

Registered number: 04079213

Victorian Plumbing Ltd

Annual report and financial statements for the year ended 30 September 2022



Victorian Plumbing Ltd

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Victorian Plumbing Ltd

Strategic report

for the year ended 30 September 2022

The Directors present their strategic report for Victorian Plumbing Ltd (the 'Company') for the year ended 30 September 2022.

Review of the business

The principal activity of the Company is that of an online retailer of bathroom furniture and accessories. The profit for the financial year was £9.6m (2021 £23.0m).

Strategy

Our extensive product range coupled with our creative and bold marketing strategy has enabled the Company to rapidly gain market share and become the number one bathroom brand in the UK. Whilst proud of this achievement, our core focus is to ensure that we continue to grow, which means evolving our marketing, growing our product range and improving our efficiency.

A small but growing proportion of our revenue is derived from trade customers, who will typically have a higher repeat rate, order frequency and average order value. By taking a proactive approach to the trade segment, the Company believes that it can continue to penetrate this segment of the market.

We specialise in bathroom products but have never invested in products adjacent to our core, such as tiles and lighting. 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.

Key performance indicators

Key performance indicators are monitored primarily on a Group basis and are disclosed in the financial statements of the ultimate parent company, Victorian Plumbing Group plc.

Principal risk and uncertainties

The Board takes overall responsibility for risk management with a particular focus on determining the nature and extent of significant risks it is willing to take in achieving its strategic objectives. The process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal controls. Risks are managed at a Group level as described in the Annual Report of Victorian Plumbing Group plc.

Over the past 12 months the Covid-19 pandemic, the war in Ukraine and general inflation have provided challenges to both our operations and those of our supply chain. However, none of these issues have presented an increased risk to the Company. 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, and we continually review stocking levels and increase our investment in stock when uncertainties arise.

Additional risks and uncertainties to the Company, including those that are not currently known or that the Company currently deems immaterial, may individually or cumulatively also have a material effect on the Company's business, results of operations and/or financial condition.

Section 172 statement

Our stakeholder engagement processes enable our directors 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 Limited in the long term.

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 well considered by the directors. 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 placed on the directors and other senior managers within the Company and acknowledge that conflicts between differing interests will often arise.

Victorian Plumbing Ltd

Strategic report (continued) for the year ended 30 September 2022

Section 172 statement (continued)

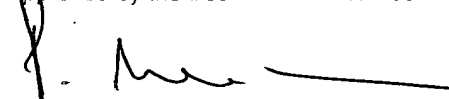
The following strategic decisions taken during the year are intended to provide some insight into the decision-making process at Victorian Plumbing Limited:

Increasing the amount of stock held in our warehouses and warehouse capacity	Re-platforming our website	Establishment of employee engagement committee
<i>What was the decision?</i>	<i>What was the decision?</i>	<i>What was the decision?</i>
<p>The disruption caused both by Covid-19 and other unforeseen macro events has 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. During 2021 we took the decision to increase the amount of stock that we held on site in our warehouses. By holding more stock on site we are able to minimise the risk of stock-outs and therefore 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.</p>	<p>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. This work is ongoing, with benefits expected in FY23.</p>	<p>The Company was keen to establish a formal mechanism for communication between the Company and its employees to ensure that the 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.</p>
<i>How the Directors' engagement with stakeholders influenced the decision</i>	<i>How the Directors' engagement with stakeholders influenced the decision</i>	<i>How the Directors' engagement with stakeholders influenced the decision</i>
<p>Customers</p> <p>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 reduced the likelihood that we fail to fulfil an order.</p> <p>Suppliers</p> <p>Our transparent relationships with our suppliers allowed us to determine quickly if there was 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.</p>	<p>Customers</p> <p>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 with little hassle. Re-platforming our site will allow us to test and release features to increase engagement more frequently.</p> <p>Employees</p> <p>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.</p> <p>Investors</p> <p>The feedback we receive from investors gives us confidence that investing in our technology and platform will result in future growth for the business.</p>	<p>Employees</p> <p>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.</p>

Future developments

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.

Approved by the Board on 9 December 2022 and signed on their behalf by:



Paul Meehan
Director

Victorian Plumbing Ltd

Directors' report for the year ended 30 September 2022

The Directors present their report and the financial statements for the year ended 30 September 2022.

Results and dividends

The Company's profit for the financial year was £9.6m (2021 £23.0m). The company paid dividends in the year of £nil (2021: £18.9m).

Directors

The directors who served during the year and up to the date of the signing of the financial statements were as follows:

M A Radcliffe
N G Radcliffe
P Meehan

Future developments

The Directors have considered the future developments of the business within the Strategic report on page 3.

Political donations

The Company made no political donations during the year (2021: £nil).

Going concern

The financial statements have been prepared on a going concern basis as set out in note 1 to the financial statements.

The directors have prepared cash flow forecasts for the period to 31 December 2023 for Victorian Plumbing Ltd. A series of severe-but plausible downside scenarios have been modelled, and the results of the stress testing demonstrate that Victorian Plumbing Ltd would be able to withstand the impact and remain cash generative on its own.

The company has access to 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.

Consequently, the directors are confident that the company will have sufficient funds to continue to meet its liabilities as they fall due for the period to 31 December 2023 and therefore have prepared the financial statements on a going concern basis.

Environment

The Company 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.

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.

Total CO₂ emissions¹ year ended 30 September

	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 CO₂ equivalent.
2. Absolute carbon emissions divided by revenue in millions.

Employee engagement

Our employees are key to helping us fulfil our purpose and so at Victorian Plumbing we promote a culture of open feedback. During the year we performed our second all-employee engagement survey, a tool that we believe can help us assess the engagement and satisfaction levels across the business. We listen to the feedback and, with the support of our senior leaders, we review and develop action plans. We also look to Indeed and Glassdoor reviews for feedback.

Victorian Plumbing Ltd

Directors' report (continued) for the year ended 30 September 2022

Disabled employees

The Company 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 Company's policy to provide continuing employment under normal terms and conditions whenever possible.

Independent Auditor

Pursuant to section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and Ernst & Young LLP will therefore continue in office.

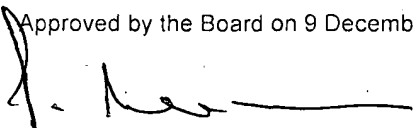
Disclosure of information to auditors

Each of the Directors has confirmed that:

- a) so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- b) 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.

Approved by the Board on 9 December 2022 and signed on their behalf by:



Paul Meehan
Director

Victorian Plumbing Ltd

Statement of Directors' responsibilities

for the year ended 30 September 2022

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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard FRS 101 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 101").

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 company and of the profit or loss of 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 101) 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 FRS 101 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company financial position and financial performance;
- in respect of the parent company financial statements, state whether applicable UK Accounting Standards, including FRS 101, 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 appropriate to presume that the company will not continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the company financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the 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 and directors' report, 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.

The directors confirm, to the best of their knowledge:

- that the financial statements, prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard FRS 101 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 101") 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; and
- 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.

Victorian Plumbing Ltd

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VICTORIAN PLUMBING LTD

Opinion

We have audited the financial statements of Victorian Plumbing Ltd for the year ended 30 September 2022 which comprise the Statement of comprehensive income, Balance Sheet and Statement of changes in equity and the related notes 1 to 29, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 30 September 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 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, 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.

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 company's ability to continue to adopt the going concern basis of accounting included:

- In conjunction with our walkthrough of the 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. A base scenario and series of severe but plausible downside scenarios have been modelled, 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 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 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 company'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.

Victorian Plumbing Ltd

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VICTORIAN PLUMBING LTD (continued)

- 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.
- We read board minutes for any inconsistencies with the risks considered in the going concern assessment.
- We reviewed the going concern disclosures included in the annual report in order to assess that the disclosures were appropriate and in conformity with the reporting standards.
- 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 company's ability to continue as a going concern for a period to 31 December 2023.

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 company's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained 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 company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or 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 or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Victorian Plumbing Ltd

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF VICTORIAN PLUMBING LTD (continued)

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, 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 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 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 entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 101 and the Companies Act 2006) and the relevant direct and indirect tax compliance regulations in the United Kingdom. In addition, the Company has to comply with laws and regulations relating to its operations, including health and safety, anti-bribery and corruption regulations and GDPR.
- We understood how Victorian Plumbing Ltd is complying with those frameworks by making enquiries of management and those responsible for legal and compliance procedures. Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. We corroborated our enquiries through reading the minutes of board meetings.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management to understand where they considered there was susceptibility to fraud. We considered the risk of management override and assumed revenue to be a fraud risk, specifically as a result of topside journals postings.
- We performed audit procedures to address each identified fraud risk or other risk of material misstatement and used a data analytics approach analysing the correlation between revenue, trade receivables and cash. Where transactions fell outside of our expectations implying a topside posting we have obtained an understanding and performed substantive testing over the exceptions and underlying transactions. We have also performed journal entry testing applying risk criteria such as unexpected preparers and unusual descriptions.

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.

DocuSigned by:

Ernst & Young LLP

Victoria Venning (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Manchester
9 December 2022.

Victorian Plumbing Ltd
Statement of comprehensive income
for the year ended 30 September 2022

		2022	2021
	Note	£m	£m
Revenue	4	269.4	268.8
Cost of Sales		(148.4)	(138.3)
Gross profit		121.0	130.5
Administrative expenses		(108.9)	(101.7)
Other operating income	5	-	-
Operating profit	6	12.1	28.8
Interest payable and similar charges	10	(0.2)	(0.3)
Profit on ordinary activities before taxation		11.9	28.5
Tax on profit	11	(2.3)	(5.5)
Profit and total comprehensive income for the year		9.6	23.0

All amounts relate to continuing operations.

The notes on pages 13 to 32 form part of these financial statements.

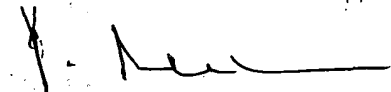
Victorian Plumbing Ltd

Balance sheet

as at 30 September 2022

		2022	2021
		£m	£m
Fixed assets			
Intangible assets	13	3.3	2.7
Property, plant and equipment	14	1.4	1.7
Right-of-use assets	15	4.5	5.3
Derivative financial instruments		0.7	-
		<u>9.9</u>	<u>9.7</u>
Current assets			
Inventories	16	33.9	32.4
Trade and other receivables	17	5.0	4.8
Tax recoverable		-	1.0
Cash and cash equivalents		39.4	28.3
		<u>78.3</u>	<u>66.5</u>
Creditors: amounts falling due within one year	18	(50.0)	(48.9)
Net current assets		<u>28.3</u>	<u>17.6</u>
Total assets less current liabilities		<u>38.2</u>	<u>27.3</u>
Creditors: amounts falling due after more than one year	19	(4.1)	(4.9)
Provisions for liabilities			
Deferred tax	22	(0.1)	(0.2)
Provisions	23	(0.2)	(0.1)
		<u>(0.3)</u>	<u>(0.3)</u>
Net assets		<u>33.8</u>	<u>22.1</u>
Capital and reserves			
Called-up share capital	24	-	-
Capital contribution	25	8.0	5.9
Profit and loss account		25.8	16.2
Total equity		<u>33.8</u>	<u>22.1</u>

The financial statements were approved by the Board of Directors on 9 December 2022 and authorised for issue.



Paul Meehan
Chief Financial Officer
Victorian Plumbing Ltd
Registered number: 04079213

The notes on pages 13 to 32 form part of these financial statements.

Victorian Plumbing Ltd
Statement of changes in equity
for the year ended 30 September 2022

	Note	Share capital £m	Capital contribution reserve £m	Retained earnings £m	Total equity £m
At 30 September 2020 (as restated)		-	-	11.5	11.5
Comprehensive income					
Profit for the year		-	-	23.0	23.0
Total comprehensive income for the year		-	-	23.0	23.0
Transactions with owners					
Share-based payments	25	-	5.9	-	5.9
Tax impact of employee share schemes		-	-	0.6	0.6
Dividends paid	12	-	-	(18.9)	(18.9)
Total transactions with owners recognised directly in equity		-	5.9	(18.3)	(12.4)
At 30 September 2021		-	5.9	16.2	22.1
Comprehensive income					
Profit for the year		-	-	9.6	9.6
Total comprehensive income for the year		-	-	9.6	9.6
Transactions with owners					
Share-based payments	25	-	2.1	-	2.1
Total transactions with owners recognised directly in equity		-	2.1	-	2.1
At 30 September 2022		-	8.0	25.8	33.8

The notes on pages 13 to 32 form part of these financial statements.

Victorian Plumbing Ltd

Notes to the financial statements For the year ended 30 September 2022

1. General information

Victorian Plumbing Ltd (the 'Company') is a private company limited by shares and is domiciled and incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is 22 Grimrod Place, Skelmersdale, England, WN8 9UU.

Basis of preparation of financial statements

The financial statements have been prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101).

The financial statements have been prepared on a historical cost basis and in accordance with the Companies Act 2006. The financial statements have been prepared in sterling (£), which is the functional and presentational currency of the Company.

Disclosure exemptions adopted

In preparing these financial statements the company has taken advantage of certain disclosure exemptions conferred by FRS 101 and has not provided:

- a Statement of Cash Flows and related notes
- a statement of compliance with IFRS (a statement of compliance with FRS 101 is provided instead)
- comparative period reconciliations for share capital
- disclosures in respect of capital management
- disclosure of the effect of future accounting standards not yet adopted
- the remuneration of key management personnel
- related party transactions with two or more wholly owned members of the group

In addition, and in accordance with FRS 101, further disclosure exemptions have been applied because equivalent disclosures are included in the consolidated financial statements of Victorian Plumbing Group plc. These financial statements do not include certain disclosures in respect of:

- share-based payments
- financial instrument disclosures as required by IFRS 7 Financial Instruments: Disclosures
- fair value measurement disclosures required by IFRS 13

Judgements and key areas of estimation uncertainty

The preparation of financial statements in compliance with FRS 101 requires the use of certain critical accounting estimates. It also requires the company's directors to exercise judgement in applying the company's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in note 3.

Going concern

The Company'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 Company, 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 Company'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 Company's working capital and cash requirements has been performed.

Liquidity and financing

At 30 September 2022, the Company held instantly accessible cash and cash equivalents of £39.4 million. The Company 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.

Victorian Plumbing Ltd

Notes to the financial statements For the year ended 30 September 2022

1. General information (continued)

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 Company has taken a measured approach to its forecasting. The Company 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 of 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 Company'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 Company 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 and 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 Company's liabilities as they fall due, without utilisation of the revolving credit facilities available to the Company.

Going concern conclusion

Based on the analysis described above, the Company has sufficient liquidity headroom through the forecast period. The Directors therefore have reasonable expectation that the Company 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 financial statements be prepared on a going concern basis.

2. Accounting policies

2.1 Changes in significant accounting policies

New and amended standards adopted by the Company

The following amendments to standards have been adopted by the Company 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 Company's 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 Company has evaluated these changes and none are expected to have a significant impact on these financial statements.

Victorian Plumbing Ltd

Notes to the financial statements For the year ended 30 September 2022

2.2 Existing significant accounting policies

Revenue

The Company 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 Company 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 Company'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 Company 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 Company ultimately expects it will have to return to the customer. Refund liabilities are included within trade and other payables (refer to note 19). The Company reviews its estimate of expected returns at each reporting date.

The Company does not offer loyalty points to customers nor are any warranties, other than assurance-type warranties (note 23), offered by the Company.

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 Company'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 Company 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 Company 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.

Victorian Plumbing Ltd

Notes to the financial statements For the year ended 30 September 2022

2. Accounting policies (continued)

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 year 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 Company operates and generate 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 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 Company 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.

Exceptional items (non-GAAP)

Significant non-recurring items of income and expense are disclosed as 'exceptional items'. A full analysis of exceptional items is provided in note 7. 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. Disclosing exceptional items separately provides additional understanding of the performance of the Company.

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 Company'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.

Victorian Plumbing Ltd

Notes to the financial statements For the year ended 30 September 2022

2. Accounting policies (continued)

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 Company 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 Company 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 Company.

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.

Victorian Plumbing Ltd

Notes to the financial statements For the year ended 30 September 2022

2. Accounting policies (continued)

Leases

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company 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 total carrying value of under £5,000. For these leases, the Company 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 Company 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 Company expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. The right-of-use assets are presented within non-current assets in the statement of financial position (note 16). The Company 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.

Victorian Plumbing Ltd

Notes to the financial statements For the year ended 30 September 2022

2. Accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

Financial assets – initial recognition and measurement

The Company 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 Company'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 Company 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 Company applies a simplified approach in calculating expected credit losses ('ECLs'). Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company 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 Company enters into derivative financial instruments to manage its exposure to foreign exchange risk via forward currency contracts. The Company 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.

Victorian Plumbing Ltd

Notes to the financial statements For the year ended 30 September 2022

2. Accounting policies (continued)

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 Company 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 Company 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 Company 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 Company bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Company'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 Company 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 Company 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 Company 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 and recognised in revenue. 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.

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.

Victorian Plumbing Ltd

Notes to the financial statements For the year ended 30 September 2022

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise their judgement in the process of applying the Company's accounting policies. 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 payment arrangements in which the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions. The fair value of services received in return for share options is calculated with reference to the fair value of the award on the date of grant. A Black-Scholes model has been used where appropriate to calculate the fair value and the Directors have therefore made estimates with regard to the inputs to that model and the period over which the share award is expected to vest (note 25).

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 Company 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 for the period (£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 Company 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	R
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

Intangible assets

Intangible assets include capitalised internal salaries and third-party costs for computer software development. The Company 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 expected future cash generation of the project and the expected period of benefits.

Revenue cut-off

The Company's management information systems are configured to recognise revenue upon dispatch of the inventory items from the Company'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 Company'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.

Victorian Plumbing Ltd

Notes to the financial statements For the year ended 30 September 2022

4. Revenue

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

	2022 £m	2021 £m
Online	267.7	267.9
Shop	1.7	0.9
	<u>269.4</u>	<u>268.8</u>

All revenue arose within the United Kingdom.

5. Other operating income

	2022 £m	2021 £m
Coronavirus job retention scheme	-	(0.1)
Other income	-	0.1
	<u>-</u>	<u>-</u>

6. Operating profit

Operating profit is shown after charging/(crediting) the following:

	2022 £m	2021 £m
Employee costs (excluding share-based payments)	14.1	12.4
Share-based payments (including associated NI)	2.1	6.9
Agency and contractor costs	0.8	1.1
Marketing costs	76.2	69.7
Property costs	5.1	4.1
Computer costs	1.6	1.2
Depreciation of property, plant and equipment (note 14)	0.6	0.6
Depreciation of right-of-use assets (note 15)	0.9	0.8
Amortisation charge (note 13)	2.0	1.6
Other costs	5.5	3.3
Total administrative expenses	<u>108.9</u>	<u>101.7</u>
Included within exceptional costs (note 7)	(0.2)	(0.7)
Total administrative expenses excluding exceptional items	<u>108.7</u>	<u>101.0</u>

Services provided by the Company's auditors

During the year, the Company obtained the following services from its auditors:

	2022 £m	2021 £m
Fees payable for the audit of the Company	0.1	0.1

7. Exceptional items

	2022 £m	2021 £m
IPO costs in respect of the Group's listing on AIM in June 2021	-	0.7
Legal fees	0.2	-
	<u>0.2</u>	<u>0.7</u>

Victorian Plumbing Ltd

Notes to the financial statements For the year ended 30 September 2022

8. Employee costs

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

	2022 £m	2021 £m
Wages and salaries	12.8	11.2
Social security costs	1.1	1.0
Cost of defined contribution scheme	0.2	0.2
Share-based payments (and associated national insurance)	2.1	6.9
	<u>16.2</u>	<u>19.3</u>

Employee costs presented above exclude costs capitalised as part of internal software development as disclosed in note 13. The Company capitalised salaries of £2.2 million in the year ended 30 September 2022 (2021: £1.2 million).

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	180
	<u>572</u>	<u>531</u>

9. Directors' remuneration

	2022 £m	2021 £m
Short-term employee benefits	0.1	0.3
Pension contributions	-	-
Share-based payments	-	8.4
	<u>0.1</u>	<u>8.7</u>
Directors' accruing retirement benefits in respect of defined contribution pension schemes	<u>1</u>	<u>3</u>

10. Interest payable and similar charges

	2022 £	2021 £
Interest expense on lease liability	0.2	0.3
	<u>0.2</u>	<u>0.3</u>

11. Taxation

	2022 £m	2021 £m
Corporation tax		
Current tax on profits for the year	2.8	5.4
Adjustments in respect of previous periods	(0.4)	-
Total current tax	<u>2.4</u>	<u>5.4</u>
Deferred tax		
Origination and reversal of timing differences	(0.1)	0.1
Total deferred tax	<u>(0.1)</u>	<u>0.1</u>
Taxation on profit on ordinary activities	<u>2.3</u>	<u>5.5</u>

Victorian Plumbing Ltd

Notes to the financial statements For the year ended 30 September 2022

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the period is the same as (2021: higher than) the standard rate of corporation tax in the UK of 19% (2021: 19%). The reconciliation is shown below:

	2022 £m	2021 £m
Profit on ordinary activities before tax	11.9	28.5
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%)	2.3	5.4
Effects of:		
Expenses not deductible for tax purposes	-	0.1
Tax rate changes	-	0.1
Group relief	-	(0.3)
Share options	0.4	0.2
Adjustments to tax charge in respect of prior periods	(0.4)	-
Total tax charge for the year	2.3	5.5

Taxation on items taken directly to equity was a credit of £nil (2021: £0.6m) 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.

12. Dividends

	2022 £m	2021 £m
Dividends paid (£nil per share (2021: £23,643 per share))	-	18.9

13. Intangible assets

	Computer software £m
Cost	
At 30 September 2021	7.5
Additions	2.6
At 30 September 2022	10.1
Amortisation	
At 30 September 2021	4.8
Charge for the year	2.0
At 30 September 2022	6.8
Net book value	
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 Company's bespoke operational software. The Company 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).

Victorian Plumbing Ltd

Notes to the financial statements For the year ended 30 September 2022

14. Property, plant and equipment

	Leasehold improvements	Plant and machinery	Fixtures and fittings	Office equipment	Total
	£m	£m	£m	£m	£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
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
On 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 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

15 Right-of-use assets

Right-of-use assets relate to leased warehouse and office facilities, and operational vehicles.

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

During the year the Company 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 asset 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.

Victorian Plumbing Ltd

Notes to the financial statements For the year ended 30 September 2022

16. Inventories

	2022	2021
	£m	£m
Goods for resale	33.8	32.3
Packaging	0.1	0.1
	<u>33.9</u>	<u>32.4</u>

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

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

17. Trade and other receivables

	2022	2021
	£m	£m
Trade receivables	2.0	2.3
Right-of-return asset	0.3	0.3
Accrued income	1.3	0.9
Prepayments	1.4	1.3
	<u>5.0</u>	<u>4.8</u>

The Company 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.

18. Creditors: amounts falling due within one year

	2022	2021
	£m	£m
Trade payables	26.1	23.4
Amounts owed to group undertakings	4.8	4.5
Other taxation and social security	6.8	9.0
Lease liabilities	0.9	0.9
Refund liability	0.9	0.9
Other payables	1.1	1.2
Accruals	2.3	1.1
Contract liabilities (note 20)	7.1	7.9
	<u>50.0</u>	<u>48.9</u>

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

19. Creditors: amounts falling due after more than one year

	2022	2021
	£m	£m
Lease liabilities	<u>4.1</u>	<u>4.9</u>

20. Contract liabilities

	2022	2021
	£m	£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 (note 18)	<u>7.1</u>	<u>7.9</u>

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

Victorian Plumbing Ltd

Notes to the financial statements For the year ended 30 September 2022

21. Lease liabilities

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

During the year the Company 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 asset after the modification and the corresponding lease liability increased by £0.1 million.

The Company had total cash outflows for leases of £1.1 million (2021: £1.1 million). The Company 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

The undiscounted maturity analysis of lease liabilities is as follows:

	2022 £m	2021 £m
Within a year	1.1	1.1
1-5 years	2.3	2.8
Over 5 years	2.8	3.3
	6.2	7.2

22. Deferred taxation

	Accelerated capital allowances £m	Other timing differences £m	Total £m
Deferred taxation liabilities			
At 30 September 2020	0.1	-	0.1
Charged/(credited) to the statement of comprehensive income	0.2	(0.1)	0.1
At 30 September 2021	0.3	(0.1)	0.2
Charged/(credited) to the statement of comprehensive income	(0.1)	-	(0.1)
At 30 September 2022	0.2	(0.1)	0.1

23. 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

Victorian Plumbing Ltd

Notes to the financial statements For the year ended 30 September 2022

24. Share capital

	2022 £	2021 £
Allotted, called up and fully paid 800 ordinary shares of £1.00 each	800	800

25. Share-based payments

The Company currently operates four share plans, being the Share Incentive Plan ('SIP'), a Sharesave scheme ('SAYE'), a Management Incentive Plan ('MIP') and a Deferred Bonus Plan ('DBP'). In addition, both prior to and following Admission to AIM in June 2021, the Company awarded shares to the Chairman and certain members of Key Management which had restrictions placed against them that bring the awards into the scope of IFRS 2.

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

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

The total charge in the year was £2.1 million (2021: £6.9 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	1.6	1.0
Deferred bonus plan (DBP) – February 2022	0.3	-
Sharesave scheme (SAYE) – March 2022	-	-
Total IFRS 2 charge	2.1	5.9
National insurance and apprenticeship levy on applicable schemes	-	1.0
Total charge	2.1	6.9

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

The Company 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	426,974	576,732
Vested and outstanding at 30 September 2022	-	-

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

Victorian Plumbing Ltd

Notes to the financial statements For the year ended 30 September 2022

25. Share-based payments (continued)

A ordinary shares

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

The remaining 45 A ordinary shares were awarded to certain members of Key Management (together the 'A ordinary shareholders'). In order to realise value from the shares awarded, a participant must remain employed until an 'Exit' event is achieved. The equity value on 'Exit' must also be in excess of the equity hurdle which has been set at £130.0 million. The 'Exit' requirement is a non-market performance vesting condition and the hurdle amount is considered to be a market-based performance condition. The fair value of services received in return for shares awarded is measured by reference to the fair value of the shares at the date of the award. The fair value of the shares awarded has been calculated with reference to a Black-Scholes pricing model.

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.

	2022	2021
	number	number
Restricted ordinary shares in Victorian Plumbing Group plc		
Outstanding at 1 October 2021/2020	6,163,600	-
Restricted shares awarded on share-for-share exchange	-	7,222,969
Vested	(616,360)	(1,059,369)
Outstanding and unvested at 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: £0.4m). The restricted share awards outstanding at 30 September 2022 have a weighted average remaining vesting period of 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 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.

Victorian Plumbing Ltd

Notes to the financial statements For the year ended 30 September 2022

25. Share-based payments (continued)

	2022 number	2021 number
Restricted ordinary shares in Victorian Plumbing Group plc		
Outstanding at 1 October 2021/2020	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 2021	676,189	965,984

The weighted average 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).

IPO restricted share awards

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

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

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

	2022 number	2021 number
Restricted ordinary shares in Victorian Plumbing Group plc		
Outstanding at 1 October 2021/2020	1,916,140	-
Awarded	208,334	2,124,804
Forfeited	(38,168)	-
Vested	(187,797)	(208,664)
Outstanding and unvested at 30 September 2022	1,898,509	1,916,140

The weighted average 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 £1.6 million (2021: £1.0 million).

Deferred Bonus Plan

The Company 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 Company 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.

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Notes to the financial statements For the year ended 30 September 2022

25. Share-based payments (continued)

	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 period, included in operating profit, in relation to these awards was £0.3m (2021: £nil).

Sharesave scheme

The Company 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
30/03/2022	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.

	Number of share options	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).

26. 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 £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).

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Notes to the financial statements For the year ended 30 September 2022

27 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	2021
	£m	£m
Amounts owed by the Company to RPM, included within trade and other payables	0.1	0.1
Lease payments made by the Company	0.6	0.6

Amounts outstanding with RPM at each reporting date are interest free, unsecured and repayable on demand. The Company has not recognised a provision for expected credit losses in respect of the amounts owed to the Company from related parties, nor have any balances been written off.

28. 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.

29. Controlling parties

The Company's immediate parent undertaking is VIPSO Ltd, which is incorporated in the United Kingdom and registered in England and Wales.

The ultimate parent undertaking and controlling party is Victorian Plumbing Group plc, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of Victorian Plumbing Group plc consolidated financial statements can be obtained from Companies House, Crown Way, Cardiff, CF14 3UZ.