

VICTORIAN PLUMBING GROUP PLC

FULL YEAR RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2023

Increased revenue, continued market share gains and strong growth in profits

Victorian Plumbing Group plc (“Victorian Plumbing”, the “Group”), the UK’s leading bathroom retailer¹, announces its audited full year results for the year ended 30 September 2023 (“2023”), highlighting the significant progress made against its strategic priorities.

	2023	2022	Change
Revenue	£285.1m	£269.4m	6%
Gross profit ²	£134.6m	£121.0m	11%
Gross profit margin ³	47%	45%	2ppts
Adjusted EBITDA ⁴	£23.8m	£19.5m	22%
Adjusted EBITDA margin ⁵	8%	7%	1ppt
Operating profit	£15.3m	£12.1m	26%
Adjusted PBT ⁶	£20.3m	£15.7m	29%
Operating cash conversion ⁷	68%	73%	(5ppts)
Net cash	£46.4m	£45.5m	2%
Adjusted diluted earnings per share ⁸	4.7p	3.8p	24%
Ordinary full year dividend per share	1.40p	1.10p	27%

Financial highlights

- Revenue up 6% on last year to £285.1 million (2022: £269.4 million).
 - Order volume grew by 6% to 932,000 and average order value (“AOV”)⁹ remained flat in the same period.
- Gross profit up 11% on last year at £134.6 million (2022: £121.0 million).
 - Gross profit margin increased in H2 2023 to 49% (H1 2023: 46%), with 2023 full year gross profit margin of 47% (2022: 45%).
 - Profitability has improved year-on-year, driven by product mix shifting towards Victorian Plumbing own brand ranges as well as by reduced shipping costs and favourable foreign exchange movements.
- Adjusted EBITDA of £23.8 million up on last year by 22% (2022: £19.5 million) with adjusted EBITDA margin progression, from 7% last year to 8% in 2023.
- Operating profit of £15.3 million up on last year by 26% (2022: £12.1 million).
- Adjusted PBT of £20.3 million up on last year by 29% (2022: £15.7 million) with adjusted PBT margin¹⁰ progression, from 6% last year to 7% in 2023.
- Robust, debt-free balance sheet with closing net cash position of £46.4 million (2022: £45.5 million).
- Free cash flow¹¹ of £16.1 million (2022: £14.3 million) and operating cash conversion of 68% (2022: 73%).

- Proposed final ordinary dividend of 0.95p, giving a total ordinary dividend of 1.40p for the year (2022: 1.10p) while maintaining a robust balance sheet with a strong net cash position as we invest in the business.

Operational and strategic highlights

- Retained our position as the UK's number one bathroom retailer, testament to the strength of our brand, our extensive range and availability.
- Marketing spend as a percentage of revenue reduced from 28.3% last year to 27.8% and brand awareness score¹⁷ improved to 64% (2022: 60%) following the launch of our new creative 'Boss Your Bathroom' concept in December 2022.
 - Launched a three-year partnership with Bolton Wanderers Football Club as their title and front of shirt sponsor from the 2023/24 season.
- Further progress in our strategic growth areas of 'trade' and 'expansion categories':
 - Trade revenue grew 13% to £59.5 million (2022: £52.8 million), representing 21% of total revenue (2022: 20%). Our Victorian Plumbing app, designed with both trade and consumer in mind, was released successfully in October 2023 and should drive further engagement.
 - Tiles and lighting revenue grew by 35% to £7.3 million (2022: £5.4 million) and the upcoming increase in warehouse space will facilitate further growth in these, and other, expansion categories.
- Investment in our technology platform to drive future growth:
 - Successful website re-platforming completed in December 2022, enabling our expansion categories to be more prominent on the website and improving search functionality using bespoke developed AI technology.
- The lease on our new 544,000 square feet purpose-built distribution centre in Leyland, Lancashire, achieved legal completion in October 2023. The warehouse development remains on time and within budget, with the expectation that the new distribution centre will be operational on schedule in 2024.
- Trustpilot rating¹² of 'Excellent' maintaining a sector-leading average score of 4.5 out of 5.0 (2022: 4.5).

Board change

- On 1 April 2023, Daniel Barton replaced Paul Meehan as the Group's Chief Financial Officer.

Current trading and outlook

- Albeit early in the year and against a volatile consumer backdrop, the Group has had a positive start to the current year with continued revenue growth and gross profit margin progression versus the comparative period last year.
- The opening of our new distribution centre in 2024 will remove space constraints, unlock growth potential and create efficiency; all of which will support the delivery of the medium-term outlook.
- We continue to focus on our long-term goals and are making good progress across our strategic growth areas. Underpinned by our market share gains in recent years, we are confident in the future growth prospects of the Group.

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

"We have further strengthened our position in the market and maintained our position as the number one UK bathroom retailer.

"This has been a year of continued delivery of our growth plans. Our clearly defined strategy and unique business model have resulted in increased order volumes and resilient average order values, with customers continuing to appreciate the choice of great value products that we offer across our ranges.

"As a highly cash generative business with a strong balance sheet, we continue to invest in the business - across people, technology and infrastructure. Our new purpose-built 544,000 square feet distribution centre, once operational, will enable further growth in the core bathroom category, as well as unlocking further strategic category expansion. We are confident that Victorian Plumbing's profitable growth strategy will continue to deliver long-term value to all stakeholders."

Analyst presentation

A presentation for analysts will be held at 09:00am GMT, Wednesday 22 November 2023. If you wish to attend, please contact FTI Consulting via VictorianPlumbing@fticonsulting.com.

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About Victorian Plumbing

Victorian Plumbing is the UK's leading bathroom retailer, offering a wide range of over 34,000 products to B2C and trade customers. Victorian Plumbing offers its customers a one-stop shop solution for the entire bathroom with more than 130 own and third party brands across a wide spectrum of price points.

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

Headquartered in Skelmersdale, the Group employs over 600 staff across ten locations in Lancashire, Manchester and Birmingham.

Cautionary statement

This announcement of annual results does not constitute or form part of and should not be construed as an invitation to underwrite, subscribe for, or otherwise acquire or dispose of any Victorian Plumbing Group plc (the "Company") shares or other securities in any jurisdiction nor is it an inducement to enter into investment activity nor should it form the basis of or be relied on in connection with any contract or commitment or investment decision whatsoever. It does not constitute a recommendation regarding any securities. Past performance, including the price at which the Company's securities have been bought or sold in the past, is no guide to future performance and persons needing advice should consult an independent financial advisor. This announcement may include statements that are, or may be deemed to be, "forward-looking statements" (including words such as "believe", "expect", "estimate", "intend", "anticipate" and words of similar meaning). By their nature, forward-looking statements involve risk and uncertainty since they relate to future events and circumstances, and actual results may, and often do, differ materially from any forward-looking statements. Any forward-looking statements in this announcement reflect management's view with respect to future events as at the date of this announcement. Save as required by applicable law, the Company undertakes no obligation to publicly revise any forward-looking statements in this announcement, whether following any change in its expectations or to reflect events or circumstances after the date of this announcement.

Summary of performance

	Units	2023	2022	Change
Income statement				
Revenue	£m	285.1	269.4	6%
Gross profit	£m	134.6	121.0	11%
Gross profit margin	%	47%	45%	2ppts
Adjusted EBITDA	£m	23.8	19.5	22%
Adjusted EBITDA margin	%	8%	7%	1ppt
Profit before tax	£m	15.6	11.8	32%
Adjusted PBT	£m	20.3	15.7	29%
Adjusted PBT margin	%	7%	6%	1ppt
Earnings per share				
Statutory diluted earnings per share	pence	3.7	2.9	28%
Adjusted diluted earnings per share	pence	4.7	3.8	24%
Ordinary full year dividend per share	pence	1.40	1.10	27%
Cash flow				
Free cash flow	£m	16.1	14.3	13%
Operating cash conversion	%	68%	73%	(5ppts)
Net cash and cash equivalents	£m	46.4	45.5	2%
Key performance indicators				
Total orders ¹³	'000	932	880	6%
Active customers ¹⁴	'000	634	608	4%
Average order value	£	306	306	-%
Average Trustpilot score	Score / 5.0	4.5	4.5	-%
Marketing spend as a % of revenue	%	27.8%	28.3%	(0.5ppts)
Trade revenue as a % of total revenue	%	21%	20%	1ppt
Own brand / third party revenue ratio	%	78% / 22%	75% / 25%	3% / (3%)

1. Bathrooms and Bathroom Accessories UK, 2023, Mintel Group Ltd.

2. Gross profit is defined as revenue less cost of sales. Cost of sales includes all direct costs incurred in purchasing products for resale along with packaging, distribution and transaction costs (which include mark to market movements on forward currency contractual arrangements in line with the Group's treasury policy).

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

4. Adjusted EBITDA is defined as operating profit before depreciation, amortisation, exceptional items and IFRS 2 share-based payments.

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

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

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

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

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

CEO statement

Overview

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

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

Summary of operating performance

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

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

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

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

Our strategic focus

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

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

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

Our second horizon focuses on expansion categories that consumers look for when renovating the home. Given our position in the bathroom product and accessories market, we have an exciting opportunity to expand our reach into products that often come later in the buying journey, such as tiles and décor, heating and kitchens. We were pleased to see tiles and lighting revenue significantly increase in 2023 by 35% to £7.3 million.

10. Adjusted PBT margin is defined as adjusted PBT as a percentage of revenue.
11. Free cash flow is cash generated from operating activities before exceptional items and taxation less capital expenditure (excluding assets under construction) and cash flows relating to leases.
12. The average Trustpilot score is defined as the monthly average of all Trustpilot scores.
13. Total orders is defined as the total number of orders dispatched to customers in the year.
14. Active customers are the number of unique customers who placed an order in the year.

Following the successful re-platforming of our website in December 2022, we enhanced the front end in June 2023 to improve the customer journey around our expansion categories. We have also improved the search functionality to incorporate the latest advances in AI technology. These website enhancements, together with other 'UX' improvements, have resulted in improved conversion¹⁵ as consumers use Victorian Plumbing for everything they need to complete their bathroom. We have also continued to make good progress in extending the product ranges in each expansion category, though space remains a limiting factor. The new distribution centre, due to become operational in 2024, will remove this constraint.

Finally, our third growth horizon focuses on the B2B opportunity to retail bathroom products and accessories to trade customers. The Victorian Plumbing brand has historically been mainly consumer focused. In the year ended 30 September 2023, 21% (2022: 20%) of our revenue came from trade accounts, compared with an estimated 50% of the market¹⁶. We believe we can make further meaningful market share gains in this area by broadening our marketing approach, such as via targeted radio advertising, expanding the range of relevant products we offer to trade customers and in particular by providing the best platforms tailored for trade customers' needs. The release of the Victorian Plumbing app in October 2023 further enhances our proposition and is well placed to attract trade customers, alongside consumers.

Strengthening our competitive position

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

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

We complement our creative offline content by investing in increasingly targeted digital performance-based marketing. This ongoing and relentless marketing strategy, together with a bold new marketing campaign to 'Boss Your Bathroom', has led to a brand awareness score of 64%¹⁷ (2022: 60%), which is the only increase amongst our closest competitors this year.

As an online retailer, we continue to benefit from the ongoing structural shift in consumer buying behaviour from offline to online. Online sales represented c.26% of total retail sales in 2023¹⁸, and we expect our addressable market to grow even further in the coming years.

A one-stop shop for bathroom products and accessories

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

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

15. Google Analytics G4A.

16. State of the Industry (2022), Euromonitor International.

17. Internal prompted brand awareness research.

18. ONS, SCM Research.

Agile supply chain

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

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

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

Seamless customer journey

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

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

Development of our technology platform

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

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

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

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

New distribution centre

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

Entrepreneurial approach

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

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

ESG

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

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

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

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

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

Our people

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

Over the last couple of years, we have placed significant emphasis on listening to feedback from colleagues through many different forums and have worked hard to make our benefits and rewards package one that both attracts and retains the best talent. We remain committed to further improving our people experience and helping to fuel our future growth. Employee engagement targets feature as part of the Executive management incentive targets.

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

Board change

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

Current trading and outlook

Albeit early in the year and against a volatile consumer backdrop, the Group has had a positive start to the current year with revenue growth and gross profit margin progression versus the comparative period last year.

The opening of our new distribution centre in 2024 will remove space constraints, unlock growth potential and create efficiency; all of which will support the delivery of the medium-term outlook.

We continue to focus on our long-term goals and are making good progress across our strategic growth areas. Underpinned by our market share gains in recent years, we are confident in the future growth prospects of the Group.

Financial review

Introduction

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

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

Revenue

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

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

Consumer revenue grew by 4% from £216.6 million in 2022 to £225.6 million and represents 79% of revenue in 2023 (2022: 80%). Trade revenue grew by 13% from £52.8 million in 2022 to £59.5 million and represents 21% of revenue (2022: 20%). A slowdown in trade growth in the second half of the year reflected a change in demand for trade as the post-Covid installation backlog was fulfilled and instability in the UK political and macroeconomic environment impacted broader spending confidence.

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

Product selection is largely driven by the consumer, irrespective of channel, and we saw a shift away from the more expensive third party branded products to our own brand range. The split between own brand vs. third party brands in revenue was 78% vs. 22% (2022: 75% vs. 25%), which was a contributing factor to AOV holding flat. The pricing power of the Group, particularly on own brand products, allowed us to increase prices throughout the first half of the year, albeit at a slower rate compared to previous years considering the challenging consumer demand dynamic. We saw some price reductions from our largest online competitor just prior to its administration on 29 September 2023, but this dynamic did not materially affect our performance as our unrivalled range, excellent availability and strong financial health delivered sustainably for our customers.

Gross profit

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

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

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

Underlying costs

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

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

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

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

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

Operating profit and adjusted EBITDA

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

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

	2023 £m	2022 £m	Change
Operating profit	15.3	12.1	26%
Share-based payments (incl. national insurance)	3.9	3.9	–
Exceptional items	0.8	–	n/a
Adjusted operating profit¹⁹	20.0	16.0	25%
Depreciation and amortisation	3.8	3.5	(9%)
Adjusted EBITDA	23.8	19.5	22%
Finance income/(costs)	0.3	(0.3)	200%
Depreciation and amortisation	(3.8)	(3.5)	(9%)
Adjusted PBT	20.3	15.7	29%

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

Share-based payments

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

Exceptional items

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

Depreciation and amortisation

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

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

Finance income/(costs)

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

On 6 July 2023, we successfully completed an extension of the RCF, which has total commitments of £10 million and a termination date of 31 December 2025. The facility is secured by a debenture dated 7 June 2021. Interest on the RCF is charged at SONIA plus a margin based on the consolidated leverage of the Group. A commitment fee of 40% of the margin applicable to the RCF is payable quarterly in arrears on unutilised amounts of the RCF. There is no requirement to settle all, or part, of the debt earlier than the termination date. At 30 September 2023, the Group had not utilised the RCF.

19. Adjusted operating profit is defined as operating profit before exceptional items and IFRS 2 share-based payments.

Profit before tax and adjusted profit before tax

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

Taxation

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

Earnings per share

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

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

Assets under construction

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

Cash flow and net cash

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

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

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

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

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

Events after the reporting period

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

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

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

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

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

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

Dividend

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

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

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

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

Mark Radcliffe
Chief Executive Officer
22 November 2023

Daniel Barton
Chief Financial Officer
22 November 2023

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 SEPTEMBER 2023

	Note	2023 £m	2022 £m
Revenue	4	285.1	269.4
Cost of sales		(150.5)	(148.4)
Gross profit		134.6	121.0
Administrative expenses before separately disclosed items	5	(114.6)	(105.0)
Adjusted operating profit		20.0	16.0
<i>Separately disclosed items:</i>			
Share-based payments	20	(3.9)	(3.9)
Exceptional items	6	(0.8)	–
Operating profit	5	15.3	12.1
Finance income/(costs)	7	0.3	(0.3)
Profit before tax		15.6	11.8
Income tax expense	8	(3.8)	(2.6)
Profit for the year		11.8	9.2
<hr/>			
Basic earnings per share (pence)	10	4.1	3.3
Diluted earnings per share (pence)	10	3.7	2.9

All amounts relate to continuing operations.

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER 2023

	Note	2023 £m	2022 £m
Assets			
Non-current assets			
Intangible assets	11	4.0	3.3
Property, plant and equipment	12	4.9	1.4
Right-of-use assets	13	4.3	4.5
Derivative financial instruments		0.4	0.7
Deferred tax asset		–	0.1
		13.6	10.0
Current assets			
Inventories		34.2	33.9
Trade and other receivables	14	4.8	5.1
Cash and cash equivalents		46.4	45.5
		85.4	84.5
Total assets		99.0	94.5
Equity and liabilities			
Equity attributable to the owners of the Company			
Share capital	18	0.3	0.3
Share premium		11.2	11.2
Capital redemption reserve		0.1	0.1
Capital reorganisation reserve		(320.6)	(320.6)
Retained earnings		357.8	353.0
Total equity		48.8	44.0
Liabilities			
Non-current liabilities			
Lease liabilities	16	3.8	4.1
		3.8	4.1
Current liabilities			
Trade and other payables	15	38.0	37.9
Contract liabilities		5.4	7.1
Lease liabilities	16	1.0	0.9
Provisions		0.2	0.2
Corporation tax		1.8	0.3
		46.4	46.4
Total liabilities		50.2	50.5
Total equity and liabilities		99.0	94.5

The financial statements were approved by the Board of Directors on 21 November 2023 and authorised for issue.

Daniel Barton

Chief Financial Officer

Victorian Plumbing Group plc
Registered number: 13379554

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2023

	Share capital £m	Share premium £m	Capital redemption reserve £m	Capital reorganisation reserve £m	Retained earnings £m	Total equity £m
Balance at 1 October 2021	0.3	11.2	0.1	(320.6)	339.8	30.8
Comprehensive income						
Profit for the year	-	-	-	-	9.2	9.2
Transactions with owners						
Employee share schemes – value of employee services (note 20)	-	-	-	-	3.9	3.9
Tax impact of employee share schemes	-	-	-	-	0.1	0.1
Total transactions with owners recognised directly in equity	-	-	-	-	4.0	4.0
Balance at 30 September 2022	0.3	11.2	0.1	(320.6)	353.0	44.0
Comprehensive income						
Profit for the year	-	-	-	-	11.8	11.8
Transactions with owners						
Dividends paid	-	-	-	-	(10.6)	(10.6)
Employee share schemes – value of employee services (note 20)	-	-	-	-	3.5	3.5
Tax impact of employee share schemes	-	-	-	-	0.1	0.1
Total transactions with owners recognised directly in equity	-	-	-	-	(7.0)	(7.0)
Balance at 30 September 2023	0.3	11.2	0.1	(320.6)	357.8	48.8

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2023

	Note	2023 £m	2022 £m
Cash flows from operating activities			
Cash generated from operating activities before exceptional items	21	19.8	18.3
Cash outflow from exceptional items		(0.6)	–
Cash generated from operating activities			
Income tax paid		(2.1)	(1.4)
Interest received on cash deposits		0.6	–
Net cash generated from operating activities			
		17.7	16.9
Cash flows from investing activities			
Purchase of intangible assets		(3.0)	(2.6)
Purchase of property, plant and equipment		(2.0)	(0.3)
Net cash used in investing activities			
		(5.0)	(2.9)
Cash flows from financing activities			
Dividends paid		(10.6)	–
Finance arrangement fees		(0.1)	(0.1)
Payment of interest portion of lease liabilities		(0.2)	(0.2)
Payment of principal portion of lease liabilities		(0.9)	(0.9)
Net cash used in financing activities			
		(11.8)	(1.2)
Net increase in cash and cash equivalents			
		0.9	12.8
Cash and cash equivalents at the beginning of the year		45.5	32.7
Cash and cash equivalents at the end of the year		46.4	45.5

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. General information

Basis of preparation

The consolidated financial statements have been prepared in accordance with UK-adopted International Accounting Standards. The consolidated financial statements have been prepared on the going concern basis and on the historical cost convention modified for the revaluation of certain financial instruments.

The financial information set out in this document does not constitute the statutory accounts of the Group for the financial years ended 30 September 2023 or 30 September 2022 but is derived from the 2023 Annual Report and Financial Statements. The Annual Report and Financial Statements for 2023 will be delivered to the Registrar of Companies in due course. The auditors have reported on those accounts and have given an unqualified report, which does not contain a statement under Section 498 of the Companies Act 2006.

Going concern

The Group's ability to continue as a going concern is dependent on maintaining adequate levels of resources to continue to operate for the foreseeable future. When assessing the going concern of the Group, the Directors have reviewed the year to date financial results, as well as detailed financial forecasts for the period up to 31 December 2024. The assumptions used in the financial forecasts are based on the Group's historical performance and management's extensive experience of the industry. Taking into consideration the wider economic environment, the forecasts have been assessed and stress tested to ensure that a robust assessment of the Group's working capital and cash requirements has been performed.

The Group has sufficient liquidity headroom through the forecast period. The Directors therefore have reasonable expectation that the Group has the financial resources to enable it to continue in operational existence for the period to 31 December 2024. Accordingly, the Directors conclude it is appropriate that these consolidated financial statements be prepared on a going concern basis.

2. Accounting policies, estimates and judgements

The accounting policies applied by the Group in these consolidated financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 30 September 2023 unless stated below.

Judgements in applying accounting policies and sources of estimation uncertainty

2a) Significant judgements in applying the entity's accounting policies

Share-based payments

Share-based payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions.

On 15 April 2020, 845 ordinary A 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.

2b) Significant sources of estimation uncertainty

Other share-based payments

The fair value of services received in return for share options is calculated with reference to the fair value of the award on the date of grant. A Black-Scholes model has been used where appropriate to calculate the fair value and the Directors have therefore made estimates with regard to the inputs to that model and the period over which the share award is expected to vest (note 20).

Revenue cut-off

The Group's management information systems are configured to recognise revenue upon dispatch of inventory from the Group's warehouses, which may not be aligned to when control has transferred to the customer. Management therefore performs an assessment to capture items that have been dispatched from the Group's warehouses but not yet delivered by the reporting date, subsequently deferring the recognition of revenue and associated cost of sales into the following period. This gives rise to deferred income, which is recognised as a contract liability and associated inventory in the consolidated statement of financial position.

Management uses a fixed number of distributor platforms to establish the value of revenue to defer. Where this is not possible in good time, an estimate is made based on the last quarter's data. The shipment delay identified in the distributors tested is extrapolated to the remaining couriers.

2c) Other accounting judgements and sources of estimation uncertainty

Refund liability and right of return asset

The refund liability that is recognised within the consolidated financial statements relates to the obligation to refund some or all of the consideration received from a customer. The liability is measured at the amount the Group ultimately expects it will have to return to the customer. The refund liability therefore requires management to estimate the amount expected to be returned to customers after the reporting date.

The refund liability and associated right of return asset are estimated using historical rates of the level of refunds relative to revenue.

	2023	2022
Revenue (£m)	285.1	269.4
Refund liability (£m)	0.9	1.0
Refund liability % average quarterly sales	1.3%	1.3%
Right of return asset (£m)	0.3	0.3
Right of return asset % average quarterly sales	0.4%	0.4%

The impact on profit before tax of increasing the refund rate by 1% of average quarterly revenue would be a reduction of £0.7 million (2022: £0.7 million).

Warranty provision

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

The warranty provision is estimated with reference to the historical level of credit notes raised relative to revenue.

	2023	2022
Revenue for the period (£m)	285.1	269.4
Warranty provision (£m)	0.2	0.2
Warranty provision % average quarterly sales	0.3%	0.2%

The impact on profit before tax of increasing the warranty provision by 0.5% of average quarterly revenue would be a reduction of £0.4 million (2022: a reduction of £0.3 million).

Intangible assets

Intangible assets relate to the development of the Group's internal bespoke software solutions and comprise of both capitalised internal salaries and third party costs. Initial capitalisation of costs is based on management's judgement that technological and economic feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model.

Capitalisation of salaries

The Group capitalises salary costs for product development projects where employees have been working to enhance an asset. In determining the amounts to be capitalised, management makes assumptions regarding the proportion of time spent by employees on each project.

Impairment review

The Group does not have any indefinite life intangible assets and, given the short time periods between software releases, WIP is minimal. Any assets held in the 'assets under construction' category will be brought into use in the next 12 months. Due to the nature of these assets and the efficiency gains we anticipate they will bring, an impairment review of these assets is not deemed to be necessary.

Inventory provision

Management has evaluated the level of inventory held and the ageing of inventory in order to consider the need for a provision over stock to cover either slow-moving items, obsolete items or items which the Group may sell at lower than cost. Management do not believe it is necessary to hold an inventory provision based on this analysis, which is consistent with the estimate made in previous years.

3. Segmental information

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

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

Adjusted EBITDA

Operating costs, comprising administrative expenses, are managed on a Group basis. The ELT measures the overall performance of the Operating Group by reference to Adjusted EBITDA, a non-GAAP measure. Adjusted EBITDA is defined as EBITDA (earnings before interest, tax, depreciation and amortisation) less exceptional items and IFRS 2 charges in respect of share-based payments along with associated NI.

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

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

	2023	2022
	£m	£m
Operating profit	15.3	12.1
Depreciation of property, plant and equipment	0.6	0.6
Depreciation of right-of-use assets	0.9	0.9
Amortisation of intangible assets	2.3	2.0
Exceptional items	0.8	–
Share-based payments (including associated NI)	3.9	3.9
Adjusted EBITDA	23.8	19.5

Adjusted PBT

Operating costs, comprising administrative expenses, are managed on a Group basis. The ELT measures the overall performance of the Operating Group by reference to adjusted profit before tax ("PBT"), a non-GAAP measure. Adjusted PBT is defined as adjusted EBITDA less interest, depreciation and amortisation.

This adjusted profit measure is applied by the ELT as an alternative profitability measure, which incorporates the capital investment and the financing structure of the Group.

	2023 £m	2022 £m
Adjusted EBITDA	23.8	19.5
Finance income/(costs)	0.3	(0.3)
Depreciation of property, plant and equipment	(0.6)	(0.6)
Depreciation of right-of-use assets	(0.9)	(0.9)
Amortisation	(2.3)	(2.0)
Adjusted PBT	20.3	15.7

4. Revenue

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

	2023 £m	2022 £m
Online	283.6	267.7
Showroom	1.5	1.7
	285.1	269.4

All revenue arose within the United Kingdom.

5. Operating profit

Expenses by nature including exceptional items:

	2023 £m	2022 £m
Employee costs (excluding share-based payments)	18.4	15.2
Share-based payments (including associated NI)	3.9	3.9
Agency and contractor costs	1.3	0.8
Marketing costs	79.2	76.2
Property costs	6.3	5.1
Computer costs	2.5	1.6
Depreciation of property, plant and equipment (note 12)	0.6	0.6
Depreciation of right-of-use assets (note 13)	0.9	0.9
Amortisation of intangibles (note 11)	2.3	2.0
Other costs	3.1	2.6
Exceptional items	0.8	–
Total administrative expenses	119.3	108.9
Share-based payments (including associated NI) (note 20)	(3.9)	(3.9)
Exceptional items (note 6)	(0.8)	–
Total administrative expenses before separately disclosed items	114.6	105.0

6. Exceptional items

	2023 £m	2022 £m
Warehouse transformation costs	0.8	–

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

7. Finance income/(costs)

	2023 £m	2022 £m
Interest on undrawn revolving credit facility (note 17)	(0.1)	(0.1)
Interest expense on lease liability	(0.2)	(0.2)
Interest received on cash deposits	0.6	–
Total finance income/(costs)	0.3	(0.3)

8. Income tax expense

	2023 £m	2022 £m
Corporation tax		
Current tax on profits for the year	3.8	3.1
Adjustments in respect of previous periods	(0.2)	(0.3)
Total current tax	3.6	2.8
Deferred tax		
Adjustments in respect of previous periods	0.2	(0.1)
Effect of changes in tax rates	–	(0.1)
Total deferred tax	0.2	(0.2)
Taxation on profit	3.8	2.6

Factors affecting tax charge for the year

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

	2023 £m	2022 £m
Profit on ordinary activities before tax	15.6	11.8
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 22% (2022: 19%)	3.4	2.2
Effects of:		
Expenses not deductible for tax purposes	0.1	–
Share options	0.3	0.8
Adjustments to tax charge in respect of prior periods	–	(0.4)
Total tax charge for the year	3.8	2.6

Taxation on items taken directly to equity was a credit of £0.1 million (2022: £0.1 million credit) relating to tax on share-based payments.

9. Dividends paid and proposed

	2023 Pence per share	2022 Pence per share	2023 £m	2022 £m
Final ordinary dividend recognised as distributions in the year	1.10	–	3.6	–
Special dividend recognised as distributions in the year	1.70	–	5.5	–
Interim ordinary dividend recognised as distributions in the year	0.45	–	1.5	–
Total dividend paid in the year			10.6	–
Interim ordinary dividend	0.45	–	1.5	–
Final ordinary dividend	0.95	1.10	3.1	3.5
Total ordinary dividend	1.40	1.10	4.6	3.5
Special dividend	–	1.70	–	5.5
Total dividend	1.40	2.80	4.6	9.0

In order to distribute a total ordinary dividend for the year of 1.40 pence per share (2022: 1.10 pence per share), which would represent growth of 27%, the Board is recommending a full year final ordinary dividend of 0.95 pence per share (2022: 1.10 pence per share). The Board is not recommending a special dividend (2022: 1.70 pence per share) as it prioritises the preservation of cash to finance the fit-out of the warehouse transformation, without the need for indebtedness and to maintain the robustness of the balance sheet.

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

10. Earnings per share

Basic and diluted earnings per share

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

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

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

	Weighted average number of ordinary shares	Total earnings £m	Pence per share
Year ended 30 September 2023			
Basic EPS	284,604,317	11.8	4.1
Diluted EPS	317,483,119	11.8	3.7
Year ended 30 September 2022			
Basic EPS	275,832,944	9.2	3.3
Diluted EPS	315,898,691	9.2	2.9

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

	2023	2022
Weighted average number of shares for basic EPS	284,604,317	275,832,944
Dilutive impact of unvested shares in relation to share awards	32,878,802	40,065,747
Weighted average number of shares for diluted EPS	317,483,119	315,898,691

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

Adjusted diluted earnings per share

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

	2023 £m	2022 £m
Profit for the year	11.8	9.2
Exceptional items	0.8	–
Share-based payments	3.9	3.9
Tax effect	(1.1)	(0.7)
Total adjusted profit for the year	15.4	12.4

	Number	Number
Weighted average number of ordinary shares for the purposes of adjusted basic earnings per share	284,604,317	275,832,944
Total issued share capital for the purposes of adjusted diluted earnings per share	325,227,984	325,062,985
Adjusted diluted earnings per share (pence)	4.7	3.8

The Directors and management have redefined adjusted diluted EPS following stakeholder feedback, to aid comparability and simplicity. The denominator used in the calculation reflects the aggregate of shares in issue and those shares held in trust, to represent a fully diluted EPS.

Comparison of adjusted diluted EPS under original measure vs revised measure:

	Number	Number
Weighted average number of shares for the purposes of adjusted diluted earnings per share (original measure)	317,483,119	315,898,691
Total issued share capital for the purposes of adjusted diluted earnings per share (revised measure)	325,227,984	325,062,985
Adjusted diluted earnings per share, original measure (pence)	4.8	3.9
Adjusted diluted earnings per share, revised measure (pence)	4.7	3.8

11. Intangible assets

	Computer software £m	Assets under construction £m	Total £m
Cost			
At 30 September 2021	7.5	–	7.5
Additions	2.6	–	2.6
At 30 September 2022	10.1	–	10.1
Additions	2.8	0.2	3.0
At 30 September 2023	12.9	0.2	13.1
Accumulated amortisation			
At 30 September 2021	4.8	–	4.8
Charge for the year	2.0	–	2.0
At 30 September 2022	6.8	–	6.8
Charge for the year	2.3	–	2.3
At 30 September 2023	9.1	–	9.1
Net book value			
At 30 September 2021	2.7	–	2.7
At 30 September 2022	3.3	–	3.3
At 30 September 2023	3.8	0.2	4.0

Computer software comprises both internal salaries and external development capitalised in relation to the Group's bespoke operational software. The Group capitalised internal salaries of £2.6 million in the year ended 30 September 2023 (2022: £2.2 million) for development of computer software. Assets under construction wholly represent capitalised internal salaries in relation to the warehouse transformation project.

For the year to 30 September 2023, the amortisation charge of £2.3 million (2022: £2.0 million) has been charged to administrative expenses in the income statement.

12. Property, plant and equipment

	Leasehold improvements £m	Plant and machinery £m	Fixtures and fittings £m	Office equipment £m	Assets under construction £m	Total £m
Cost						
At 30 September 2021	0.1	1.4	1.2	1.4	–	4.1
Additions	–	0.1	–	0.2	–	0.3
Disposals	–	(0.1)	(0.4)	(0.1)	–	(0.6)
At 30 September 2022	0.1	1.4	0.8	1.5	–	3.8
Additions	–	–	–	0.2	3.9	4.1
Disposals	–	(0.1)	(0.3)	(0.5)	–	(0.9)
At 30 September 2023	0.1	1.3	0.5	1.2	3.9	7.0
Accumulated depreciation						
At 30 September 2021	–	0.7	1.0	0.7	–	2.4
Charge for the year	–	0.2	0.1	0.3	–	0.6
Disposals	–	(0.1)	(0.4)	(0.1)	–	(0.6)
At 30 September 2022	–	0.8	0.7	0.9	–	2.4
Charge for the year	–	0.2	0.1	0.3	–	0.6
Disposals	–	(0.1)	(0.3)	(0.5)	–	(0.9)
At 30 September 2023	–	0.9	0.5	0.7	–	2.1
Net book value						
At 30 September 2021	0.1	0.7	0.2	0.7	–	1.7
At 30 September 2022	0.1	0.6	0.1	0.6	–	1.4
At 30 September 2023	0.1	0.4	–	0.5	3.9	4.9

The items within 'assets under construction' wholly represent capital expenditure in relation to the warehouse transformation project.

13. Right-of-use assets

	Right-of-use assets £m
Cost	
At 30 September 2021	8.2
Modifications	0.1
At 30 September 2022	8.3
Modifications	0.7
At 30 September 2023	9.0
Accumulated depreciation	
At 30 September 2021	2.9
Charge for the year	0.9
At 30 September 2022	3.8
Charge for the year	0.9
At 30 September 2023	4.7
Net book value	
At 30 September 2021	5.3
At 30 September 2022	4.5
At 30 September 2023	4.3

During the year the Group renewed the leases on two of its properties that had expired; this represents a modification under IFRS 16. The right-of-use asset was increased by £0.7 million to reflect the value of the asset after the modification and the corresponding lease liability increased by £0.7 million.

14. Trade and other receivables

	2023 £m	2022 £m
Trade receivables	2.2	2.0
Right-of-return asset	0.3	0.3
Accrued income	0.6	1.3
Prepayments	0.9	1.5
Amounts in escrow	0.8	–
	4.8	5.1

The Group provides against trade receivables using the forward-looking expected credit loss model under IFRS 9. An impairment analysis is performed at each reporting date. Trade receivables, accrued income, and other receivables expected credit losses have been reviewed by management and have been determined to have an immaterial impact on these balances. Accrued income relates to rebates earned but not yet received.

15. Trade and other payables

	2023 £m	2022 £m
Trade payables	23.9	26.2
Other taxation and NI	7.4	6.9
Refund liability	0.9	0.8
Other payables	1.3	1.2
Accruals	4.5	2.8
	38.0	37.9

16. Lease liabilities

	Lease liability £m
At 30 September 2021	5.8
Modifications	0.1
Interest expense	0.2
Lease payment	(1.1)
At 30 September 2022	5.0
Modifications	0.7
Interest expense	0.2
Lease payment	(1.1)
At 30 September 2023	4.8

During the period the Group renewed the lease on two of its properties that had expired; this represents a modification under IFRS 16. The right-of-use asset was increased by £0.7 million to reflect the value of the asset after the modification and the corresponding lease liability increased by £0.7 million.

The Group had total cash outflows for leases of £1.1 million (2022: £1.1 million). The Group had non-cash additions to right-of-use assets and lease liabilities of £nil (2022: £nil).

Lease liabilities as at 30 September were classified as follows:

	2023 £m	2022 £m
Current	1.0	0.9
Non-current	3.8	4.1
Total	4.8	5.0

17. Borrowings

	2023 £m	2022 £m
Amounts drawn under revolving credit facility	–	–
Unamortised debt issue costs	(0.1)	(0.1)
	(0.1)	(0.1)

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

Unamortised debt issue costs of £0.1 million (2022: £0.1 million) are included in prepayments (note 14).

18. Share capital

	2023 £m	2022 £m
Allotted, called up and fully paid		
325,227,984 ordinary shares of 0.1p (2022: 325,062,985 ordinary shares of 0.1p)	0.3	0.3

19. Own shares held

The Employee Share Option Trust purchases shares to fund the Share Incentive Plan. At 30 September 2023, the trust held 635,504 (2022: 635,504) ordinary shares with a book value of £636 (2022: £636). The market value of these shares as at 30 September 2023 was £0.6 million (2022: £0.2 million).

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

20. Share-based payments

The Group operates four share plans being the Share Incentive Plan ("SIP"), a Deferred Bonus Plan ("DBP"), a Long-Term Incentive Plan ("LTIP") and a Sharesave scheme ("SAYE"). In addition, both prior to and following Admission to AIM in June 2021, the Group awarded shares to the Chairman and certain members of Key Management which had restrictions placed against them that bring the awards into the scope of IFRS 2. These schemes are referred to as the Management Incentive Plan ("MIP"), A ordinary shares, and Restricted Share Awards ("RSAs").

All share-based incentives carry a service condition. Such conditions are not taken into account in the fair value of the service received. The fair value of services received in return for share-based incentives is measured by reference to the fair value of share-based incentives granted. Monte Carlo or Black-Scholes pricing models have been used where appropriate to calculate the fair value of share-based incentives with market conditions.

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

The total charge in the year was £3.9 million (2022: £3.9 million) with a Company charge of £1.3 million (2022: £1.8 million). This included associated NI at 13.8% (2022: 15.1%), which management expects to be the prevailing rate when the awards are exercised, and apprenticeship levy at 0.5%, based on the share price at the reporting date.

	2023	2022
	£m	£m
Share Incentive Plan	0.3	0.2
Restricted Share Awards	2.2	3.4
Deferred Bonus Plans	0.7	0.3
Long Term Incentive Plans	0.2	–
Sharesave schemes	0.1	–
Total IFRS 2 charge	3.5	3.9
NI and apprenticeship levy on applicable schemes	0.4	–
Total charge	3.9	3.9

Share Incentive Plan

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

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

	2023	2022
	number	number
Outstanding at 1 October	426,974	576,732
Awarded (dividend shares)	15,084	–
Forfeited	(95,021)	(149,758)
Outstanding at 30 September	347,037	426,974

The total charge in the year, included in operating profit, in relation to these awards was £0.3 million (2022: £0.2 million). The Company charge for the year was £nil (2022: £nil).

A ordinary shares

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

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

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, 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.

	2023	2022
	Number	Number
Outstanding at 1 October	5,547,240	6,163,600
Vested	(616,360)	(616,360)
Outstanding and unvested at 30 September	4,930,880	5,547,240

The total charge in the year, included in operating profit, in relation to these awards was £nil (2022: £nil). The Company charge for the year was £nil (2022: £nil). The share awards outstanding at 30 September 2023 have a weighted average remaining vesting period of 2.1 years (2022: 2.8 years).

Management Incentive Plan

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 zero 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, which would become effective on Victorian Plumbing Group plc's Admission to AIM, to modify the terms of the award. All the options would convert when the performance condition was satisfied (i.e., on Admission) resulting in the participant being awarded ordinary shares. However, 30% of the shares would remain restricted and subject to a service condition (the 'restricted shares'). The restricted shares are forfeited if the employee leaves the Group before the vesting date, unless under exceptional circumstances.

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

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

	2023	2022
	Number	Number
Outstanding at 1 October	676,189	965,984
Vested	(289,795)	(289,795)
Outstanding and unvested at 30 September	386,394	676,189

The market value per ordinary share for the restricted shares awarded under the MIP that vested in the year was £0.72. The shares outstanding under the MIP at 30 September 2023 have a weighted average remaining vesting period of 0.75 years (2022: 1.3 years).

The total charge in the year, included in operating profit, in relation to these awards was £nil (2022: £nil). The Company charge for the year was £nil (2022: £nil).

Restricted Share Awards

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

Grant date	Share price at grant date £	Employee contribution per share	Vesting period (years)	Risk-free rate %	Dividend yield %	Non-vesting condition %	Fair value per restricted share
22/06/2021	2.62	£0.001	5.0	-	-	-	2.62
22/06/2021	2.62	£0.001	4.0	-	-	-	2.62
05/09/2022	0.41	nil	2.0	-	-	-	0.48

The number of restricted shares outstanding at 30 September 2023 was as follows:

	2023	2022
	Number	Number
Outstanding at 1 October	3,043,547	3,442,858
Awarded	-	208,334
Forfeited	-	(38,168)
Vested	(767,543)	(569,477)
Outstanding and unvested at 30 September	2,276,004	3,043,547

The market values per ordinary share for restricted shares that vested in the year were £0.72 and £0.82. The RSAs outstanding at 30 September 2023 have a weighted average remaining vesting period of 1.7 years.

The total charge in the year, included in operating profit, in relation to these awards was £2.2 million (2022: £3.4 million). The Company charge for the year was £0.9 million (2022: £1.8 million).

Deferred Bonus Plan

The Group operates a DBP for the ELT 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 4,418,641 ordinary shares under the DBP scheme, subject to the satisfaction of certain performance criteria to be determined by the Remuneration Committee. The fair value of the award was determined to be £0.57, being the average Market Value of a Share on 1 October 2022 and 1 January 2023.

	2023 Number	2022 Number
Outstanding at 1 October	1,893,219	–
Options granted in the year	4,418,641	1,893,219
Forfeited	(1,486,025)	–
Vested	(164,999)	–
Outstanding at 30 September	4,660,836	1,893,219

The total charge in the period, included in operating profit, in relation to these awards was £0.7 million (2022: £0.3 million). The Company charge for the period was £nil (2022: £nil).

Long Term Incentive Plan

The Group operates a LTIP for the Executive Directors. The extent to which awards vest will depend upon the satisfaction of the Group's financial and operational performance in the financial year of the award date.

The 2022 LTIP awards are subject to performance conditions based on adjusted EPS (75% of award) and absolute Total Shareholder Return ("Absolute 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.

The 2023 LTIP awards are subject to performance conditions based on adjusted EPS (100% of award). Awards vest 3 years after grant subject to EPS performance conditions, with a two-year post-vesting holding period applying.

On 22 February 2023 the Group awarded 870,168 nil cost options under the LTIP scheme. The fair value for the EPS element of the award at £0.81 was based on the share price at the grant date.

	2023 Number	2022 Number
Outstanding at 1 October	323,472	–
Options granted in the year	870,168	323,472
Options lapsed in the year	(75,143)	–
Outstanding at 30 September	1,118,497	323,472

The total charge in the year, included in operating profit, in relation to these awards was £0.2 million (2022: £nil). The Company charge for the period was £0.2 million (2022: £30,000).

Sharesave scheme

The Group operates a 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
30/03/2022	0.51	0.57	67	3.17	1.42	0	0	0.22
30/03/2023	0.79	0.68	69	3.17	3.52	1.39	0	0.40

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

	2023	2022
	Number of share options	Number of share options
Outstanding at 1 October	443,747	–
Options granted in the year	211,539	443,747
Options lapsed in the year	(121,313)	–
Outstanding at 30 September	533,973	443,747
Exercisable at 30 September	–	–

The total charge in the year, included in operating profit, in relation to these awards was £0.1 million (2022: £16,000). The Company charge for the period was £nil (2022: £nil).

21. Cash generated from operating activities

Cash flows from operating activities	2023	2022
	£m	£m
Profit before taxation for the financial year	15.6	11.8
Adjustments for:		
Amortisation of intangible assets (note 11)	2.3	2.0
Depreciation of property, plant and equipment (note 12)	0.6	0.6
Depreciation of right-of-use assets (note 13)	0.9	0.9
Share-based payments (including NI)	3.9	3.9
Finance (income)/expense	(0.3)	0.3
Exceptional items	0.8	–
Adjusted EBITDA	23.8	19.5
Fair value loss/(profit) on financial derivatives	0.3	(0.7)
Increase in inventories	(0.3)	(1.5)
Increase in receivables	(0.3)	(0.2)
(Decrease)/increase in payables	(3.7)	1.1
Increase in provisions	–	0.1
Cash generated from operating activities before exceptional items	19.8	18.3

Free cash flows	2023	2022
	£m	£m
Cash generated from operating activities before exceptional items	19.8	18.3
Repayment of lease liabilities	(1.1)	(1.1)
Purchase of intangible assets (excluding assets under construction)	(2.8)	(2.6)
Purchase of property, plant and equipment (excluding assets under construction)	(0.2)	(0.3)
VAT not yet recovered on assets under construction	0.4	–
Free cash flows	16.1	14.3
Adjusted EBITDA	23.8	19.5
Cash conversion	68%	73%

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

22. Events after the reporting period

a) Lease commitments

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

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

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

b) Capital commitments

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

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

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