	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
Other	0.1
Total liability related other charges	0.3
Balance as at 30 September 2022	5.0

	Lease liabilities £m
Balance as at 1 October 2020	6.4
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	0.3
Other	0.2
Total liability related other charges	0.5
Balance as at 30 September 2021	5.8

26. Deferred taxation

	Accelerated capital allowances £m	Share-based payments £m	Other £m	Total £m
Deferred taxation liabilities				
At 30 September 2020	0.1	–	–	0.1
Charged/(credited) to the statement of comprehensive income	0.2	(0.2)	–	–
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)

27. Provisions

	2022 £m	2021 £m
Warranty provision		
Opening balance	0.1	0.2
Utilised in year	(0.1)	(0.2)
Additional provision in year	0.2	0.1
Closing balance	0.2	0.1

28. Share capital

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

29. Own shares held

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

	ESOT shares reserve	
	Number of shares	£
Own shares held at 1 October 2021	635,504	636
Own shares held at 30 September 2022	635,504	636

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30. Share-based payments

The Group currently operates four share plans: the Long Term Incentive Plan, Deferred Bonus Plan, Single Incentive Plan and a Sharesave scheme. In addition, both prior to and following Admission to AIM in June 2021, the Group awarded shares to the Chairman and certain members of Key Management which had restrictions placed against them that bring the awards into the scope of IFRS 2.

All share-based incentives 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 (2021: £7.7 million) with a Company charge of £1.8 million (2021: £0.7 million). This included associated national insurance ('NI') at 15.05%, which management expects to be the prevailing rate when the awards are exercised, and apprenticeship levy at 0.5%, based on the share price at the reporting date.

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

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

Share Incentive Plan (SIP)

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.

	2022 Number	2021 Number
Outstanding at 1 October 2021 / 2020	576,732	–
Shares awarded	–	635,504
Forfeited	(149,758)	(58,772)
Outstanding at 30 September 2022 / 2021	**426,974**	576,732
Vested and outstanding at 30 September 2022 / 2021	–	–

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

A ordinary shares

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

The remaining 45 A ordinary shares were awarded to certain members of Key Management (together the 'A ordinary shareholders'). In order to realise value from the shares awarded, a participant must remain employed until an 'Exit' event is achieved. The equity value on 'Exit' must also be in excess of the equity hurdle which has been set at £130.0 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	2022 Number	2021 Number
Outstanding at 1 October 2021/6 May 2021 (incorporation)	6,163,600	–
Restricted shares awarded on share-for-share exchange	–	7,222,969
Vested	(616,360)	(1,059,369)
Outstanding and unvested 30 September 2022	**5,547,240**	6,163,600

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

Management Incentive Plan (MIP)

An Executive Director was awarded share options under a MIP prior to Admission.

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

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').

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

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

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

30. Share-based payments continued

IPO restricted share awards

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

Grant date	Share price at grant date £	Employee contribution per share	Vesting period (years)	Risk-free rate %	Dividend yield %	Non-vesting condition	Fair value per restricted share
22/06/2021	2.62	£0.001	5.0	0	0	0	2.62
22/06/2021	2.62	£0.001	4.0	0	0	0	2.62
10/08/2021	2.59	nil	2.1	0	0	0	2.59

The number of restricted shares outstanding at 30 September 2022 was as follows:

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

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

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

Deferred Bonus Plan

The Group operates a Deferred Bonus Plan ('DBP') for the senior leadership team and certain key employees. It is both a cash bonus plan and a discretionary employee share plan under which a proportion of a participant's annual bonus is deferred into an award over shares. Awards under the plan are contingent on the satisfaction of pre-set internal targets relating to financial and operational objectives. A nil cost option will be granted following determination of performance against targets, with 40% of the award vesting immediately, 30% after 1 year and 30% after 2 years. Awards are potentially forfeitable during that period should the employee leave employment.

During the year the Group made awards over 1,893,219 ordinary shares under the DBP scheme subject to the satisfaction of certain performance criteria to be determined by the Remuneration Committee. The fair value of the award was determined to be £1.02, being the average Market Value of a Share over the five business days ending on 31 January 2022.

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

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

Long Term Incentive Plan

The Group operates a Long-Term Incentive Plan Award ('LTIP') for the CEO and CFO. The extent to which awards vest will depend upon the satisfaction of the Group's financial and operational performance in the financial year of the award date (the "Performance Conditions").

The LTIP awards are subject to performance conditions based on Adjusted EPS (75% of award) and absolute Total Shareholder Return ("TSR") (25% of award). Awards vest 3 years after grant subject to EPS and Absolute TSR performance conditions, with a two-year post-vesting holding period applying.

On 29 March 2022 the Group awarded 323,472 nil cost options under the LTIP scheme. The fair value for the EPS element of the award at £0.52 was based on the share price at the grant date. The fair value of the TSR element was calculated using a Monte Carlo simulation and has been fixed at £0.106.

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

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

Sharesave scheme

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

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

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

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

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

31. Cash generated from operating activities

	2022 £m	2021 £m
Cash flows from operating activities		
Profit before taxation for the financial year	11.8	19.7
Adjustments for:		
Amortisation of intangible assets (note 15)	2.0	1.6
Depreciation of property, plant and equipment (note 16)	0.6	0.6
Depreciation of right-of-use assets (note 17)	0.9	0.9
Share-based payments	3.9	7.7
Fair value profit on financial derivative	(0.7)	–
Finance costs	0.3	0.3
Increase in inventories	(1.5)	(9.4)
Increase in receivables	(0.2)	(0.8)
Increase in payables	1.1	7.3
Increase/(Decrease) in provisions	0.1	(0.1)
Cash generated from operating activities	**18.3**	**27.8**

32. 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 £0.2 million (2021: £0.2 million). Included within creditors is £0.1 million of contributions payable to the fund at 30 September 2022 (2021: £0.1 million).

33. 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 transactions and balances with Radcliffe Property Management Limited:

	2022 £m	2021 £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.

Other transactions with related parties are as follows:

	2022 £m	2021 £m
Dividends paid by the Group to:		
M Radcliffe	**–**	12.2
N Radcliffe	**–**	2.5
C Radcliffe	**–**	0.1
M Stewart	**–**	0.1

34. Subsidiaries

At 30 September 2022 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%	–
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.

35. Guarantees

On 7 June 2021, the Group signed into a new RCF. The RCF has total commitments of £10 million and a termination date of June 2024. The Group has provided a cross guarantee by way of a debenture dated 7 June 2021 as security for the facility.

36. Post balance sheet events

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

Company balance sheet
at 30 September 2022

	Note	2022 £m	2021 £m
Fixed assets			
Investments	5	**323.9**	321.7
Deferred tax asset	9	**0.1**	0.1
		324.0	321.8
Current assets			
Debtors	6	**4.8**	4.8
Cash and cash equivalents		**0.8**	–
		5.6	4.8
Total assets		**329.6**	326.6
Creditors: amounts falling due within one year	7	**(1.0)**	(1.7)
Net current assets		**4.6**	3.1
Net assets		**328.6**	324.9
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		**317.0**	313.3
Total equity		**328.6**	324.9

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 loss for the financial period dealt with in the financial statements of the parent company was £0.3 million (2021: loss £8.6 million).

The financial statements were approved by the Board of Directors on 5 December 2022 and authorised for issue.

Paul Meehan
Chief Financial Officer

Victorian Plumbing Group plc
Registered number: 13379554

Company statement of changes in equity

for the period ended 30 September 2022

	Share capital £m	Share premium £m	Capital redemption reserve £m	Retained earnings £m	Total equity £m
At 6 May 2021 (on incorporation)	–	–	–	–	–
Comprehensive income					
Loss for the period	–	–	–	(8.6)	(8.6)
Transactions with owners					
Share-based payments	–	–	–	1.7	1.7
Issue of ordinary shares	320.6	11.2	–	–	331.8
Capital reduction	(320.2)	–	–	320.2	–
Cancellation of deferred ordinary shares	(0.1)	–	0.1	–	–
Total transactions with owners recognised directly in equity	0.3	11.2	0.1	321.9	333.5
At 30 September 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**

Notes to the Company financial statements

1. General information

Victorian Plumbing Group plc (the 'Company') 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 Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland' ('FRS 102') and the Companies Act 2006. The Company financial statements have been prepared under the historical cost convention.

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 (£0.1m) 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 loss for the financial period dealt with in the financial statements of the parent company was £0.3 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 2023. 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 and investments in commercial paper, 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. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are:

- carrying value of investments.

The Group considers annually whether there is an indicator that the carrying value of investments may have suffered an impairment, in accordance with the accounting policy stated. Where an indicator is identified, the recoverable amounts of investments are determined based on value-in-use calculations, which require the use of estimates.

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 73 to 78.

5. Investments

	Investment in subsidiary undertaking £m
At beginning of the period	321.7
Additions	2.2
At 30 September 2022	**323.9**

Subsidiary undertakings are disclosed within note 34 to the consolidated financial statements.

6. Debtors

	2022 £m	2021 £m
Amounts owed by Group undertakings	4.8	4.6
Other receivables	–	0.2
	4.8	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

	2022 £m	2021 £m
Trade payables	0.1	0.1
Amounts owed to Group undertakings	–	0.9
Other taxation and social security	0.1	0.1
Accruals	0.5	0.6
Corporation tax payable	0.3	–
	1.0	1.7

Amounts owed to Group undertakings are non-interest-bearing, unsecured and have no fixed date of repayment.

8. Financial instruments

	2022 £m	2021 £m
Financial assets		
Financial assets measured at amortised cost	4.8	4.8
Financial liabilities		
Financial liabilities measured at amortised cost	0.6	1.6

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

	2022 £m	2021 £m
Deferred taxation assets		
At beginning of the period	0.1	–
Credited to the statement of comprehensive income	–	0.1
Total deferred taxation asset	**0.1**	**0.1**

10. Share capital

	2022 £	2021 £
Allotted, called up and fully paid		
325,062,985 ordinary shares of 0.1p (2021: 0.1p)	**325,063**	325,063

11. Own shares held

	Number of shares	£
Own shares held at 30 September 2021	**635,504**	**636**
Shares issued to ESOT	**–**	**–**
Own shares held at 30 September 2022	**635,504**	**636**

12. Share-based payments

For details of the Company's share-based payments during the period see note 30 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 £7,483 (2021: £8,217). Outstanding contributions payable to the fund at 30 September 2022 of £2,917 (2021: None).

14. Related parties

During the period, a management charge of £3.2 million (2021: £1.1 million) was raised to Victorian Plumbing Limited in respect of services rendered.

At the period end balances outstanding with Group undertakings were £4.8 million and £nil million (2021: £4.6 million and £0.9 million) respectively for debtors and creditors as set out in notes 6 and 7.

15. Guarantees

On 7 June 2021, the Group signed into a RCF. The RCF has total commitments of £10 million and a termination date of June 2024. The Company 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			
	2018	2019	2020	2021	2022	2019	2020	2021	2022
Income statement									
Revenue	**117.4**	**151.4**	**208.7**	**268.8**	**269.4**	**29%**	**38%**	**29%**	**–%**
Cost of sales	(70.7)	(89.6)	(116.7)	(138.3)	**(148.4)**	(27%)	(30%)	(19%)	**(7%)**
Gross profit	**46.7**	**61.8**	**92.0**	**130.5**	**121.0**	**32%**	**49%**	**42%**	**(7%)**
Underlying operating costs	(42.7)	(50.4)	(66.0)	(90.4)	**(101.5)**	(18%)	(31%)	(37%)	**(12%)**
Other operating income	–	0.1	0.2	–	**–**	N/A	100%	(100%)	**N/A**
Adjusted EBITDA	**4.0**	**11.5**	**26.2**	**40.1**	**19.5**	**188%**	**128%**	**53%**	**(51%)**
Depreciation and amortisation	(1.5)	(1.7)	(2.2)	(3.0)	**(3.5)**	(13%)	(29%)	(36%)	**(17%)**
Share-based payments	–	–	–	(7.7)	**(3.9)**	N/A	N/A	N/A	**49%**
Exceptional items	–	–	–	(9.4)	**–**	N/A	N/A	N/A	**100%**
Operating profit	**2.5**	**9.8**	**24.0**	**20.0**	**12.1**	**292%**	**145%**	**(17%)**	**(40%)**
Finance costs	(0.2)	(0.2)	(0.3)	(0.3)	**(0.3)**	–	50%	–	**–**
Profit before tax	**2.3**	**9.6**	**23.7**	**19.7**	**11.8**	**317%**	**147%**	**(17%)**	**(40%)**
Taxation	(0.4)	(1.8)	(4.0)	(5.4)	**(2.6)**	(350%)	(122%)	(35%)	**(52%)**
Profit after tax	**1.9**	**7.8**	**19.7**	**14.3**	**9.2**	**311%**	**153%**	**(27%)**	**(36%)**
Adjusted EPS	N/A	N/A	7.4	11.0	**4.5**	N/A	N/A	49%	**(59%)**
Adjusted profit before tax	2.3	9.6	23.7	36.8	**15.7**	317%	147%	55%	**(57%)**
Adjusted profit before tax %	2%	6%	11%	14%	**6%**	4ppts	5ppts	3ppts	**(8ppts)**
Margin									
Gross profit margin	40%	41%	44%	49%	**45%**	1ppts	3ppts	4ppts	**(4ppts)**
Adjusted EBITDA margin	3%	8%	13%	15%	**7%**	5ppts	5ppts	2ppts	**(8ppts)**
Cash flow									
Net cash	0.6	2.7	10.5	32.7	**45.5**	+2.1	+7.8	+22.2	**+12.8**
Operating cash conversion (%)	93%	68%	105%	81%	**73%**	(25ppts)	38ppts	(24ppts)	**(8ppts)**
KPIs									
Total orders ('000)	474	573	776	906	**880**	21%	35%	17%	**(3%)**
Average order value (£)	248	264	269	297	**306**	7%	2%	10%	**3%**
Marketing as % of revenue	30%	27%	25%	26%	**28%**	(3ppts)	(2ppts)	1ppts	**(2ppts)**
Net (liabilities)/assets	(1.5)	2.8	13.0	30.8	**44.0**	+4.3	+10.2	+17.8	**+13.2**

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