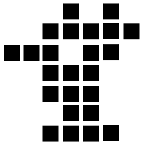
VICTORIA PLC

Annual Report and Accounts
for the 52 weeks ended 1 April 2017

www.victoriaplc.com
stock code: VCP



VICTORIA PLC

Our Mission Statement

TO CREATE WEALTH FOR OUR SHAREHOLDERS

→ Read the Victoria Snapshot on pages 2 to 3

Contents

Business and Performance

Group Financial Highlights	01
A Snapshot of Victoria PLC	02
Creating Wealth for Shareholders	04
Chairman's Statement	05
Strategic Report	09
Financial Review	12

Governance

Board of Directors	17
Directors' Report	18
Statement of Directors' Responsibilities	22

Financials

Independent Auditor's Report	23
Consolidated Income Statement	24
Consolidated Statement of Comprehensive Income	25
Consolidated and Company Balance Sheets	26
Consolidated and Company Statements of Changes in Equity	27
Consolidated and Company Statements of Cash Flows	28
Significant Accounting Policies	29
Notes to the Accounts	37

Other Information

Shareholder Information	72
Glossary	73

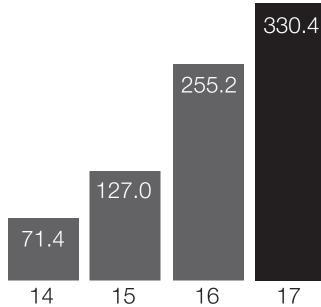
Welcome to Victoria PLC

Victoria is a leading designer, manufacturer and distributor of innovative flooring products.

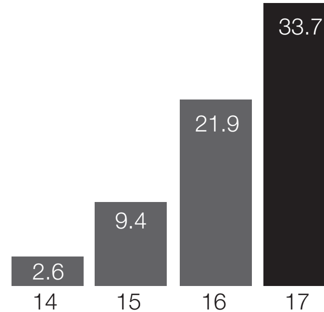
BY APPOINTMENT TO
HER MAJESTY THE QUEEN
CARPET MANUFACTURERS
VICTORIA CARPETS LTD
KIDDERMINSTER

Group Financial Highlights

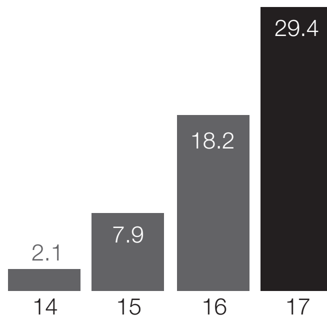
Revenue (£m)



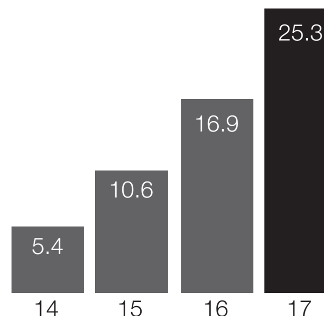
Operating profit* (£m)



Pre-tax profit* (£m)



Basic adjusted earnings per share* (pence)



* Underlying and before exceptional items.

Read the Financial Review on pages 12 to 16

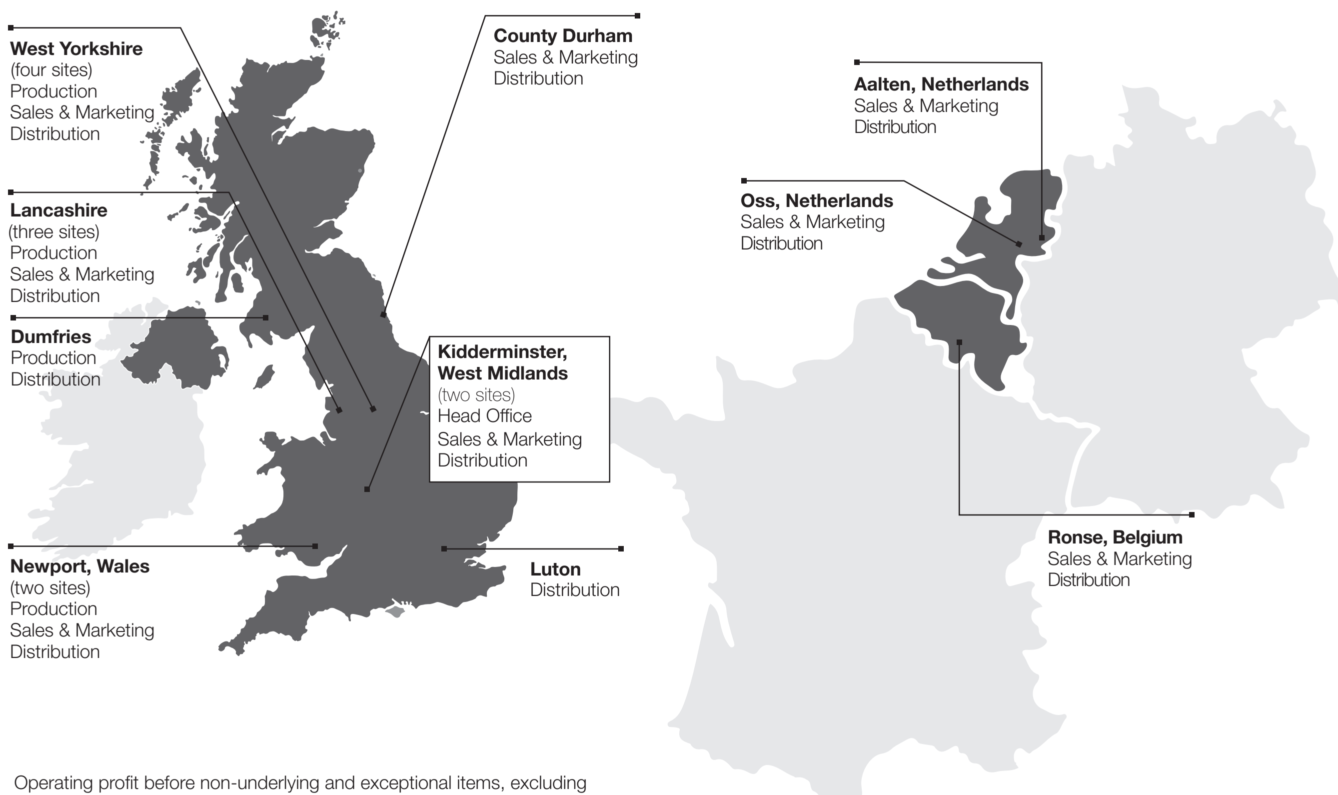
A SNAPSHOT OF VICTORIA PLC

The Group has operations in the UK, Europe and Australia, employing approximately 1,800 people across more than 20 sites

The Group develops, manufactures and distributes a wide range of wool and synthetic broadloom carpets, flooring underlay, LVT (luxury vinyl tile) and hardwood flooring products, artificial grass, carpet tiles and flooring accessories.

United Kingdom and Europe

Revenue	Operating profit*	Employees†	m^2 flooring sold‡	m^2 underlay sold‡
£241.7m	£26.2m	1,405	20.0m	41.0m



* Operating profit before non-underlying and exceptional items, excluding unallocated central expenses of £0.8m

Australia

Revenue
£88.7m

Operating profit*
£8.2m

Employees†
395

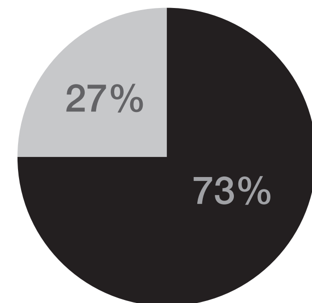
m² flooring sold‡
8.5m

m² underlay sold‡
17.0m

† Number of employees as at 1 April 2017.
‡ m² data is approximate annualised figure.

Revenue split

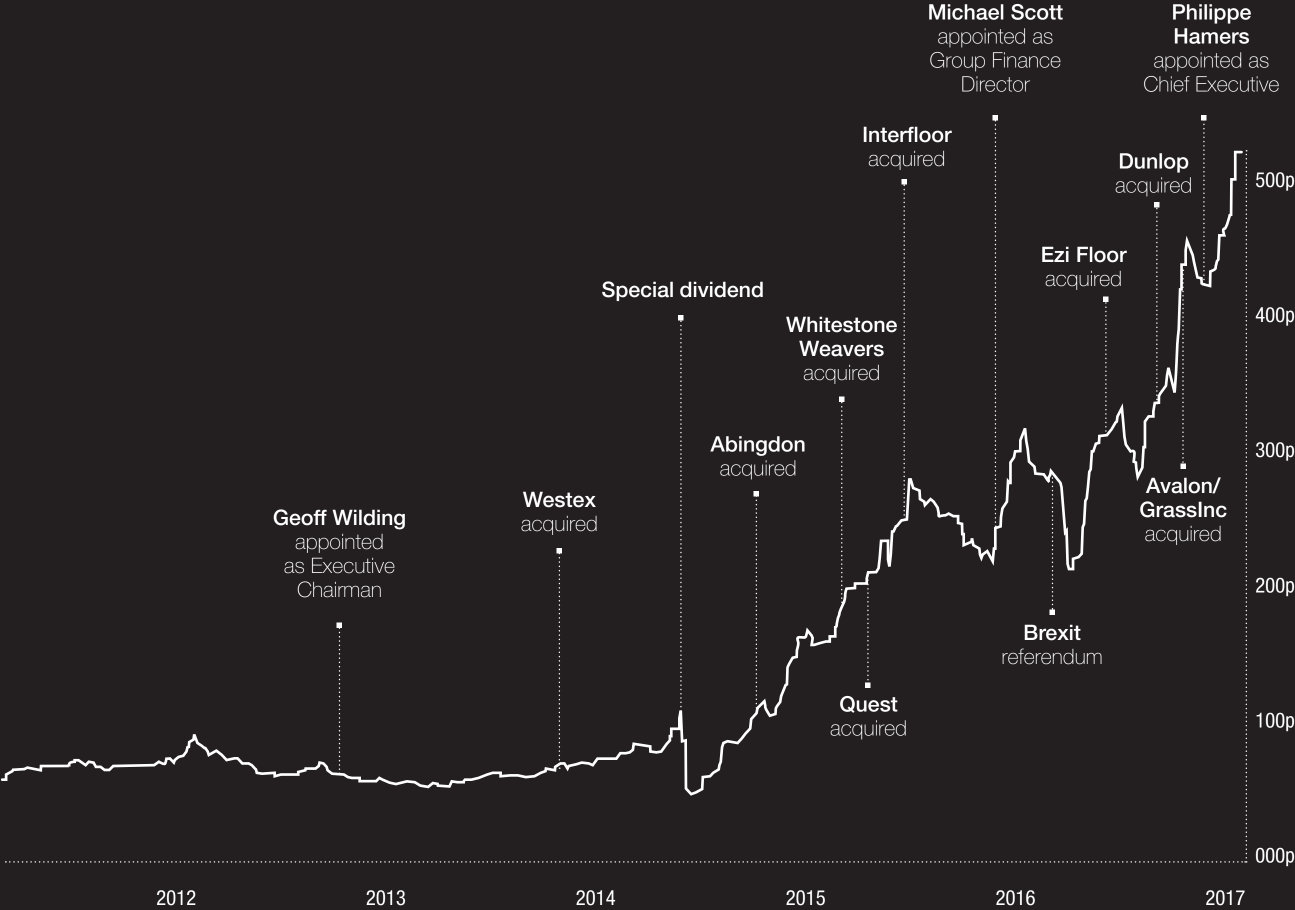
UK & Europe and Australia



UK & Europe
Australia

CREATING WEALTH FOR SHAREHOLDERS

The Group's strategy is designed to create wealth for its shareholders by constantly increasing earnings per share via acquisitions and sustainable organic growth.



CHAIRMAN'S STATEMENT

2017 was another record year for Victoria PLC as earnings and the Group's financial strength continued to grow:

- Revenues increased by 29.5% (24.8% in constant currency terms) from £255.2m to £330.4m;
- Underlying operating profit increased from £21.9m to £33.7m;
- Underlying profit before tax substantially increased from £18.2m to £29.4m;
- After exceptional items, the Group achieved reported profit before tax of £18.8m, compared with £9.3m in the prior year;
- The Group delivered a record underlying EBITDA margin of 13.8%, a *c.*120 basis point increase year-on-year;
- Net debt at the year-end was £89.6m, comfortably less than two times annualised EBITDA.

£m	H1 FY17	H2 FY17	FY17
Revenue	£153.4m	£177.0m	£330.4m
EBITDA*	£20.2m	£25.5m	£45.7m
Operating profit*	£14.4m	£19.3m	£33.7m
Pre-tax profit*	£12.3m	£17.1m	£29.4m

* Underlying and before execptional items.

Operational synergies have continued to drive growth in operating margins and improved like-for-like performance across the Group. Victoria is now in its fifth year of consistently increasing EBITDA/Revenue margins and we are confident there are further significant improvements to be achieved from our manufacturing capabilities and logistics, which I discuss in more detail later in this statement. However, the benefits of the Group's strategy to achieve scale through acquisitions is clear, with 2017 adjusted earnings per share up by 49.6%.

I have previously stated how much we, as a company, focus on cash generation. Therefore, I thought it might be useful for shareholders to understand a little more about how this plays out in practice.

Four years ago, Victoria had net debt of £7.5m. Since then we have paid dividends of £21.3m as well as paid a total of £134.7m for nine acquisitions (net of £43.0m of net proceeds from the issue of share capital in September 2015) yet our net debt remains at £89.6m. The core of the £74m difference has been cash generated.

Statistics aside, there are two incredibly valuable assets that are not tangible but are key to the Group's successful performance:

First and foremost, **Victoria's wider management team** – Shareholders will, I'm sure, be reassured to learn we avoid hiring pure MBA-types (excepting, possibly, to make tea) and the depth of our management's industry experience and product knowledge, their motivation, enthusiasm, and desire to win, and their overall management skill is second to none. I have absolutely no doubt that we have the best management team in the industry, with most having a significant portion of their net worth invested in Victoria. Shareholders can look forward to Victoria continuing to outperform the sector.

Secondly, **Victoria's relationship with its customers** – The thousands of flooring retailers we supply across the UK, Europe, and Australasia. Some of these relationships are multi-generational and the strength and depth of these relationships represent a significant competitive advantage, whilst providing opportunities for an expanded product offering.

CHAIRMAN'S STATEMENT

REVIEW

Appointment of a Chief Executive

Philippe Hamers joined Victoria as Group Chief Executive in March 2017. Shareholders who have experience of these things will appreciate how difficult it is to attract someone of Philippe's calibre and I was absolutely delighted when he accepted our offer to join Victoria. His 25 years' experience in the flooring industry including, most recently, heading Europe's largest carpet manufacturing operation at Balta Group, has given him extensive experience in running very large, multi-site, multi-national manufacturing and sales organisations.

Since joining, Philippe has focused on reorganising our businesses to deliver further operational synergies and drive further margin improvement and revenue growth. The beneficial impact of his actions will be increasingly evident in the 2018 financial year and beyond.

INTRODUCING OUR NEW CEO

Philippe Hamers
Chief Executive

Philippe Hamers, has over 25 years' experience in the flooring industry and headed Europe's largest carpet manufacturing operation at Balta Group for the previous seven years. Prior to joining the Balta Group, Philippe was General Manager of the Tufted and Woven Division of Beaulieu International Group.

Acquisitions

We have continued to be acquisitive during the period under review, completing four earnings-accretive acquisitions in the UK, Australia, and Europe:

- **Ezi Floor** – Most consumer carpet sales include underlay, which delivers a more luxurious feel to the carpet and extends its life. Due to the potential for distribution synergies, Victoria acquired the widely reputed underlay manufacturer Interfloor in September 2015. The cross-selling opportunities and procurement improvements as a result of the Group's scale significantly improved the earnings of Interfloor. Therefore, in October 2016 we acquired Ezi Floor, the well-known and highly efficient Yorkshire-based underlay manufacturer, to further increase our exposure to this growing market.
- **Dunlop** – Following on from the success of the Interfloor and Ezi Floor acquisitions we began searching for underlay manufacturing opportunities to complement our Australian operations. Dunlop Flooring was a subsidiary of a large Australian underwear and clothing manufacturer that had recently been acquired by US clothing company, HanesBrands. The board of HanesBrands agreed with us that there were no immediately obvious synergies between underwear and underlay and accepted our offer for the business in December 2016.
- **GrassInc and Avalon BV** – Travelling around our retailers I noticed more and more were selling artificial grass. Not artificial grass for use in sports fields, but rather a very realistic, high quality product used in small urban gardens and terraces to replicate the look and feel of genuine turf. Retailers explained it was a fast growing and profitable product category. I was not happy to discover we were missing out on a "fast growing" opportunity and even less happy to find this demand was being met by our direct competitors, who were manufacturing the artificial grass on the same machinery, using exactly the same technique as carpet (the only difference being the use of green grass-like fibre rather than coloured carpet fibre). Following a search for a suitable artificial turf manufacturer we identified GrassInc and Avalon BV in the Netherlands which could quickly propel us into this space. At the time of acquisition in February 2017, whilst these businesses were successfully selling their product throughout Europe they had no real presence in the UK. Since then, distribution has been quickly improved by utilising our existing UK business channels and shareholders can expect a positive contribution from these artificial grass manufacturers in the 2018 financial year.

Due to timing of the completion dates for the last of these acquisitions being late in the financial year, together with their integration costs, they had little impact on our FY17 net result. However, shareholders can be confident that profits from these businesses will make a meaningful contribution towards our growth in the current financial year.

Post period-end events
Longer term shareholders will recall we consolidated our manufacturing footprint in Australia onto fewer sites during 2014. That move has proven to be a great success – delivering lower manufacturing costs and improved service to our customers.

In June 2017, following Philippe Hamers' recommendations to the Board, we decided to reorganise our UK production and logistics due to rapid growth and continued significant demand for our products, to drive further incremental margin uplift by improving production efficiency and customer service.

Production
- This reorganisation of the manufacturing capability involves the transfer of manufacturing operations in Kidderminster to the Group's two other UK carpet production facilities. This will optimise asset utilisation and will positively impact manufacturing efficiency to provide significant – and much needed – additional capacity without material capex.
- The Kidderminster site will continue to operate with head office, product development, and new Group warehousing and showroom functions.

Logistics
- A key attraction for retailers in dealing with the Group is the speed and convenience of our deliveries. We provide a good delivery service (albeit there is room for improvement) but the cost of doing so is high. Since November 2016 we have been working with specialist consultants, reviewing our UK logistics network in order to improve margins for the Group and enhance service levels for customers. These objectives will be achieved with the reorganisation and include immediately relocating the current Midlands distribution centre, which has become too small for purpose, into the Group's Kidderminster site. This action will provide significantly increased capacity.
- Further gains will be made from opening a Southern distribution centre to the North West of London by late 2018, servicing all of the Group's brands, and a further new distribution centre in the North of England.

DIVIDEND POLICY
In 2006 legendary investor Warren Buffett acquired one of the world's largest flooring manufacturers, Shaw Industries. Why? In two words: cash flow. Well run flooring manufacturers generate significant cash – even when growing – due to attractive supplier terms, quality debtors, long life expectancy of key plant, low technological change and other factors.

To confirm this view, Victoria's underlying pre-tax operating cash flow this year was £43.6m and net free cash flow (i.e. after interest, tax, capex, asset disposals) was £23.7m.

CHAIRMAN'S STATEMENT

As a result, it is the Board's expectation that in the medium term Victoria will be capable of paying an attractive dividend. However, in the short term we remain firmly of the view that the most wealth will be created for shareholders by deploying the free cash flow generated by Group businesses towards paying down debt quickly and acquiring other high quality, earnings-accretive flooring manufacturers.

Therefore, as in previous years, we have resolved not to pay a final dividend for FY17.

OUTLOOK

I suspect few shareholders truly appreciate just how big our market opportunity in the UK and overseas is. The size of the flooring sector in the regions in which Victoria operates is enormous. At the risk of stating the obvious, every building has at least one floor. As a result, there is around 1,500 million sqm of flooring sold each year in Europe, 300 million sqm sold in the UK, and 100 million sqm sold in Australasia. Victoria sells *circa* 30 million sqm of flooring (excluding the 60 million sqm of underlay), in total, across all three markets. The point I am emphasising is this: there is enormous scope for growth – both organically through increasing our market share and expanding our product offering, and, of course, by way of acquisition.

To date, we have focused on acquiring carpet manufacturers. Five years ago, it was clear there was considerable opportunity to deliver solid, margin-enhancing synergies if we could achieve scale/size. Had we randomly acquired different types of flooring businesses, we would never have achieved the required scale and our margins would have languished. However, we now have genuine scale in terms of carpet manufacturing and, while this does not preclude further carpet acquisitions, we are now very determined to grow our existing successful hard flooring business. These companies will (as per the criteria set out in my Interim Results 2017 statement) all be successful, earnings-accretive acquisitions in their own right but will also give us the opportunity to leverage our very large distribution network (we sell to literally thousands of retailers in the UK, Europe, and Australasia).

To ensure we have the management in place for this growth, and in addition to Philippe Hamers joining us as Chief Executive, we recently made a Director level appointment in Jan Debrouwere as our Director of Business Development – Hard Flooring. Jan has extensive expertise developed over 28 years in manufacturing, selling and marketing of all kinds of hard flooring including, for the last four years, heading the successful turnaround of Beaulieu International Group's (BIG) worldwide hard flooring business, a multi-product, multi-national division with a turnover of €500m, overseeing multiple production sites and sales teams in Russia, USA and Europe.

We are very, very serious about growing our market share in the hard flooring market.

However, apart from acquisition-led growth, we continue to have considerable opportunity to grow margins and earnings within our existing businesses. Shareholders have seen EBITDA/Revenue margins more than double over the last four years but more upside remains through improving the efficiency of our logistics operation, procurement, and production rationalisation. Each 1% increase in our EBITDA margin increases net profits more than 12.5%.

Although 2017 was a record year for Victoria, shareholders can be assured we remain just as miserly with expenses (we are acutely aware that every penny saved falls directly to the bottom line) and just as focused on maximising sales – we strive to leave no revenue opportunity on the table for one of our competitors. We are positive about the next 12 months – and beyond:

- Our dependency on any one market continues to reduce with more than 30% of the Group's earnings now coming from outside the UK. This trend is expected to increase further in 2018.
- We have a strong sales culture; irrespective of title, everyone is a salesperson.
- Our reorganisation lowers costs while increasing cost variability, thereby giving us greater resilience in variable economic conditions.
- We have done a large amount of prospecting work – primarily in Europe – and are confident of securing some high-quality, earnings-accretive acquisitions.

I look forward with confidence to another successful year.

Geoffrey Wilding
Executive Chairman

24 July 2017

STRATEGIC REPORT

Business Overview

Victoria PLC is a leading designer, manufacturer and distributor of innovative flooring products. The Group is headquartered in the UK, with operations across the UK, Europe and Australia employing over 1,800 people across more than 20 sites.

The Group develops and manufactures a wide range of wool and synthetic broadloom carpets, flooring underlay, LVT (luxury vinyl tile) and hardwood flooring products, artificial grass, carpet tiles and flooring accessories.

A review of the performance of the business is provided within the Financial Review.

Business Model

Victoria's business model is underpinned by five integrated pillars:

1. **Superior customer offering**
   Offering a range of leading quality and complementary flooring products across a number of different brands, styles and price points, focused on the mid-to-upper end of the market, as well as providing market-leading customer service.

2. **Sales driven**
   Highly motivated, independent and appropriately incentivised sales teams across each brand and product range, ensuring delivery of a premium service and driving profitable growth.

3. **Flexible cost base**
   Multiple production sites with the flexibility, capacity and cost structure to vary production levels as appropriate, in order to maintain a low level of operational gearing and maximise overall efficiency.

4. **Focused investment**
   Appropriate investment to ensure long-term quality and sustainability, whilst maintaining a focus on cost of capital and return on investment.

5. **Entrepreneurial leadership**
   A flat structure with a team of fourteen senior managers running the daily business, with income statement 'ownership' and linked incentivisation, and who work closely with the PLC Board to plan and implement the short and medium-term strategy.

STRATEGIC REPORT

The Group's successful strategy in creating wealth for its shareholders has not changed and continues to be to deliver profitable and sustainable growth, both from acquisitions and organic drivers.

In terms of acquisitions, the Group continues to seek and monitor good opportunities in key target markets that will complement the overall commercial offering and help to drive further improvement in our KPIs. Funding of acquisitions is primarily sought from debt finance to maintain an efficient capital structure, insofar as a comfortable level of facility and covenant headroom can be achieved.

Organic growth is fundamentally driven by the five pillars of the business model highlighted on page 9. In addition, the Group continues to seek and deliver synergies and transfer best operating practice between acquired businesses, both in terms of commercial upside, and cost and efficiency benefits to drive like-for-like margin improvement.

Key performance indicators

The KPIs monitored by the Board and the Group's performance against these are set out in the table below.

	Year ended 1 April 2017 £m	Year ended 2 April 2016 £m
Revenue	**330.4**	255.2
Revenue growth at constant currency	**24.8%**	84.1%
Underlying EBITDA	**45.7**	32.3
Underlying EBITDA margin	**13.8%**	12.6%
Underlying operating profit	**33.7**	21.9
Underlying operating margin	**10.2%**	8.6%
Underlying return on operating assets[1]	**19.9%**	16.6%
EPS (basic, adjusted)[2]	**25.25p**	16.88p
Adjusted net debt / EBITDA[3]	**1.63x**	1.85x
EBITDA interest cover[3]	**12.09x**	7.82x

1. Underlying return on operating assets = underlying operating profit (earnings before interest, taxation and non-underlying items) for the year / (year-end total equity + net debt)
2. EPS is shown on an underlying basis, and does not include discontinued operations in the prior year. The figures (including that for the prior year) have been restated for the 5:1 share split, which became effective on 12 September 2016
3. As measured in line with our bank facility covenants

The Group has delivered significant improvements in its KPIs during the year. In particular, the Group's underlying operating margin has improved by 160 basis points resulting from the ongoing programme to deliver integration synergies and efficiency gains, including in relation to purchasing, manufacturing and logistics.

Further commentary on these KPIs is provided in the Financial Review.

Principal risks and uncertainties
The Board and senior management team of Victoria identifies and monitors principal risks and uncertainties on an ongoing basis. These include:

Competition – The Group operates in mature and highly competitive markets, resulting in pressure on pricing and margins. Management regularly review competitor activity to devise strategies to protect the Group's position as far as possible.

Economic conditions – The operating and financial performance of the Group is influenced by economic conditions within the geographic areas within which it operates, in particular the UK, Australia and the Eurozone. Currently, a key uncertainty around the UK and Eurozone economic outlook is driven by the forthcoming exit of the UK from the European Union ('Brexit'). The risk of Brexit for the Group is mitigated by the UK & Europe Division not being heavily reliant on imports or exports, and the Australia Division being operationally entirely independent. The Group remains focused on driving efficiency improvements, cost reductions and ongoing product development to adapt to the current market conditions.

Key input prices – Material adverse changes in certain raw material prices, in particular wool and synthetic polymer or yarn, could affect the Group's profitability. A proportion of these costs are denominated in US Dollars and Euros which gives rise to foreign exchange risk, which is currently impacted in the UK by the uncertainty in medium to long-term exchange rates against Sterling in light of Brexit. Key input prices are closely monitored and the Group has a sufficiently broad base of suppliers to remove arbitrage risk, as well as being of such a scale that it is able to benefit from certain economies arising from this. Furthermore, whilst there is some foreign exchange risk beyond the short-term hedging arrangements that are put in place, the vast majority of the Group's cost base remains in domestic currency (Sterling and Australian Dollars for the two Divisions, respectively) and in the UK this could ultimately result in a competitive advantage versus companies exporting to the UK from Continental Europe.

Acquisitions – Acquisition-led growth is a key part of the Group's ongoing strategy, and risks exist around the future performance of any potential acquisitions, unforeseen liabilities, or difficulty in integrating into the wider Group. The Board carefully reviews all potential acquisitions and, before completing, carries out appropriate due diligence to mitigate the financial, tax, operational, legal and regulatory risks. Risks are further mitigated through the retention and appropriate incentivisation of acquisition targets' senior management. Where appropriate, the consideration is structured to include deferred and contingent elements which are dependent on financial performance for a number of years following completion of the acquisition.

Other operational risks – In common with many businesses, sustainability of the Group's performance is subject to a number of operational risks, including major incidents that may interrupt planned production, and the recruitment and retention of key employees. These risks are monitored by the Board and senior management team and appropriate mitigating actions taken.

Corporate responsibility
Victoria PLC is committed to being an equal opportunities employer and is focused on hiring and developing talented people.

The health and safety of our employees, and other individuals impacted by our business, is taken very seriously and is reviewed by the Board on an ongoing basis.

A Company statement regarding the Modern Slavery Act 2015 is available on the Company's website at www.victoriaplc.com.

As a manufacturing and distribution business, there is a risk that some of the Group's activities could have an adverse impact on the local environment. Policies are in place to mitigate these risks, and all of the businesses within the Group are committed to full compliance with all relevant health and safety and environmental regulations.

On behalf of the Board

Geoffrey Wilding
Executive Chairman

24 July 2017

FINANCIAL REVIEW

The year to 1 April 2017 has been another very successful one for the Group, both commercially and financially. The financial results clearly demonstrate the ongoing delivery of our growth strategy, in terms of acquisitions as well as organic development and delivery of synergies.

The Group announced four acquisitions during the year, forming part of our continuing commercial objective to extend the product offering of the Group. Both Ezi Floor, based in the UK, and Dunlop Flooring, based in Australia, are flooring underlay businesses, the former acquired in September and the latter in January. Dunlop Flooring also designs and distributes a range of LVT (luxury vinyl tile) and hardwood flooring. Thereafter, in February, we announced the acquisition of two artificial grass businesses, GrassInc and Avalon B.V. both based in the Netherlands.

All of these acquisitions have been successfully integrated. GrassInc and Avalon B.V. have been incorporated into the newly titled 'UK & Europe' Division alongside the existing UK businesses.

Separately, the Group has continued with the delivery of its synergy and operational efficiency improvement plans, both in terms of manufacturing processes and logistics. This has contributed towards in a further significant improvement in operating margin since FY16, as outlined below.

Revenue and gross profit

Group revenue from continuing operations increased by 29.5% during the year from £255.2m to £330.4m, primarily driven by acquisitions. This comprised 22.8% annual growth in the UK & Europe Division, 30.5% annual growth in the Australia Division on a constant currency basis, plus a translational benefit driven by the strengthening of the Australian Dollar against Sterling.

	Year ended 1 April 2017 £m	Year ended 2 April 2016 £m
Revenue:		
UK & Europe	**241.7**	196.9
Australia	**88.7**	58.3
Total revenue	**330.4**	255.2
Revenue growth:		
Reported	**29.5%**	
Constant currency[1]	**24.8%**	
Gross profit	**109.6**	85.0
Gross profit margin	**33.2%**	33.3%

1. Revenue growth at constant currency is calculated applying the same GBP:AUD exchange rate to both years of 1.7435 (being the average exchange rate during the year ended 1 April 2017).

Overall gross margin for the Group was 33.2%, consistent with the prior year. This was impacted by a mixture of ongoing operational improvements and acquisition mix effects between different product categories.

Operating profit

The Group's underlying operating margin has seen a further significant improvement in the year, rising from 8.6% to 10.2%. This *c.*160 basis point increase has been driven in part by the ongoing delivery of cost synergies as well as operational efficiency improvements.

On 26 June 2017, the Group announced a reorganisation of its manufacturing and logistics operations. Whilst these plans will continue to be implemented over the coming months, they are based on a detailed review and planning process that was initiated during the year, with some operational improvements and consolidation benefits already being delivered.

Reported operating profit (earnings before interest and taxation) increased during the year from £17.7m to £26.6m.

After removing non-underlying and exceptional items, underlying operating profit of £33.7m was delivered in the year. This represented a 54% increase over the prior year, and comprised 44% annual growth in the UK & Europe Division and 66% annual growth in the Australia Division, plus a small decrease in central expenses.

	Year ended 1 April 2017				Year ended 2 April 2016			
	UK & Europe £m	**Australia £m**	**Central expenses £m**	**Total £m**	UK & Europe £m	Australia £m	Central expenses £m	Total £m
Reported operating profit	**21.8**	**6.9**	**(2.1)**	**26.6**	15.0	4.3	(1.5)	17.7
Add back: non-underlying items	**4.4**	**1.3**	**1.3**	**7.0**	3.2	0.7	0.3	4.2
Underlying operating profit	**26.2**	**8.2**	**(0.8)**	**33.7**	18.2	5.0	(1.2)	21.9
Underlying operating margin	**10.8%**	**9.3%**	**–**	**10.2%**	9.2%	8.5%	–	8.6%
Reported profit before tax				**18.8**				9.3
Underlying profit before tax				**29.4**				18.2
Underlying PBT margin				**8.9%**				7.1%

The total net exceptional and non-underlying charge in the year was £10.4m, compared to £10.1m in the prior year (including £2.1m loss from discontinued operations). The largest components of this charge were amortisation of acquired intangibles of £4.4m (2016: £2.3m), unwinding of discount and fair value adjustments to deferred and contingent consideration of £3.8m (2016: £4.2m), and acquisition and disposal related costs of £2.1m (2016: £1.4m).

Reported profit before tax grew by 102% in the year to £18.8m, while underlying profit before tax grew by 61% in the year to £29.4m.

Taxation

The reported tax charge in the year was £6.2m against a reported pre-tax profit of £18.8m, giving an effective tax rate of 32.9%. This was distorted by the impact of the exceptional and non-underlying costs, the majority of which have been treated as non-deductible for corporation tax purposes. The underlying effective tax rate measured against adjusted profit before tax is 21.9%.

FINANCIAL REVIEW

Earnings per share

During the year, the Group completed a five-for-one share split, as approved at the AGM on 9 September 2016. Reported EPS figures have been assessed on this new basis, including comparative figures in the prior year.

Basic earnings per share from continuing operations[2] increased from 7.22p to 13.84p. Adjusted earnings per share (before non-underlying and exceptional items) increased by 49.6% from 16.88p to 25.25p.

	Year ended 1 April 2017 pence	Year ended 2 April 2016 pence
Basic earnings per share from continuing operations	**13.84p**	7.22p
Basic adjusted earnings per share from continuing operations	**25.25p**	16.88p

2. Prior year figures shown before the impact of Westwood Yarns, which was disposed of during that year.

Operating cash flow

The Group delivered underlying EBITDA in the year of £45.7m, an increase of 41% on the prior year.

Cash flow from operating activities before interest, tax and exceptional items was £43.6m, which represents a conversion of 95% of underlying EBITDA. This is a 35% increase on the prior year operating cash flow, with a similar EBITDA conversion ratio.

Pre-exceptional free cash flow of the Group – after interest, tax and net capital expenditure – was £23.7m. Compared with underlying operating profit (i.e. post-depreciation), this represents a conversion ratio of 70%. This was slightly lower than the prior year due to an increase in the average effective corporation tax rate as the proportion of the Group's business from overseas territories increased.

	Year ended 1 April 2017 £m	Year ended 2 April 2016 £m
Underlying operating profit from continuing operations	**33.7**	21.9
Add back: depreciation	**12.0**	10.4
Underlying EBITDA	**45.7**	32.3
Non-cash items	**(0.5)**	(0.1)
Movement in working capital	**(1.6)**	0.1
Operating cash flow from continuing operations before interest, tax and exceptional items	**43.6**	32.2
% conversion against underlying operating profit	**130%**	150%
% conversion against EBITDA	**95%**	102%
Interest paid	**(3.6)**	(3.2)
Corporation tax paid	**(5.8)**	(3.2)
Capital expenditure (including hire purchase)	**(10.8)**	(10.2)
Proceeds from fixed asset disposals	**0.2**	1.0
Free cash flow from continuing operations before exceptional items	**23.7**	16.6
% conversion against underlying operating profit	**70%**	78%
% conversion against EBITDA	**52%**	53%

Net debt

As at 1 April 2017 the Group's net debt position was £89.6m. This compares with £61.1m as at the previous year-end, 2 April 2016. The principal reason for this £28.5m increase during the year was due to acquisitions.

	Year ended 1 April 2017 £m	Year ended 2 April 2016 £m
Total initial cash consideration for acquisitions (net of cash acquired)	**(37.8)**	(19.3)
Total debt acquired or refinanced	**(0.7)**	(54.7)
Deferred consideration payments	**(10.3)**	(7.5)
Acquisition costs	**(2.1)**	(1.4)
Gross acquisition related expenditure	**(50.9)**	(82.8)
Net proceeds from issue of share capital	**–**	43.0
Net acquisition related expenditure	**(50.9)**	(39.7)
Free cash flow from continuing operations before exceptional items (see above)	**23.7**	16.6
Refinancing costs paid	**–**	(1.1)
Additional debt funding required (before non-underlying items)	**(27.2)**	(24.3)
Non-underlying items:		
Exceptional cash items	**(0.3)**	–
Cash flow from discontinued operations	**–**	0.1
Non-cash adjustment to BGF loan recognised	**(0.4)**	(0.3)
Foreign exchange differences on opening cash / debt	**(0.6)**	(1.0)
Movement in net debt	**(28.5)**	(25.4)
Opening net debt	**(61.1)**	(35.7)
Closing net debt	**(89.6)**	(61.1)

Applying our banks' adjusted measure of financial leverage, the Group's year-end net debt to EBITDA ratio was 1.63x, reducing from 1.85x at the previous year-end.

	1 April 2017 £m	2 April 2016 £m
Net cash and cash equivalents	**28.0**	19.1
Bank loans	**(105.9)**	(69.3)
BGF loan	**(10.2)**	(9.8)
Finance leases and hire purchase arrangements	**(1.6)**	(1.1)
Net debt	**(89.6)**	(61.1)
Adjusted net debt / EBITDA[3]	**1.63x**	1.85x

3. As measured in line with our bank facility covenants.

FINANCIAL REVIEW

Accounting standards
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed and adopted for use in the EU. There have been no changes to IFRS this year that have a material impact on the Group's results. Whilst the majority of forthcoming new IFRSs are not expected to have a material impact on the financial statements of the Group, the effects of applying IFRS15 and IFRS16 are still under review.

There have been no material changes in the accounting policies of the Group and its subsidiaries this year.

Funding and going concern
On 5 July 2017, the Group entered into a new, extended multi-currency revolving credit facility with HSBC, Barclays, RBS and AIB. The new facility matures in October 2020, with a one year extension option, providing a medium-term platform for the continued debt financing of the Group and further potential acquisitions.

Consistent with the previous bank facility, the new facility is subject to various financial covenants measured against Group results. All such covenants have been satisfied to date.

In conjunction with the new bank facility, on 5 July 2017 the Group also entered into a revised £10m unsecured loan with the Business Growth Fund maturing in 2021.

The current facilities across the Group provide sufficient capacity in Sterling, Australian Dollars and Euros to cover all anticipated capital expenditure and working capital requirements during the year ahead.

The consolidated financial statements for the Group have been prepared on a going concern basis. The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Chairman's Statement, the Strategic Review and this Financial Review. In addition, Note 25 to the financial statements includes details of the Group's financial instruments and its exposure to and management of credit risk, liquidity risk, currency risk and interest rate risk.

Having reviewed the Group's budgets, projections and funding requirements, and taking account of reasonable possible changes in trading performance, the Directors believe they have reasonable grounds for stating that the Group has adequate resources to continue in operational existence for the foreseeable future.

The Directors are of the view that the Group is well placed to manage its business risks. Accordingly, the Directors continue to adopt the going concern basis in preparing the Annual Report and Accounts.

Michael Scott
Group Finance Director
24 July 2017

BOARD OF DIRECTORS

Geoff Wilding
Executive Chairman

Geoff Wilding BSc is a former investment banker. He set up his own investment company in New Zealand in 1989. Geoff was appointed Executive Chairman at the General Meeting on 3 October 2012 and is a member of the Nominations Committee.

Philippe Hamers
Chief Executive Officer

Philippe Hamers was appointed to the Board on 20 March 2017. Philippe has over 25 years' experience in the flooring industry and headed Europe's largest carpet manufacturing operation at Balta Group for the previous six and a half years. Prior to joining the Balta Group he was General Manager of the Tufted and Woven Division of Beaulieu International Group.

Michael Scott
Group Finance Director

Michael Scott was appointed to the Board of Victoria PLC on 4 January 2016. Prior to this, Michael spent eight years at Rothschild where, as part of their Global Financial Advisory business, he worked across a wide range of public and private company transactions, mergers and acquisitions and debt and equity-related fund raisings. He qualified as a Chartered Accountant with PricewaterhouseCoopers and holds an Engineering degree from the University of Cambridge.

Alexander Anton
Non-executive Director

Alexander Anton, a member of the founding family of Victoria, was appointed to the main Board in 1995 and is a former Chairman. He is currently Chairman of Legacy Portfolio.

Alexander was appointed to the Board at the General Meeting on 3 October 2012 and is a member of the Audit, Remuneration and Nominations Committees.

Andrew Harrison
Non-executive Director

Andrew Harrison has more than twenty years experience as a solicitor in private practice, specialising in company law. He has advised on a wide variety of corporate transactions, including management buy-outs and buy-ins, corporate acquisitions and disposals and listed company take-overs.

Andrew was appointed to the Board at the General Meeting held on 3 October 2012 and is the Senior Independent Non-executive Director.

Gavin Petken
Non-executive Director

Gavin Petken is the Business Growth Fund's Regional Director for the Midlands and has developed the firm's local investment activities in the Midlands region for smaller entrepreneurial companies. He has also been actively involved with the Business Growth Fund's major strategic initiative to extend the firm's provision of growth capital to listed companies providing similar access to long-term funding. He is a Chartered Accountant, qualifying with Arthur Andersen.

Gavin was appointed to the Board in September 2014 and is a member of the Audit and Remuneration Committees.

DIRECTORS' REPORT

The Directors present their Annual Report and the audited financial statements for the Group for the year ended 1 April 2017.

Principal activities and Strategic Report
The Group's principal activities are the manufacture, distribution and sale of floorcoverings.

The Company is required by the Companies Act 2006 to prepare a Strategic Report that includes a fair review of the Group's business, the development and the performance of the Group's business during the year and its future development, of the position of the Group at the end of the financial year to 1 April 2017 and a description of the principal risks and uncertainties faced by the Group. The Strategic Report can be found on pages 9 to 11.

Results and dividends
The results include those of Victoria PLC and its subsidiaries for the full year and are set out in the financial statements on pages 24 to 71.

	£000
Profit attributable to shareholders	12,592
Total dividend paid in the financial year	–
Retained profit	**12,592**

The Directors do not recommend the payment of a final dividend for the financial year ended 1 April 2017.

Financial risk management
Details of the Group's financial risk management policies are set out in Note 25.

Directors and their interests
The current Directors of the Company together with their biographical details are listed on page 17.

The Directors of the Company who held office at 1 April 2017 had the following interests in the Ordinary shares of the Company:

	1 April 2017		2 April 2016	
	Beneficial	**Non-Beneficial**	Beneficial[b]	Non-Beneficial[b]
Geoff Wilding[a]	**30,438,650**	**–**	30,438,650	–
Alexander Anton	**494,025**	**–**	90,375	400,000
Andrew Harrison	**179,530**	**–**	179,530	–
Michael Scott	**21,250**	**–**	21,250	–
Gavin Petken	**–**	**–**	–	–

(a) Geoff Wilding and his family are discretionary beneficiaries of The Camden Trust which in turn owns Camden Holdings Limited. Camden Holdings Limited is the owner of the above shareholding of 30,438,650 Ordinary Shares and as a result Mr Wilding is the beneficial owner of this shareholding.

(b) The prior year shareholdings have been recalculated to reflect the five for one share split which was effective from 12 September 2016.

Alexander Anton is also deemed by the Panel on Takeovers and Mergers to form part of the concert party formed in December 2011. At 1 April 2017 the concert party held 4.59% of the issued shares in the Company.

In accordance with the Company's Articles of Association, the Director retiring by rotation at the 2017 Annual General Meeting is Andrew Harrison who, being eligible, offers himself for re-election pursuant to Article 86.

Also in accordance with the Company's Articles of Association, Philippe Hamers who was appointed on 20 March 2017 offers himself for election.

No Director, either during or at the end of the financial year, was materially interested in any significant contract with the Company or any subsidiary undertaking, with the exception of Gavin Petken, who is the Business Growth Fund's ('BGF') Regional Director for the Midlands. On 30 September 2014 the Company entered into a £10m 2021 unsecured loan facility with the BGF. The BGF has also been granted an option over 3,730,000 new Ordinary 5p shares in the Company (restated for the effect of the five for one share split effective from 12 September 2016), representing 5% of the Company's deemed enlarged issued share capital at the time of grant.

Directors' insurance and indemnities
The Company maintains Directors' and officers' liability insurance which gives appropriate cover for any legal action brought against its Directors. In accordance with section 236 of the Companies Act 2006, qualifying third- party indemnity provisions are in place for the Directors in respect of liabilities incurred as a result of their office, to the extent permitted by law. Both the insurance and indemnities applied throughout the financial year ended 1 April 2017 and through to the date of this report.

Directors' emoluments
The emoluments of all Directors for the financial year ended 1 April 2017 were:

	Salary/ Fees £000	Benefits in kind £000	Share based payment charge £000	Bonus £000	**Total 2017 £000**	Total 2016 £000
Executive						
Geoffrey Wilding	65	–	–	–	**65**	65
Philippe Hamers (from appointment on 20 March 2017)	22	–	–	–	**22**	–
Michael Scott (from appointment on 4 January 2016)	133	7	112	13	**265**	34
Terry Danks (until resignation on 31 July 2015)	–	–	–	–	**–**	46
Non-executive						
Alexander Anton	35	–	–	–	**35**	35
Andrew Harrison	35	–	–	–	**35**	35
Gavin Petken *	35	–	–	–	**35**	35
	325	7	112	13	**457**	250

* There is no annual fee payable directly to Mr Petken in respect of his services to the Company. He is the Business Growth Fund's ('BGF') Regional Director for the Midlands and the Company entered into a £10m loan agreement with the BGF in September 2014. BGF receive an annual fee of £35,000 which is commensurate with that paid to the Company's other Non-executive Directors.

DIRECTORS' REPORT

The National Insurance Contributions made in respect of the Directors during the period ended 1 April 2017 amounted to £34,311 (2016: £19,694).

On 29 April 2016, Mr Scott was awarded 5,000 B ordinary shares (the "B Shares") in a new intermediate holding company, Victoria Midco Holdings Limited, in connection with a share-based incentive plan as recommended by the Remuneration Committee. Between the second and third anniversary of his joining the Company Mr Scott will be able to exchange the B Shares into ordinary shares in Victoria PLC ("Ordinary Shares") of equivalent value. The monetary value of the award represents approximately 0.611% of the growth in value of the Ordinary Shares above a share price of £3.00. The Plan is subject to good leaver and bad leaver provisions.

The B Shares have been valued for the purposes of IFRS 2 (Share-based Payments) using a Black–Scholes model. The key inputs and assumptions applied in this model are set out below.

Inputs and assumptions	
Grant date	29 April 2016
Victoria PLC share price at grant[1]	£2.805
Exercise price	£3.00
Expected term	2.18 years
Risk free rate (continuously compounded)	0.5%
Expected dividend yield	0%
Expected volatility	32.76%

Based on this model, the aggregate fair value of the B Shares was assessed to be £263,150, with a resulting share-based payment charge recognised in the period of £111,782.

1. Closing mid-market price, as adjusted for the 5:1 share split which occurred on 12 September 2016.

Directors' pension entitlements

No Director who held office during the year ended 1 April 2017 was a member of a money purchase scheme.

Employees

Employees are encouraged to attend training courses and there is regular consultation with employee representatives to ensure that employees are informed of all matters affecting them. Applications for employment by disabled persons are given full and fair consideration having regard to their particular aptitudes and abilities. Appropriate training within their capabilities is provided for disabled employees seeking career development. Employees who become disabled during their employment have continued in employment wherever possible.

Political donations

The Company made no political donations during the year in line with its policy (2016: £nil).

Financial instruments

The Group's financial risk management objectives and policies are set out within Note 25 to the financial statements. Note 25 also details the Group's exposure to foreign exchange, share price, interest, credit, capital and liquidity risks. This note is incorporated by reference and deemed to form part of this report.

Taxation status
The Directors are advised that the Company is not a 'close company' within the provisions of the Income and Corporation Taxes Act 1988.

Corporate Governance Statement
As an AIM listed group, Victoria PLC is not required to comply with the UK Corporate Governance Code. The Group applies certain principles of good governance it believes appropriate to a group of its size.

Going concern
After making enquiries, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, the Directors consider it appropriate to continue to adopt the going concern basis in preparing the accounts. Further details are set out in the Financial Review on page 16.

Auditor
Each person who is a Director at the date of approval of this Annual Report confirms that:

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

c. the Director has taken all steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

The above is in accordance with the provisions of Section 418(2) of the Companies Act 2006.

Grant Thornton UK LLP has expressed its willingness to continue in office as Auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Annual General Meeting
Notice of the 2017 Annual General Meeting to be held on 31 August 2017, together with a description of the business to be discussed at the AGM, is set out in the accompanying Notice. The Notice of this year's Annual General Meeting will be available to view on the Company's website at www.victoriaplc.com.

The Directors consider that all of the proposed resolutions to be considered at the Annual General Meeting are in the best interests of the Company and its shareholders and are most likely to promote the success of the Company for the benefit of its shareholders as a whole. The Directors unanimously recommend that shareholders vote in favour of each of the proposed resolutions, as the Directors intend to do in respect of their own shareholdings.

By Order of the Board

David Cressman
Company Secretary

24 July 2017

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year.

Under that law, the Directors are required to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and have also chosen to prepare the parent company financial statements under the IFRSs as adopted by the European Union. Under company law, the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period. In preparing these financial statements the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state that the financial statements comply with IFRSs as adopted by the European Union subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will 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 Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website, www.victoriaplc.com. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board

Michael Scott
Group Finance Director

24 July 2017

INDEPENDENT AUDITOR'S REPORT

to the members of Victoria PLC

We have audited the financial statements of Victoria PLC for the 52 weeks ended 1 April 2017 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Statements of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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.

Respective responsibilities of directors and auditor
As explained more fully in the Statement of Directors' Responsibilities set out on page 22, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements
In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 1 April 2017 and of the group's profit for the period then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion:

- the information given in the Strategic Report and 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 has been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006
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 and Directors' Report.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

David White
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham

24 July 2017

CONSOLIDATED INCOME STATEMENT

For the 52 weeks ended 1 April 2017

		52 weeks ended 1 April 2017			53 weeks ended 2 April 2016		
	Notes	Underlying performance £000	Non-underlying items £000	Reported numbers £000	Underlying performance £000	Non-underlying items £000	Reported numbers £000
Continuing operations							
Revenue	1	**330,406**	**—**	**330,406**	255,174	—	255,174
Cost of sales		**(220,791)**	**—**	**(220,791)**	(169,930)	(249)	(170,179)
Gross profit		**109,615**	**—**	**109,615**	85,244	(249)	84,995
Distribution costs		**(54,886)**	**—**	**(54,886)**	(49,852)	(157)	(50,009)
Administrative expenses		**(21,507)**	**(7,036)**	**(28,543)**	(13,753)	(3,787)	(17,540)
Other operating income		**445**	**–**	**445**	292	—	292
Operating profit/(loss)		**33,667**	**(7,036)**	**26,631**	21,931	(4,193)	17,738
Comprising:							
Operating profit before non-underlying and exceptional items	1	**33,667**	**—**	**33,667**	21,931	—	21,931
Amortisation of acquired intangibles		**—**	**(4,432)**	**(4,432)**	—	(2,315)	(2,315)
Exceptional items	1, 2	**—**	**(2,604)**	**(2,604)**	—	(1,878)	(1,878)
Finance costs	3	**(4,259)**	**(3,598)**	**(7,857)**	(3,714)	(4,734)	(8,448)
Comprising:							
Interest payable on loans	3	**(3,555)**	**—**	**(3,555)**	(3,225)	—	(3,225)
Amortisation of prepaid finance costs	3	**(419)**	**—**	**(419)**	(226)	(228)	(454)
Interest accrued on BGF loan	3	**(169)**	**(202)**	**(371)**	(199)	(180)	(379)
Net interest expense on defined benefit pensions	3	**(116)**	**—**	**(116)**	(64)	—	(64)
Other non-underlying finance costs	3	**—**	**(3,396)**	**(3,396)**	—	(4,326)	(4,326)
Profit/(loss) before tax	4	**29,408**	**(10,634)**	**18,774**	18,217	(8,927)	9,290
Taxation	6	**(6,437)**	**255**	**(6,182)**	(4,302)	961	(3,341)
Profit/(loss) for the period from continuing operations		**22,971**	**(10,379)**	**12,592**	13,915	(7,966)	5,949
Loss from discontinued operations		**—**	**—**	**—**	—	(2,132)	(2,132)
Profit/(loss) for the period		**22,971**	**(10,379)**	**12,592**	13,915	(10,098)	3,817
Earnings per share from continuing operations – pence							
basic	7			**13.84**			7.22
diluted	7			**13.60**			7.11
Earnings per share – pence							
basic	7			**13.84**			4.63
diluted	7			**13.60**			4.60

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the 52 weeks ended 1 April 2017

	Note	**52 weeks ended 1 April 2017 £000**	53 weeks ended 2 April 2016 £000
Profit for the period		**12,592**	3,817
Other comprehensive income/(expense):			
Items that will not be reclassified to profit or loss:			
Actuarial losses on defined benefit pension scheme	20	**(7,846)**	(152)
Increase in deferred tax asset relating to pension scheme liability		**1,448**	53
Items that will not be reclassified to profit or loss		**(6,398)**	(99)
Items that may be reclassified subsequently to profit or loss:			
Currency translation gains		**1,943**	708
Items that may be reclassified subsequently to profit or loss		**1,943**	708
Other comprehensive (expense)/income		**(4,455)**	609
Total comprehensive income for the year attributable to the owners of the parent		**8,137**	4,426

CONSOLIDATED AND COMPANY BALANCE SHEETS

As at 1 April 2017

		Group		Company	
	Notes	**1 April 2017 £000**	2 April 2016 £000	**1 April 2017 £000**	2 April 2016 £000
Non-current assets					
Goodwill	9	**59,830**	37,205	**—**	—
Intangible assets other than goodwill	10	**66,320**	43,476	**—**	—
Property, plant and equipment	11	**41,826**	38,811	**—**	—
Investment property	12	**180**	180	**180**	180
Investments in subsidiaries	12	**—**	—	**49,270**	49,270
Trade and other non-current receivables	14	**—**	—	**14,194**	16,778
Deferred tax assets	19	**4,986**	3,287	**264**	264
Total non-current assets		**173,142**	122,959	**63,908**	66,492
Current assets					
Inventories	13	**73,062**	58,970	**—**	—
Trade and other receivables	14	**55,076**	42,946	**132,929**	88,646
Cash at bank and in hand	17	**27,979**	19,078	**277**	—
Total current assets		**156,117**	120,994	**133,206**	88,646
Total assets		**329,259**	243,953	**197,114**	155,138
Current liabilities					
Trade and other current payables	15	**82,873**	66,913	**6,470**	5,355
Current tax liabilities		**4,260**	2,891	**—**	—
Other financial liabilities	16, 17	**617**	596	**10,432**	5,682
Total current liabilities		**87,750**	70,400	**16,902**	11,037
Non-current liabilities					
Trade and other non-current payables	15	**19,855**	11,524	**39**	3,903
Other non-current financial liabilities	16	**116,086**	78,522	**115,129**	78,009
Deferred tax liabilities	19	**15,190**	9,129	**—**	—
Retirement benefit obligations	20	**11,086**	3,345	**—**	—
Total non-current liabilities		**162,217**	102,520	**115,168**	81,912
Total liabilities		**249,967**	172,920	**132,070**	92,949
Net assets		**79,292**	71,033	**65,044**	62,189
Equity					
Share capital	21	**4,548**	4,548	**4,548**	4,548
Share premium		**52,472**	52,462	**52,472**	52,462
Retained earnings	22	**16,451**	10,257	**7,230**	4,497
Foreign exchange reserve	22	**5,027**	3,084	**—**	—
Other reserves	22	**794**	682	**794**	682
Total Equity		**79,292**	71,033	**65,044**	62,189

The profit of the Company for the year determined in accordance with the Companies Act 2006 was £2,733,000 (2016: profit of £2,679,000).

Company Registered Number (England & Wales) 282204

The financial statements on pages 24 to 71 were approved by the Board of Directors and authorised for issue on 24 July 2017.

They were signed on its behalf by:

Michael Scott
Group Finance Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the 52 weeks ended 1 April 2017

	Share capital £000	Share premium £000	Retained earnings £000	Foreign exchange reserve £000	Other reserves £000	Total equity £000
At 29 March 2015	3,639	10,144	6,539	2,376	682	23,380
Profit for the period to 2 April 2016	—	—	3,817	—	—	3,817
Other comprehensive profit for the period	—	—	(99)	—	—	(99)
Retranslation of overseas subsidiaries	—	—	—	708	—	708
Total comprehensive profit	—	—	3,718	708	—	4,426
Issue of share capital	909	42,318	—	—	—	43,227
Transactions with owners	909	42,318	—	—	—	43,227
At 2 April 2016	4,548	52,462	10,257	3,084	682	71,033
Profit for the period to 1 April 2017	—	—	12,592	—	—	12,592
Other comprehensive loss for the period	—	—	(6,398)	—	—	(6,398)
Retranslation of overseas subsidiaries	—	—	—	1,943	—	1,943
Total comprehensive profit	—	—	6,194	1,943	—	8,137
Issue of share capital	—	10	—	—	—	10
Share-based payment charge	—	—	—	—	112	112
Transactions with owners	—	10	—	—	112	122
At 1 April 2017	**4,548**	**52,472**	**16,451**	**5,027**	**794**	**79,292**

COMPANY STATEMENT OF CHANGES IN EQUITY

For the 52 weeks ended 1 April 2017

	Share capital £000	Share premium £000	Retained earnings £000	Other reserves £000	Total equity £000
At 29 March 2015	3,639	10,144	1,818	682	16,283
Profit for the period to 2 April 2016	—	—	2,679	—	2,679
Total comprehensive profit	—	—	2,679	—	2,679
Issue of share capital	909	42,318	—	—	43,227
Movement in other reserves	—	—	—	—	—
Transactions with owners	909	42,318	—	—	43,227
At 2 April 2016	4,548	52,462	4,497	682	62,189
Profit for the period to 1 April 2017	—	—	2,733	—	2,733
Other comprehensive profit/(loss) for the period	—	—	—	—	—
Total comprehensive profit	—	—	2,733	—	2,733
Issue of share capital	—	10	—	—	10
Share-based payment charge	—	—	—	112	112
Transactions with owners	—	10	—	112	122
At 1 April 2017	**4,548**	**52,472**	**7,230**	**794**	**65,044**

CONSOLIDATED AND COMPANY STATEMENTS OF CASH FLOWS

For the 52 weeks ended 1 April 2017

	Note	Group		Company	
		52 weeks ended 1 April 2017 £000	53 weeks ended 2 April 2016 £000	**52 weeks ended 1 April 2017 £000**	53 weeks ended 2 April 2016 £000
Cash flows from operating activities					
Operating profit/(loss) from continuing operations		**26,631**	17,738	**(2,096)**	10,914
Adjustments for:					
– Depreciation charges		**12,039**	10,347	**—**	—
– Amortisation of intangible assets		**4,432**	2,315	**—**	—
– Goodwill adjustment		**—**	(43)	**—**	—
– Asset impairment		**17**	160	**—**	—
– Amortisation of government grants		**(233)**	(269)	**—**	—
– Profit on disposal of property, plant and equipment		**(40)**	(143)	**—**	—
– Share-based employee remuneration		**112**	—	**112**	—
– Defined benefit pension		**(221)**	166	**—**	—
Net cash flow from operating activities before movements in working capital		**42,737**	30,271	**(1,984)**	10,914
Change in inventories		**(445)**	(7,767)	**—**	—
Change in trade and other receivables		**(5,919)**	215	**(67)**	—
Change in trade and other payables		**4,752**	7,731	**338**	179
Cash generated/(used) by continuing operations		**41,125**	30,450	**(1,713)**	11,093
Interest paid		**(3,554)**	(3,243)	**(3,435)**	(2,977)
Income taxes paid		**(5,792)**	(3,243)	**(52)**	—
Net cash flow from discontinued operations		**—**	65	**—**	—
Net cash inflow/(outflow) from operating activities		**31,779**	24,029	**(5,200)**	8,116
Investing activities					
Purchases of property, plant and equipment		**(9,422)**	(9,752)	**—**	—
Loan to subsidiary companies		**—**	—	**(28,465)**	(80,137)
Proceeds on disposal of property, plant and equipment		**215**	1,034	**—**	—
Deferred consideration and earn-out payments		**(10,314)**	(7,453)	**(5,765)**	(5,409)
Acquisition of subsidiaries net of cash acquired		**(37,798)**	(19,265)	**—**	(14,024)
Proceeds from disposal of discontinued operations		**—**	431	**—**	431
Net cash used in investing activities		**(57,319)**	(35,005)	**(34,230)**	(99,139)
Financing activities					
Increase/(decrease) in long-term loans		**34,283**	(4,573)	**34,947**	51,815
Issue of share capital		**10**	43,043	**10**	43,043
Repayment of obligations under finance leases/hire purchase		**(934)**	(650)	**—**	—
Net cash generated in financing activities		**33,359**	37,820	**34,957**	94,858
Net increase/(decrease) in cash and cash equivalents		**7,819**	26,844	**(4,473)**	3,835
Cash and cash equivalents at beginning of period		**19,078**	(8,502)	**(5,682)**	(9,517)
Effect of foreign exchange rate changes		**1,082**	736	**—**	—
Cash and cash equivalents at end of period		**27,979**	19,078	**(10,155)**	(5,682)
Comprising:					
Cash at bank and in hand	17	**27,979**	19,078	**277**	—
Bank overdrafts	17	**—**	—	**(10,432)**	(5,682)
		27,979	19,078	**(10,155)**	(5,682)

SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, IFRIC interpretations and the parts of the Companies Act 2006 that apply to companies reporting under IFRS.

The financial statements have been prepared on the historical cost basis, except for certain financial instruments which are recorded at fair value in accordance with IAS 39. Land and buildings were professionally valued at 4 April 2004 and this valuation was adopted as deemed cost on adoption of IFRS. The accounting policies have been applied consistently in the current and prior year. The principal accounting policies adopted are set out below.

Basis of preparation
The consolidated financial statements have been prepared on a going concern basis. The Strategic Report on pages 9 to 11 sets out the justification for this basis of preparation.

Basis of consolidation
The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company is exposed, or has the rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The Company has taken advantage of the exemption provided under section 408 of the Companies Act 2006 not to publish its individual income statement and statement of comprehensive income and related notes.

Business combinations
Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in the business combination are measured initially at their fair values at the acquisition date.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; less
- the net recognised amount of the identifiable assets acquired and liabilities assumed.

Costs related to acquisition, other than those associated with the issue of debt or equity securities that the Group incurs in connection with a business combination, are expensed as incurred.

If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Goodwill
Goodwill represents the excess of the fair value of the cost of a business acquisition over the Group's share of the fair value of assets and liabilities acquired as at the date of acquisition. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses.

Discontinued operations
A discontinued operation is a component of the Group that either has been disposed of or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to trade.

Profit or loss from discontinued operations, comprising the post-tax profit or loss of discontinued operations and the post-tax gain or loss resulting from the disposal, including prior year components, is presented as a single movement in the statement of comprehensive income.

Segmental reporting
The Group's internal organisation and management structure and its system of internal financial reporting to the Board of Directors are based on the geographical locations of its businesses. The chief operating decision-maker has been identified as the Board of Directors.

SIGNIFICANT ACCOUNTING POLICIES

Non-current assets held for sale
Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

Investment property
The investment properties are valued on a historical cost basis, having been professionally valued at 4 April 2004 on adoption of IFRS, and is considered to be the deemed cost.

Revenue recognition
Revenue is measured by reference to the fair value of consideration receivable by the Group for goods supplied, excluding VAT and trade discounts. Revenue is recognised upon the sale of goods or transfer of risk to the customer. Revenue from the sale of goods is recognised when all of the followings conditions have been satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the good;
- the Group retains neither the continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Leasing
Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are charged to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Where sale and operating leaseback transactions are entered into, the transaction is treated as a disposal and any profit or loss is recognised immediately in the income statement. The determination of the treatment of the subsequent leasing arrangement is dependent on whether substantially all of the risks and rewards of ownership are transferred to the lessee.

Foreign currencies
The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised in equity. In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts and options (see below for details of the Group's accounting policies in respect of such derivative financial instruments).

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Sterling using exchange rates prevailing on the balance sheet date. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Government grants
Government grants relating to property, plant and equipment are treated as deferred income, and released to profit or loss over the expected useful lives of the assets concerned. Other government grants, including those towards staff training costs, are recognised in profit or loss over the periods necessary to match them with the related costs and are deducted in reporting the related expense.

Retirement benefit costs
(a) Defined contribution schemes
Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

(b) Defined benefit schemes
Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the Balance Sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise, net of the related deferred tax.

Administrative expenses incurred by the Trustees in connection with managing the Group's pension schemes are recognised in the Consolidated Income Statement.

SIGNIFICANT ACCOUNTING POLICIES

Taxation
Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Property, plant and equipment
Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at their deemed cost, being the fair value at the date of adoption of IFRS, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Depreciation on buildings is charged to profit or loss.

Other fixed assets are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, less any anticipated residual value, over their estimated useful lives.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The expected useful lives of assets are:

Buildings: 50 years
Plant and equipment: 3 to 20 years
Fixtures and equipment: 3 to 20 years
Motor vehicles: 4 to 5 years
Sampling assets: 2 years

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets
(i) Intangible assets acquired in a business combination
Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date, which is regarded as their cost.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

(ii) Amortisation of intangible assets
Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets. The expected useful lives of intangible assets are:

Customer relationships: 10 to 20 years
Brand names: 20 to 35 years

Amortisation commences from the date the intangible asset becomes available for use.

(iii) Derecognition of intangible assets
An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

(iv) Impairment of tangible and intangible assets
At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories
Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Business Growth Fund loan and share option
The Group's fully subordinated £10m 2021 loan facility with the Business Growth Fund ('BGF') includes a redemption premium of £2.1m payable in 2019 and a warrant owned by the BGF to acquire 3,730,000 shares in Victoria PLC at 57.2p per share (figures adjusted for the five for one share split effective 12 September 2016). This facility has been accounted for using split accounting to recognise separate debt and equity components.

The debt component is recognised on the date of inception or modification at the fair value of a similar liability that does not have an equity conversion option. The equity element is recognised as the difference between the fair value of the financial instrument as a whole and the fair value of the debt component. Any directly attributable transaction costs are allocated to the equity and debt components in proportion to their initial carrying amounts.

Subsequently, the debt component is measured at amortised cost using the effective interest rate method.

Exceptional items
Transactions which are material by virtue of their size or incidence are disclosed as exceptional items.

* Figures adjusted for the five for one share split effective 12 September 2016

SIGNIFICANT ACCOUNTING POLICIES

Non-underlying items
Non-underlying items are material items which arise from unusual non-recurring or non-trading events. They are disclosed separately in the Consolidated Income Statement where in the opinion of the Directors such disclosure is necessary in order to fairly present the results for the period. Determining the presentation of an item as non-underlying is considered to be a significant judgement in the preparation of the annual report.

Non-underlying items comprise:

(a) Intangible amortisation
The amortisation of intangible assets arising from business combinations is non-cash in nature and, unlike other assets, is not expected to result in a future capital cost to the business in relation to replacement or renewal.

(b) Release of prepaid arrangement fees on refinanced bank facilities
Certain one-off costs in relation to arrangement of new debt facilities are held on the balance sheet against the relevant debt liability and amortised over the life of the facility. On refinancing of facilities, any outstanding prepaid costs are released to the income statement and treated as a non-underlying finance cost.

(c) BGF redemption premium charge
The annual finance charge for the BGF loan and option includes an element in relation to the future redemption premium payment, the quantum of which matches the payment that would be received by the Company from BGF when exercising their share options in full. As such, this element of the annual charge is treated as a non-underlying finance cost.

(d) Mark to market adjustments on foreign exchange contracts and interest rate swaps
The mark to market valuation of forward foreign exchange contracts and interest rate swaps is entirely dependent on closing exchange and interest rates at the balance sheet date, and therefore not considered to form part of the underlying performance of the business.

(e) Deferred and contingent consideration fair value adjustments
Deferred and contingent consideration in respect of acquisitions is measured under IFRS 3, initially at fair value discounted for the time value of money. Subsequently, the present value is reassessed to unwind the time value of money, as well as for any changes to contingent earn-outs arising from actual and forecast business performance. Such adjustments are non-cash in nature and are not considered to form part of the underlying performance of the business.

(f) Deferred tax charge in respect of non-qualifying sampling assets
As a result of the accounting policy change in 2016, there is a deferred tax charge in 2017 in respect of timing differences on non-qualifying sampling assets. This charge is not expected to recur in future periods.

(g) Retranslation of foreign currency loans
The impact of exchange rate movements on foreign currency loans presented in Sterling within the balance sheet of the Company or of its consolidated UK subsidiaries is treated as a non-underlying finance cost.

Financial instruments
(a) Financial assets
The Group's financial assets fall into the categories discussed below, with the allocation depending on the purpose for which the asset was acquired. Although the Group occasionally uses derivative financial instruments in economic hedges of currency rate risk, it does not hedge account for these transactions. The Group has not classified any of its financial assets as held to maturity.

Unless otherwise indicated, the carrying amounts of the Group's financial assets are a reasonable approximation of their fair values.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

(i) Loans and receivables
These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables) and deposits held at banks but may also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue and subsequently carried at amortised cost less provision for impairment, where appropriate.

The effect of discounting on these financial instruments is not considered to be material.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable; the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, such provisions are recorded in a separate allowance account with the loss being recognised within distribution expenses in the income statement. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

(ii) Fair value through profit or loss
This category comprises only "in the money" foreign exchange derivatives and interest rate swaps to the extent that they exist (see (b)(ii) for "out of the money" derivatives). They are carried in the balance sheet at fair value with changes in fair value recognised in the income statement. Other than these derivative financial instruments, the Group does not have any assets held for trading nor has it designated any financial assets as being at fair value through profit or loss.

The fair value of the Group's foreign exchange derivatives is measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturity of the contracts.

(b) Financial liabilities
The Group classifies its financial liabilities into one of two categories depending on the purpose for which the liability was incurred. Although the Group uses derivative financial instruments in economic hedges of currency risk, it does not hedge account for these transactions.

Unless otherwise indicated, the carrying amounts of the Group's financial liabilities are a reasonable approximation of their fair values.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

(i) Financial liabilities measured at amortised cost
These liabilities include the following items:

- Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost.
- Bank borrowings and loan notes are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost. Interest is recognised as a finance expense in the income statement.
- Deferred, non-contingent consideration payable in relation to acquisitions, which is initially recognised at fair value and subsequently carried at amortised cost.

SIGNIFICANT ACCOUNTING POLICIES

(ii) Fair value through profit or loss
These liabilities include the following items:

- "Out of the money" foreign exchange derivatives and interest rate swaps to the extent that they exist (see (a)(ii) for "in the money" derivatives). They are carried in the balance sheet at fair value with changes in fair value recognised in finance income or expense. Other than these derivative financial instruments, the Group does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss.
- The methods used for calculating the fair value of the Group's interest rate and foreign exchange derivatives have been described in (a)(ii) above.
- Deferred contingent consideration payable in relation to acquisitions, which are carried in the balance sheet at fair value with changes in fair value recognised in finance income or expense.

(c) Share capital
The Group's Ordinary shares are classified as equity instruments. Share capital includes the nominal value of the shares. Any share premium attaching to the shares is shown as share premium.

Adoption of new and revised standards
The Group has adopted the following new standards, or new provisions of amended standards:

- Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)
- Annual Improvements to IFRSs 2012–2014 Cycle
- Disclosure Initiative: Amendments to IAS 1 Presentation of Financial Statements

There has been no material impact on either amounts reported or disclosure in the financial statements arising from first time adoption.

Adopted IFRS not yet applied
At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective and have not been applied early by the Group. Management anticipates that the following pronouncements relevant to the Group's operations will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement, once adopted by the EU:

- IFRS 9 Financial Instruments (effective 1 January 2018)
- IFRS 14 Regulatory Deferral Accounts (not yet adopted by the EU)
- IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018)
- IFRS 16 Leases (not yet adopted by the EU, effective 1 January 2019)
- Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12) (not yet adopted by the EU)
- Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2) (not yet adopted by the EU)
- Disclosure Initiative: Amendments to IAS 7 (not yet adopted by the EU)
- Annual improvements to IFRS 2014–2016 Cycle (not yet adopted by the EU)
- IFRIC Interpretation 22 Foreign currency transactions and advance considerations (not yet adopted by the EU)
- Amendments to IAS 40: Transfers of investment property (not yet adopted by the EU)

Other than in respect of IFRS 15 and IFRS 16, the Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Group. With regards to IFRS 15 and IFRS 16, the Group is not yet in a position to state whether the impact will be material to the Group's reported results or financial position.

Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

NOTES TO THE ACCOUNTS

1. Segmental information

The Group is organised into two operating divisions, the sale of floorcovering products in the UK & Europe and Australia.

Geographical segment information for revenue, operating profit and a reconciliation to entity net profit is presented below.

Income statement

	52 weeks ended 1 April 2017				53 weeks ended 2 April 2016			
	UK & Europe £000	**Australia £000**	**Unallocated central expenses £000**	**Total £000**	UK & Europe £000	Australia £000	Unallocated central expenses £000	Total £000
Revenue from continuing operations	**241,748**	**88,658**	**–**	**330,406**	196,908	58,266	–	255,174
Underlying operating profit from continuing operations	**26,218**	**8,238**	**(789)**	**33,667**	18,183	4,958	(1,210)	21,931
Non-underlying operating items	**(3,573)**	**(859)**	**–**	**(4,432)**	(1,890)	(425)	–	(2,315)
Exceptional operating items	**(816)**	**(481)**	**(1,307)**	**(2,604)**	(1,311)	(251)	(316)	(1,878)
Operating profit from continuing operations	**21,829**	**6,898**	**(2,096)**	**26,631**	14,982	4,282	(1,526)	17,738
Underlying finance costs				**(4,259)**				(3,714)
Non-underlying finance costs				**(3,598)**				(4,734)
Profit before tax from continuing operations				**18,774**				9,290
Taxation				**(6,182)**				(3,341)
Profit after tax from continuing operations				**12,592**				5,949
Loss from discontinued operations*				**–**				(2,132)
Profit for the period				**12,592**				3,817

* The prior year loss from discontinued operations relates to the disposal of Westwood Yarns Limited, which was sold on 2 October 2015.

Management information is reviewed on a segmental basis to operating profit.

During the year, no single customer accounted for 10% or more of the Group's revenue. Inter-segment sales in the year and in the prior year between the UK & Europe and Australia were immaterial.

Balance sheet

	52 weeks ended 1 April 2017			53 weeks ended 2 April 2016		
	UK & Europe £000	**Australia £000**	**Total £000**	UK & Europe £000	Australia £000	Total £000
Total assets	**276,954**	**52,304**	**329,259**	205,654	38,299	243,953
Total liabilities	**(216,293)**	**(33,673)**	**(249,967)**	(148,822)	(24,098)	(172,920)
Net assets	**60,661**	**18,631**	**79,292**	56,832	14,201	71,033

The Group's non-current assets as at 1 April 2017 of £173,142,000 (2016: £122,959,000) are split geographically as follows: £130,404,000 in the UK & Europe (2016: £102,170,000) and £42,738,000 in Australia (2016: £20,789,000).

Materially all revenue and non-current assets in the UK & Europe segment relate to the UK other than goodwill and intangible assets (disclosed in Notes 9 and 10) relating to the acquisition disclosed in Note 23(c).

NOTES TO THE ACCOUNTS

1. Segmental information (continued)

Other segmental information

	52 weeks ended 1 April 2017			53 weeks ended 2 April 2016		
	UK & Europe £000	**Australia £000**	**Total £000**	UK & Europe £000	Australia £000	Total £000
Depreciation (from continuing operations)	**9,305**	**2,734**	**12,039**	8,314	2,033	10,347
Amortisation of acquisition intangibles	**3,573**	**859**	**4,432**	1,890	425	2,315
	12,878	**3,593**	**16,471**	10,204	2,458	12,662
Capital expenditure (from continuing operations)	**9,361**	**1,864**	**11,225**	8,961	1,242	10,203

2. Exceptional items

	2017 £000	2016 £000
(a) Acquisition and disposal related costs	**(2,109)**	(1,355)
(b) Reorganisation costs	**(331)**	(406)
(c) Negative goodwill arising on acquisition	**–**	43
(d) Asset impairment	**(17)**	(160)
(e) Preference payment claim	**(147)**	–
Exceptional items	**(2,604)**	(1,878)

All exceptional items are classified within administrative expenses.

(a) Professional fees in connection with prospecting and completing acquisitions during the year.

(b) Reorganisation costs comprise various fees incurred to date in relation to reviewing the Group's manufacuturing and logistics operations, as well as other corporate restructuring.

(c) Credit of £43,000 in the prior year in relation to negative goodwill arising on the acquisition of A&A Carpets.

(d) Figure in 2017 relates to impairment of capitalised facility costs. The prior year figure was previously included within other non-underlying items.

(e) Potential preference payment claim in respect of an Australian customer that has gone into administration.

3. Finance costs

	2017 £000	2016 £000
Interest payable on bank loans and overdrafts	**2,493**	2,145
Cash interest payable on BGF loan	**1,000**	1,000
Interest payable on Hire Purchase and Finance Leases	**62**	80
Total interest payable on loans	**3,555**	3,225
Amortisation of prepaid finance costs	**419**	226
Interest rolled up into BGF loan	**169**	199
Net interest expense on defined benefit pensions	**116**	64
Underlying interest costs	**4,259**	3,714
(a) Release of prepaid finance costs	**–**	228
(b) BGF loan and option, redemption premium charge	**202**	108
(c) Unwinding of present value of contingent earn-out liabilities	**1,776**	1,387
(c) Unwinding of present value of deferred consideration liabilities	**413**	257
(c) Other fair value adjustments to contingent earn-out liabilities	**1,616**	2,581
(d) Mark to market adjustment on foreign exchange forward contracts	**(15)**	136
(e) Mark to market adjustment on interest rate swap contracts	**4**	36
(f) Retranslation of foreign currency loans	**(398)**	–
	7,857	8,448

(a) Non-cash charge in the prior year relating to the release of the prepaid costs on the previous bank facilities, which were refinanced in April 2015.

(b) Non-cash annual cost of the redemption premium in relation to the BGF loan and option.

(c) Deferred and contingent consideration in respect to acquisitions is measured under IFRS 3, initially at fair value discounted for the time value of money. The present value is then remeasured at each half-year and year-end in relation to the unwind of this discount. In addition, any changes to contingent earn-outs arising from actual and forecast business performance are reflected. All such adjustments are non-cash items.

(d) Non-cash fair value adjustment on foreign exchange forward contracts.

(e) Non-cash fair value adjustment on an interest rate swap contract.

(f) Net impact of exchange rate movements on third party and intercompany loans.

NOTES TO THE ACCOUNTS

4. Profit on ordinary activities before taxation

	2017 £000	2016 £000
After charging/(crediting):		
Net foreign exchange (gains)/losses	**(1,897)**	553
Depreciation of property, plant and equipment (see Note 11)	**12,039**	10,472
Amortisation of intangible assets (see Note 10)	**4,432**	2,315
Staff costs (see Note 5)	**59,840**	48,942
Cost of inventories recognised as an expense	**183,868**	144,354
Profit on sale of fixed assets	**(39)**	(143)
Government grants (see Note 24)	**(233)**	(269)
Operating lease rentals	**5,447**	5,485

Auditor's remuneration	2017 £000	2016 £000
Fees payable to the Company's Auditor in respect of audit services:		
The audit of the Group's consolidated accounts	**54**	39
The audit of the Company's subsidiaries pursuant to legislation	**253**	143
Total audit fees	**307**	182
Audit related assurance services	**2**	–
Tax compliance services	**43**	30
Taxation advisory services	**16**	–
Services relating to corporate finance transactions (either proposed or entered into) by or on behalf of the Company or any of its associates	**90**	–
Pension scheme advisory services	**18**	–
Total non-audit fees	**169**	30

5. Staff costs

	Group		Company	
	2017 £000	2016 £000	2017 £000	2016 £000
Wages and salaries	**52,061**	42,727	**367**	234
Social security costs	**4,402**	3,673	**46**	28
Share-based employee remuneration	**112**	–	**112**	–
Other pension costs	**3,265**	2,542	**8**	8
	59,840	48,942	**533**	270

Directors' remuneration is included as part of the staff costs above. Directors' remuneration is disclosed separately on page 19 of the Directors' Report and forms part of these financial statements.

Average number employed (including executive directors of subsidiaries):

	Group		Company	
	2017	2016	2017	2016
Directors	**38**	32	**6**	5
Sales and marketing	**242**	187	**–**	–
Production, logistics and maintenance	**1,397**	1,153	**–**	–
Finance, IT and administration	**125**	141	**1**	1
	1,802	1,513	**7**	6

6. Tax from continuing operations

	2017 £000	2016 £000
Current tax		
– Current year UK	**4,648**	2,961
– Current year overseas	**2,482**	1,455
– Adjustments in respect of prior years	**(216)**	53
	6,914	4,469
Deferred tax (see Note 19)		
– Credit recognised in the current year	**(1,271)**	(1,643)
– Adjustments in respect of prior years	**(143)**	(78)
– Effect of rate change	**–**	149
– Charge in respect of non-qualifying sampling assets	**682**	–
– Prior year Group relief adjustment	**–**	444
	(732)	(1,128)
Total tax charge	**6,182**	3,341

Corporation tax is calculated at 20%, 25% and 30% of the estimated assessable profit for the year in the UK, the Netherlands and Australia respectively.

The charge in respect of non-qualifying sampling assets incurred in the year of £682,000 is a non-recurring timing difference resulting from the change in accounting policy in the prior year relating to sampling assets.

The tax charge for the year can be reconciled to the profit per the income statement as follows:

	2017		2016	
	£000	**%**	£000	%
Profit before tax from continuing operations	**18,774**		9,290	
Tax charge/(credit) at the UK corporation tax rate of 20% (2016: 20%)	**3,755**	**20.0**	1,858	20.0
Tax effect of items that are not deductible/non taxable in determining taxable profit	**1,494**	**7.9**	392	4.2
Effect of different tax rates of subsidiaries operating in other jurisdictions	**631**	**3.3**	450	4.8
Deferred consideration fair value remeasurement non taxable	**810**	**4.3**	824	8.9
Effect of change in rate	**(9)**	**–**	149	1.6
Effect of change in future tax rate enacted on deferred tax recognised on intangible assets	**(136)**	**(0.7)**	(461)	(5.0)
Movement in deferred tax on revalued land no longer required	**(4)**	**–**	7	0.1
Quest acquired retained earnings	**–**	**–**	147	1.6
Adjustments to prior periods	**(359)**	**(1.9)**	(25)	(0.2)
Tax charge and effective tax rate	**6,182**	**32.9**	3,341	36.0

NOTES TO THE ACCOUNTS

7. Earnings per share

The calculation of the basic, adjusted and diluted earnings per share is based on the following data:

	Basic 2017 £000	**Adjusted 2017 £000**	Basic 2016 £000	Adjusted 2016 £000
Profit attributable to ordinary equity holders of the parent entity from continuing operations	**12,592**	**12,592**	5,949	5,949
Exceptional items:				
Amortisation of acquired intangibles	**–**	**4,432**	–	2,315
PPE impairment	**–**	**17**	–	160
Preference payment claim	**–**	**147**	–	–
Acquisition and disposal related cost	**–**	**2,109**	–	1,355
Reorganisation costs	**–**	**331**	–	406
Negative goodwill arising on acquisition	**–**	**–**	–	(43)
Release of prepaid finance costs	**–**	**–**	–	228
BGF loan and option, redemption premium charge	**–**	**202**	–	108
Deferred and contingent consideration fair value adjustments	**–**	**3,805**	–	4,226
Mark to market adjustment on foreign exchange forward contracts	**–**	**(15)**	–	136
Mark to market adjustment on interest rate swap contracts	**–**	**4**	–	36
Retranslation of foreign currency loans	**–**	**(398)**	–	–
Tax effect on adjusted items where applicable	**–**	**(937)**	–	(961)
Deferred tax charge in respect of non-qualifying sampling assets	**–**	**682**	–	–
Earnings for the purpose of basic and adjusted earnings per share from continuing operations	**12,592**	**22,971**	5,949	13,915
Loss attributable to ordinary equity holders of the parent entity from discontinued operations	**–**	**–**	(2,132)	–
Earnings for the purpose of basic and adjusted earnings per share	**12,592**	**22,971**	3,817	13,915

Weighted average number of shares

	2017 Number of shares (000's)	2016 Number of shares (000's)
Weighted average number of shares for the purpose of basic and adjusted earnings per share	**90,968**	82,445
Effect of dilutive potential ordinary shares:		
BGF share options	**3,080**	2,800
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**94,048**	85,245

The number of shares in issue increased by a factor of five on 12 September 2016 following approval of a five-for-one share split at the AGM on 9 September 2016. The weighted average number of shares in issue over the period has been determined on this new basis and the prior year has been restated accordingly.

The potential dilutive effect of the share options has been calculated in accordance with IAS 33 using the average share price in the period.

7. Earnings per share (continued)

The Group's earnings per share are as follows:

	2017 Pence	2016 Pence
Earnings per share from continuing operations		
Basic adjusted	**25.25**	16.88
Diluted adjusted	**24.43**	16.32
Basic	**13.84**	7.22
Diluted[1]	**13.60**	7.11
Loss per share from discontinued operations		
Basic	**–**	(2.59)
Diluted[1]	**–**	(2.59)
Earnings per share		
Basic adjusted earnings per share from total operations	**25.25**	16.88
Diluted[1] adjusted earnings per share from total operations	**24.43**	16.32
Basic earnings per share from total operations	**13.84**	4.63
Diluted[1] earnings per share from total operations	**13.60**	4.60

1. Earnings for the purpose of diluted (basic) earnings per share have been adjusted to add back the Business Growth Fund ('BGF') redemption premium charge as this cost is only incurred if the BGF share options are not exercised.

8. Rates of exchange

The results of overseas subsidiaries have been translated into Sterling at the average exchange rates prevailing during the periods. The balance sheets are translated at the exchange rates prevailing at the period ends:

	2017		2016	
	Average	**Year end**	Average	Year end
Australia – A$	**1.7435**	**1.6448**	2.0327	1.8526
Europe – €	**1.1785**	**1.1777**	–	–

NOTES TO THE ACCOUNTS

9. Goodwill

	Goodwill £000
At 29 March 2015	4,110
Arising on acquisition	32,045
Exchange movements	1,050
At 2 April 2016	37,205
At 3 April 2016	**37,205**
Arising on acquisition	**21,744**
Exchange movements	**881**
At 1 April 2017	**59,830**

Goodwill is attributed to the businesses identified below for the purpose of testing impairment. These businesses are the lowest level at which goodwill is monitored and represent cash generating units ("CGUs"). The CGUs within a reported segment share similar characteristics to each other and to the other businesses within that segment.

The aggregate carrying amounts of goodwill allocated to each CGU are as follows:

	Reported Segment	**2017 £000**	2016 £000
Westex (Carpets) Limited	UK & Europe	**2,735**	2,735
Whitestone Weavers Group	UK & Europe	**1,375**	1,375
Interfloor Limited	UK & Europe	**25,245**	25,245
Quest Flooring Pty Limited	Australia	**8,842**	7,850
Ezi Floor Limited	UK & Europe	**7,094**	–
Primary Flooring Pty Limited	Australia	**7,043**	–
Grass Inc. B.V. & Avalon B.V.	UK & Europe	**7,496**	–
		59,830	37,205

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the goodwill have been determined based on value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period. The discount rates used of 11.4% for CGUs within the UK, 10.7% for CGUs within Europe and 12.3% for CGUs within Australia are estimated using weighted-average costs of capital that reflect current market assessments of the time value of money and the risks specific to the markets in which the businesses operate. The primary reasons for the difference in the rates between the UK, Europe and Australia are the differences in underlying risk-free rates and cost of debt. The calculation uses cash flow projections extrapolated from the budget for the year ending 31 March 2018. A terminal value was calculated based on a terminal growth rate assumption of 2.0%.

The Group does not consider it reasonably probable that any significant changes to the key assumptions will arise that would result in impairment to any of the Goodwill balances. If the terminal growth rate was assumed to be nil in the Directors' opinion there would still be no provision for impairment required. As at 1 April 2017 no impairment provision was therefore considered necessary.

Goodwill comprises intangible assets that do not qualify for separate recognition, in particular the existing workforce.

None of the goodwill is expected to be tax deductible.

10. Intangible assets

		Customer relationships £000	Brand names £000	Group Total £000
Cost	At 29 March 2015	4,700	4,745	9,445
	Additions	31,453	4,498	35,951
	Exchange difference	913	110	1,023
	At 2 April 2016	37,066	9,353	46,419
	At 3 April 2016	**37,066**	**9,353**	**46,419**
	Additions	**24,195**	**2,393**	**26,588**
	Exchange difference	**714**	**84**	**798**
	At 1 April 2017	**61,975**	**11,830**	**73,805**
Amortisation	At 29 March 2015	327	260	587
	Charge for the period	2,020	295	2,315
	Exchange difference	39	2	41
	At 2 April 2016	2,386	557	2,943
	At 3 April 2016	**2,386**	**557**	**2,943**
	Charge for the period	**3,993**	**439**	**4,432**
	Exchange difference	**104**	**6**	**110**
	At 1 April 2017	**6,483**	**1,002**	**7,485**
Net book value	**At 1 April 2017**	**55,492**	**10,828**	**66,320**
	At 2 April 2016	34,680	8,796	43,476
	At 29 March 2015	4,373	4,485	8,858

NOTES TO THE ACCOUNTS

11. Property, plant and equipment

	Freehold land and buildings £000	Plant and machinery £000	Fixtures, vehicles and equipment £000	Group Total £000
Cost				
At 29 March 2015	7,514	33,931	12,273	53,718
Exchange differences	–	754	124	878
Acquisition	6,944	7,144	341	14,429
Additions	165	2,144	7,894	10,203
Disposals	(821)	(999)	(6,683)	(8,503)
At 2 April 2016	13,802	42,974	13,949	70,725
At 3 April 2016	**13,802**	**42,974**	**13,949**	**70,725**
Exchange differences	**(1)**	**2,879**	**464**	**3,342**
Acquisition	**93**	**3,120**	**196**	**3,409**
Additions	**69**	**3,649**	**7,507**	**11,225**
Disposals	**–**	**(1,378)**	**(6,781)**	**(8,159)**
At 1 April 2017	**13,963**	**51,244**	**15,335**	**80,542**
Accumulated depreciation				
At 29 March 2015	173	23,669	4,391	28,233
Exchange differences	–	722	65	787
Charge for the period	345	3,109	6,893	10,347
Impairment	–	160	–	160
Disposals	(200)	(960)	(6,453)	(7,613)
At 2 April 2016	318	26,700	4,896	31,914
At 3 April 2016	**318**	**26,700**	**4,896**	**31,914**
Exchange differences	**–**	**2,448**	**262**	**2,710**
Charge for the period	**445**	**4,072**	**7,522**	**12,039**
Impairment	**–**	**–**	**17**	**17**
Disposals	**–**	**(1,353)**	**(6,611)**	**(7,964)**
At 1 April 2017	**763**	**31,867**	**6,086**	**38,716**
Net Book Value				
At 1 April 2017	**13,200**	**19,377**	**9,249**	**41,826**
At 2 April 2016	13,484	16,275	9,052	38,811
At 29 March 2015	7,341	10,262	7,882	25,485

The prior year figures exclude discontinued operations.

The Company holds no property, plant and equipment.

11. Property, plant and equipment (continued)

Included within fixed assets are the following:

	Plant and machinery Hire purchase £000	Fixtures, vehicles and equipment Hire purchase £000	Plant and machinery Finance lease £000	Fixtures, vehicles and equipment Finance lease £000	Group Total £000
Held under hire purchase/finance leases:					
Cost at 1 April 2017	**561**	**950**	**4,241**	**514**	**6,266**
Accumulated depreciation at 1 April 2017	**64**	**416**	**3,046**	**232**	**3,758**
Depreciation charged in year	**54**	**199**	**323**	**79**	**655**
Held under hire purchase/finance leases:					
Cost at 2 April 2016	275	930	–	1,427	2,632
Accumulated depreciation at 2 April 2016	39	366	–	536	941
Depreciation charged in year	15	170	–	273	458

Capital expenditure authorised and committed at the period end:

	2017 £000	2016 £000
Contracts placed	**296**	828

The Company held no assets under finance lease or hire purchase agreements and had no capital commitments at either year end.

12. Fixed asset investments

	Group		Company	
	2017 £000	2016 £000	**2017 £000**	2016 £000
(a) Investment property	**180**	180	**180**	180
(b) Investment in subsidiaries	**–**	–	**49,270**	49,270

(a) Investment property relates to land and is held at cost as the fair value is dependent on future use and the grant of the necessary planning consents.

(b) Victoria PLC owns directly or indirectly the whole of the allotted ordinary share capital of the following subsidiary companies.

NOTES TO THE ACCOUNTS

12. Fixed asset investments (continued)

As at 1 April 2017	Country of incorporation and operation	Nature of business	Ownership
Victoria Midco Holdings Limited	England	Holding Company	Direct
Victoria Carpets Limited	England	Carpet manufacture	Indirect
Carpets@Home Limited	England	Carpet distributor	Indirect
Globesign Limited	England	Holding Company	Indirect
Westex (Carpets) Limited	England	Carpet manufacture	Indirect
Abingdon Flooring Limited	England	Carpet manufacture	Indirect
Distinctive Flooring Limited	England	Carpet distributor	Indirect
Alliance Distribution Limited	England	Logistic Services	Indirect
Whitestone Carpets Holdings Limited	England	Holding Company	Indirect
View Logistics Limited	England	Logistic Services	Indirect
Carpet Line Direct Limited	England	Carpet distributor	Indirect
Whitestone Weavers Limited	England	Carpet distributor	Indirect
Thomas Witter Carpets Limited	England	Carpet distributor	Indirect
Gaskell Mackay Carpets Limited	England	Carpet distributor	Indirect
A&A Carpets Limited	England	Carpet distributor	Indirect
Interfloor Limited	England	Carpet underlay manufacturer	Indirect
Ezi Floor Limited	England	Carpet underlay manufacturer	Indirect
The Victoria Carpet Company Pty Limited	Australia	Carpet manufacture	Indirect
Quest Flooring Pty Ltd	Australia	Holding Company	Indirect
Quest Carpet Manufacturers Pty Ltd	Australia	Carpet manufacture	Indirect
Quest Carpet Manufacturers Unit Trust	Australia	Unit Trust	Indirect
Primary Flooring Pty Limited	Australia	Carpet underlay manufacturer	Indirect
Victoria Bidco BV	The Netherlands	Holding Company	Indirect
Avalon BV	The Netherlands	Artificial grass distributor	Indirect
GrassInc BV	The Netherlands	Artificial grass distributor	Indirect
Victoria Belgium Holdco nv	Belgium	Holding Company	Indirect
V-Line Carpets Limited	England	Non-trading	Indirect
Stikatak Limited	England	Non-trading	Indirect
Tacktrim Limited	England	Non-trading	Indirect
Interfloor Operations Limited	England	Non-trading	Indirect
Interfloor Group Limited	England	Non-trading	Indirect
The Victoria Carpet Company Limited	England	Non-trading	Indirect
Flooring at Home Limited	England	Non-trading	Indirect
Munster Carpets Limited	Ireland	Non-trading	Indirect

13. Inventories

	2017 £000	2016 £000
Raw materials	**18,754**	12,773
Work-in-progress	**3,404**	2,963
Finished goods	**50,904**	43,234
	73,062	58,970

The Company held no inventories at either year-end. There is no material difference between the balance sheet value of inventories and their replacement cost.

14. Trade and other receivables

Amounts falling due within one year:

	Group		Company	
	2017 £000	2016 £000	**2017 £000**	2016 £000
Trade debtors	**51,454**	40,133	**–**	–
Amounts owed by subsidiaries	**–**	–	**132,737**	88,521
Other debtors	**238**	490	**–**	–
Prepayments and accrued income	**3,384**	2,323	**192**	125
	55,076	42,946	**132,929**	88,646

Amounts falling due after one year:

	Group		Company	
	2017 £000	2016 £000	**2017 £000**	2016 £000
Amounts owed by subsidiaries	**–**	–	**14,194**	16,778
	–	–	**14,194**	16,778

Interest is charged on amounts owed by subsidiaries to the Company at market rates. There are no repayment terms attached to those loans classified as being due within one year.

Amounts owed by subsidiaries to the Company are not considered to be impaired.

The above amounts are stated net of an allowance (net of VAT) of £777,000 (2016: £958,000) made for estimated irrecoverable amounts from sale of goods. The movement of this allowance account during the year is summarised below:

	£000	£000
Opening balance at 3 April 2016	**958**	811
Acquisition opening balances	**166**	30
Increase in provisions	**489**	316
Recovered against provisions	**(864)**	(210)
Exchange differences	**28**	11
Closing balance at 1 April 2017	**777**	958

An analysis of the age of trade receivables that are past due at the reporting date but not impaired can be seen in the table below:

	2017 £000	2016 £000
1–30 days overdue	**8,860**	6,422
31–60 days overdue	**947**	547
> 60 days overdue	**965**	519
Total	**10,772**	7,488

An analysis of the age of impaired trade receivables is as follows:

	2017 £000	2016 £000
1–30 days overdue	**–**	198
31–60 days overdue	**50**	72
> 60 days overdue	**832**	1,025
Total	**882**	1,295

The main factors in assessing the impairment of trade receivables are the age of the balance and the circumstances of the individual customer. The Directors consider that the carrying amount of all receivables, including those impaired, approximates to their fair value.

NOTES TO THE ACCOUNTS

15. Trade and other payables

Amounts falling due within one year:

	Group		Company	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Trade creditors	**46,400**	43,550	**–**	–
Amounts due to subsidiaries	**–**	–	**–**	1
Deferred and contingent earn-out liabilities	**14,728**	9,265	**5,780**	5,002
Other creditors	**11,967**	7,476	**–**	–
Accruals	**9,569**	6,407	**690**	352
Deferred income	**209**	215	**–**	–
	82,873	66,913	**6,470**	5,355

Amounts falling due after one year:

	Group		Company	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Deferred and contingent earn-out liabilities	**19,316**	11,130	**39**	3,903
Deferred income	**168**	339	**–**	–
Other creditors	**371**	55	**–**	–
	19,855	11,524	**39**	3,903

Deferred and contingent earn-out liabilities (Group and Company) are in connection with the acquisitions of Globesign Limited, Abingdon Flooring Group, Whitestone Weavers Group, Quest Carpet Manufacturers Pty Limited, Ezi Floor Limited, Avalon B.V. and Grass Inc B.V. Under IFRS 13 Fair Value Measurement this is classified under the fair value hierarchy as Level 3. The deferred and contingent earn-out liabilities falling due after one year of £19.32m is split as follows: between one to two years £8.43m and between two to five years £10.89m.

Deferred income relates to government grants as shown in Note 24.

16. Other financial liabilities

Amounts falling due within one year:

	Group		Company	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Bank overdraft	**–**	–	**10,432**	5,682
Finance leases & hire purchase agreements	**617**	596	**–**	–
	617	596	**10,432**	5,682

16. Other financial liabilities (continued)

Amounts falling due after one year:

	Group		Company	
	2017 £000	2016 £000	**2017 £000**	2016 £000
Bank loans:				
– due between one and two years	**105,189**	–	**105,189**	–
– due between two and five years	**–**	68,485	**–**	68,485
BGF loan:				
– due between one and two years	**2,897**	391	**2,897**	391
– due between two and five years	**5,445**	4,560	**5,445**	4,560
– due over five years	**1,598**	4,573	**1,598**	4,573
Finance leases and hire purchase agreements:				
– due between one and two years	**558**	280	**–**	–
– due between two and five years	**399**	233	**–**	–
	116,086	78,522	**115,129**	78,009

Bank loans as at 1 April 2017 relate to a Group multi-currency revolving credit facility provided by Barclays, HSBC, RBS and AIB. This facility was refinanced following the year-end with a maturity on 15 October 2020 and subject to the option of a one year extension, and is secured by way of debenture over the assets of the Group.

The BGF loan relates to the debt component of the BGF loan and option instruments.

The Group's net debt position as at 1 April 2017 was £89.63m (2016: £61.11m), before netting off prepaid finance costs. The contractual maturities of financial liabilities and average effective interest rates are set out in Note 25.

17. Financial assets and liabilities

The financial assets of the Group, all of which fall due within one year, comprised:

	At 1 April 2017				At 2 April 2016			
	Loans and receivables £000	**Financial assets held at fair value through profit and loss £000**	**Assets not within the scope of IAS 39 £000**	**Total £000**	Loans and receivables £000	Financial assets held at fair value through profit and loss £000	Assets not within the scope of IAS 39 £000	Total £000
Cash								
Sterling	**10,870**	**–**	**–**	**10,870**	12,599	–	–	12,599
US Dollars	**1,495**	**–**	**–**	**1,495**	912	–	–	912
Euros	**1,367**	**–**	**–**	**1,367**	751	–	–	751
Australian Dollars	**14,058**	**–**	**–**	**14,058**	4,623	–	–	4,623
New Zealand Dollars	**189**	**–**	**–**	**189**	193	–	–	193
	27,979	**–**	**–**	**27,979**	19,078	–	–	19,078
Current assets								
Trade and other receivables	**51,692**	**–**	**3,384**	**55,076**	40,239	–	2,323	42,562
Current Inventories	**–**	**–**	**73,062**	**73,062**	–	–	58,970	58,970
Forward foreign exchange contracts	**–**	**–**	**–**	**–**	–	380	–	380
Interest rate swap contracts	**–**	**–**	**–**	**–**	–	4	–	4
Current assets	**79,671**	**–**	**76,446**	**156,117**	59,317	384	61,293	120,994

17. Financial assets and liabilities (continued)

The financial liabilities of the Group comprised:

	At 1 April 2017 Other financial liabilities at amortised cost £000	At 1 April 2017 Financial liabilities held at fair value through profit and loss £000	At 1 April 2017 Liabilities not within the scope of IAS 39 £000	At 1 April 2017 Total £000	At 2 April 2016 Other financial liabilities at amortised cost £000	At 2 April 2016 Financial liabilities held at fair value through profit and loss £000	At 2 April 2016 Liabilities not within the scope of IAS 39 £000	At 2 April 2016 Total £000
Current liabilities								
Trade and other payables	**70,104**	**7,673**	**4,955**	**82,732**	54,955	5,634	5,825	66,414
Current tax liabilities	**–**	**–**	**4,260**	**4,260**	–	–	2,891	2,891
Forward foreign exchange contracts	**–**	**141**	**–**	**141**	–	499	–	499
Finance leases and hire purchase	**617**	**–**	**–**	**617**	596	–	–	596
Current liabilities	**70,721**	**7,814**	**9,215**	**87,750**	55,551	6,133	8,716	70,400
Non-current liabilities								
Trade and other payables	**10,200**	**9,487**	**168**	**19,855**	5,886	5,299	339	11,524
Deferred tax liabilities	**–**	**–**	**15,190**	**15,190**	–	–	9,129	9,129
Retirement benefit obligations	**–**	**–**	**11,086**	**11,086**	–	–	3,345	3,345
Finance leases & hire purchase	**957**	**–**	**–**	**957**	513	–	–	513
Bank loans	**105,189**	**–**	**–**	**105,189**	68,485	–	–	68,485
BGF loan	**9,940**	**–**	**–**	**9,940**	9,524	–	–	9,524
Non-current liabilities	**126,286**	**9,487**	**26,444**	**162,217**	84,408	5,299	12,813	102,520
Total liabilities	**197,007**	**17,301**	**35,659**	**249,967**	139,959	11,432	21,529	172,920

The financial assets of the Company comprised:

	At 1 April 2017 Loans and receivables £000	At 1 April 2017 Financial assets held at fair value through profit and loss £000	At 1 April 2017 Assets not within the scope of IAS 39 £000	At 1 April 2017 Total £000	At 2 April 2016 Loans and receivables £000	At 2 April 2016 Financial assets held at fair value through profit and loss £000	At 2 April 2016 Assets not within the scope of IAS 39 £000	At 2 April 2016 Total £000
Cash								
Euros	**30**	**–**	**–**	**30**	–	–	–	–
Australian Dollars	**247**	**–**	**–**	**247**	–	–	–	–
	277	**–**	**–**	**277**	–	–	–	–
Current assets								
Trade and other receivables	**132,737**	**–**	**192**	**132,929**	88,646	–	–	88,646
Current assets	**133,014**	**–**	**192**	**133,206**	88,646	–	–	88,646
Non-current assets								
Amounts owed by subsidiaries	**14,194**	**–**	**–**	**14,194**	16,778	–	–	16,778
Deferred tax assets	**–**	**–**	**264**	**264**	–	–	–	–
Non-current assets	**14,194**	**–**	**264**	**14,458**	16,778	–	–	16,778
Total financial assets	**147,108**	**–**	**456**	**147,664**	105,424	–	–	105,424

17. Financial assets and liabilities (continued)

The financial liabilities of the Company comprised:

	At 1 April 2017				At 2 April 2016			
	Other financial liabilities at amortised cost £000	Financial liabilities held at fair value through profit and loss £000	Liabilities not within the scope of IAS 39 £000	Total £000	Other financial liabilities at amortised cost £000	Financial liabilities held at fair value through profit and loss £000	Liabilities not within the scope of IAS 39 £000	Total £000
Overdraft								
Sterling	10,432	–	–	10,432	5,682	–	–	5,682
	10,432	–	–	10,432	5,682	–	–	5,682
Current liabilities								
Trade and other payables	690	5,780	–	6,470	353	5,002	–	5,355
Current tax liabilities	–	–	–	–	–	–	–	–
Current liabilities	11,122	5,780	–	16,902	6,035	5,002	–	11,037
Non-current liabilities								
Trade and other payables	–	39	–	39	–	3,903	–	3,903
Bank loans	105,189	–	–	105,189	68,485	–	–	68,485
BGF loan	9,940	–	–	9,940	9,524	–	–	9,524
Non-current liabilities	115,129	39	–	115,168	78,009	3,903	–	81,912
Total liabilities	126,245	5,819	–	132,070	84,044	8,905	–	92,949

Fair value measurement of financial instruments

Financial assets and financial liabilities measured at fair value in the balance sheet are grouped into three levels of fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement as follows:

— Level one: quoted prices in active markets for identical assets or liabilities

— Level two: inputs other than quoted prices included within Level one that are observable for the asset or liability, either directly or indrectly

— Level three: unobservable inputs for the assets or liabilities

All financial assets and liabilities have been identified as Level one with the exception of:

— Forward foreign exchange contracts, which are Level two financial assets/liabilities and all expire within 12 months from 1 April 2017.

— The Group's interest rate swap contract, which is a Level two financial asset and expires in May 2018.

The Group has relied upon valuations performed by third party valuations specialists for compex valuations of the forward exchange contracts and interest rate swap contract. Valuation techniques have utilised observable forward exchange rates and interest rates corresponding to the maturity of the contract. The effects of non-observable inputs are not significant for forward exchange contracts and the interest rate swap contract.

— Contingent earn-out liabilities, which are Level three liabilities.

The fair value of the contingent consideration arising from acquisitions is determined considering the estimated payment discounted to present value. Estimated payments are calculated using financial projections for the next 12 months and then applying growth assumptions for future years where relevant.

NOTES TO THE ACCOUNTS

17. Financial assets and liabilities (continued)

The most significant inputs, all of which are unobservable, are the estimated growth rates in future profits and the discount rates applied. The estimated fair value increases if the estimated growth rates increase or the discount rates decrease. The overall valuations are sensititve to both assumptions. The Board considers that changing the above unobservable inputs to reflect other reasonably possible alternative assumptions would not result in a significant change in the estimated fair value.

There were no transfers between level one, level two and level three in 2017 or 2016.

The deferred and contingent earn-out liabilities of the Group are as follows:

Amounts falling due within one year:

	2017 £000	2016 £000
Deferred consideration liabilities	**7,055**	3,631
Contingent earn-out liabilities	**7,673**	5,634
	14,728	9,265

Amounts falling due after one year:

	2017 £000	2016 £000
Deferred consideration liabilities:		
– due between one and two years	**4,459**	4,138
– due between two and five years	**5,370**	1,693
Contingent earn-out liabilities:		
– due between one and two years	**4,389**	4,239
– due between two and five years	**5,098**	1,059
	19,316	11,130

Reconciliation of movement in contingent earn-out liabilities	£000
Total contingent earn-out liabilities as at 2 April 2016	**10,933**
Additional liabilities from acquisitions in the period	**9,368**
Payments made during the period	**(6,559)**
Unwinding of present value	**1,776**
Other fair value adjustments	**1,616**
Exchange rate difference	**26**
Total contingent earn-out liabilities as at 1 April 2017	**17,160**

18. Operating lease arrangements

The Group and Company as lessee

Details of operating lease arrangements for the Group and Company are as follows:

	Group		Company	
	2017 £000	2016 £000	**2017 £000**	2016 £000
Payments under operating leases recognised in income statement for the year	**5,046**	5,385	**–**	503

At the balance sheet date, the Group and Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group		Company	
Minimum lease payments	**2017 £000**	2016 £000	**2017 £000**	2016 £000
Within one year	**6,495**	5,849	**536**	503
In the second to fifth years inclusive	**15,046**	13,744	**2,102**	2,003
After five years	**12,921**	10,700	**6,265**	6,500
	34,462	30,293	**8,903**	9,006

Operating lease payments represent rentals payable by the Group and Company principally for vehicles and certain of its properties. Leases of vehicles are usually negotiated for a term of 3–5 years and rentals are fixed for the term of the lease. Leases of land and buildings are usually negotiated for 5–20 years.

19. Deferred taxation

	Group £000	Company £000
At 29 March 2015	467	(708)
Credit to income statement (see Note 6)	(1,572)	–
Prior year adjustment for Group relief (see Note 6)	444	444
Deferred tax in relation to pension scheme	(53)	–
Deferred tax on intangible assets acquired	7,559	–
Adjustment for acquisitions in the year	(1,091)	–
Adjustment for disposals in the year	(169)	–
Exchange adjustment	257	–
At 2 April 2016	5,842	(264)
At 3 April 2016	**5,842**	**(264)**
Credit to income statement (see Note 6)	**(1,414)**	**–**
Charge in respect of non-qualifying sampling assets (see Note 6)	**682**	**–**
Deferred tax in relation to pension scheme	**(1,448)**	**–**
Deferred tax on intangible assets acquired	**6,801**	**–**
Adjustment for acquisitions in the year	**(339)**	**–**
Exchange adjustment	**80**	**–**
At 1 April 2017	**10,204**	**(264)**

19. Deferred taxation (continued)

The provision for deferred taxation is as follows:

	Group		Company	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Capital allowances	**(754)**	(963)	**–**	–
Liability on recovering value through sale	**(74)**	(71)	**(74)**	(71)
Deferred grant income	**(113)**	(163)	**–**	–
Tax losses	**(525)**	(679)	**(190)**	(193)
Deferred tax on intangible assets acquired	**14,888**	8,810	**–**	–
Deferred tax on defined benefit pension	**(2,106)**	(636)	**–**	–
Other timing differences	**(1,112)**	(456)	**–**	–
	10,204	5,842	**(264)**	(264)

The provision is based on taxation rates of 30% in respect of balances relating to the Australia businesses (2015: 30%) and 25% in respect of balances relating to the Dutch businesses. The rates applied to UK balances vary dependent on the timing of when the balances are expected to unwind as noted below.

Effect on UK deferred tax balances of proposed changes in the UK corporation tax rate

The UK corporation tax rate reduction from 20% to 19% on 1 April 2017, to 18% on 1 April 2020 and to 17% on 1 April 2020 has been substantively enacted. Accordingly, deferred tax balances at 1 April 2017 have been calculated at the rate at which the relevant balance is expected to be recovered or settled.

Deferred tax assets and liabilities

The deferred tax balances shown on the balance sheet are:

	Group		Company	
	2017	2016	**2017**	2016
	£000	£000	**£000**	£000
Deferred tax liabilities	**15,190**	9,129	**–**	–
Deferred tax assets	**(4,986)**	(3,287)	**(264)**	(264)
	10,204	5,842	**(264)**	(264)

20. Retirement benefit obligations

Defined contribution schemes

The Group operates a number of defined contribution pension schemes. The companies and the employees contribute towards the schemes.

Contributions are charged to the Income Statement as incurred and amounted to £3,265,000 (2016: £2,542,000), of which £2,111,000 (2016: £1,742,000) relates to the UK schemes. The total contributions outstanding at year-end were £nil (2016: £nil).

Defined benefit schemes

The Group has two defined benefit schemes, both of which relate to Interfloor Limited.

Interfloor Limited sponsors the Final Salary Scheme ("the Main Scheme") and the Interfloor Limited Executive Scheme ("the Executive Scheme") which are both defined benefit arrangements. The defined benefit schemes are administered by a separate fund that is legally separated from the Group. The trustees of the pension fund are required by law to act in the interest of the fund and of all relevant stakeholders in the scheme. The trustees of the pension fund are responsible for the investment policy with regard to the assets of the fund.

The last full actuarial valuations of these schemes were carried out by a qualified independent actuary as at 31 July 2015.

The contributions made by the employer over the financial period were £95,000 (2016: £nil) in respect of the Main Scheme and £126,000 (2016: £nil) in respect of the Executive Scheme.

Contributions to the Executive and Main Schemes are made in accordance with the Schedule of Contributions. Future contributions are expected to be an annual premium of £95,000 in respect of the Main Scheme and £126,000 contributions payable to the Executive Scheme. These payments are in line with the certified Schedules of Contributions until they are reviewed on completion of the triennial valuations of the schemes as at 1 August 2018.

As both schemes are closed to future accrual there will be no current service cost in future years.

The defined benefit schemes typically expose the Company to actuarial risks such as: investment risk, interest rate risk and longevity risk.

Investment risk

The present value of the defined benefit schemes' liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the returns on schemes' assets are below this rate, it will create a scheme deficit. Due to the long-term nature of the schemes' liabilities, the trustees of the pension fund consider it appropriate that a reasonable portion of the schemes' assets should be invested in equity securities to leverage the return generated by the funds.

Interest risk

A decrease in the bond interest rate will increase the schemes' liability but this will be partially offset by an increase in the return on the plan's debt investments.

Longevity risk

The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the schemes' participants will increase the schemes' liability.

The present value of the defined benefit liabilities was measured using the projected unit credit method.

The expected rates of return on plan assets are determined by reference to relevant indices. The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

NOTES TO THE ACCOUNTS

20. Retirement benefit obligations (continued)

Principal actuarial assumptions (expressed as weighted averages) at the consolidated balance sheet date were as follows:

	2017	2016
Discount rate	**2.5%**	3.6%
Revaluation rate of deferred pensioners of CPI or 5% p.a. if less	**2.4%**	2.0%
Pension in payment increases of RPI or 5% p.a. if less	**3.2%**	2.9%
Pension in payment increases of CPI or 3% p.a. if less	**2.1%**	1.8%
Inflation (RPI)	**3.4%**	3.0%
Inflation (CPI)	**2.4%**	2.0%

The assumptions relating to longevity underlying the pension liabilities at the Consolidated Statement of Financial Position date are based on 115% of the standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65-year-old to live for a number of years as follows:

(i) Current pensioner aged 65: 20.9 years (male), 22.9 years (female).

(ii) Future retiree (aged 45) upon reaching 65: 22.2 years (male), 24.4 years (female).

Amounts recognised in income in respect of these defined benefit schemes are as follows:

	2017 £000	2016 £000
Administrative expenses	**–**	166
Net interest expense	**116**	64
Components of defined benefit costs recognised in profit or loss	**116**	230

The net interest expense has been included within finance costs. The remeasurement of the net defined benefit liability is included in the statement of comprehensive income.

Amounts recognised in the Consolidated Statement of Comprehensive Income are as follows:

	2017 £000	2016 £000
The return on plan assets (excluding amounts included in net interest expense)	**2,999**	(40)
Actuarial gains and (losses) arising from changes in demographic assumptions	**–**	314
Actuarial losses arising from changes in financial assumptions	**(11,114)**	(877)
Actuarial (losses) and gains arising from experience adjustments	**269**	451
Remeasurement of the net defined benefit liability	**(7,846)**	(152)

The largest contributor to net actuarial losses in the year was the change in discount rate applied to the scheme liabilities, which reduced from 3.6% in 2016 to 2.5% in 2017. The discount rate is assessed by reference to expected returns on high quality corporate bonds, which reduced significantly during the period.

The amount included in the Consolidated Balance Sheet arising from the Group's obligations in respect of its defined benefit retirement benefit schemes is as follows:

	2017 £000	2016 £000
Present value of defined benefit obligations	**(36,470)**	(25,945)
Fair value of plan assets	**25,384**	22,600
Net liability arising from defined benefit obligation	**(11,086)**	(3,345)
Deferred tax applied to net obligation	**2,106**	636

20. Retirement benefit obligations (continued)

Movements in the present value of defined benefit obligations in the period were as follows:

	2017 £000	2016 £000
Opening defined benefit obligation	**25,945**	–
Defined benefit obligation acquired	**–**	25,861
Expense	**–**	166
Interest cost	**912**	539
Remeasurement (gains)/losses:		
Actuarial gains and (losses) arising from changes in demographic assumption	**–**	(314)
Actuarial losses arising from changes in financial assumptions	**11,114**	877
Actuarial (losses) and gains arising from experience adjustments	**(269)**	(451)
Benefits paid and expenses	**(1,232)**	(733)
Closing defined benefit obligation	**36,470**	25,945

Movements in the fair value of plan assets in the period were as follows:

	2017 £000	2016 £000
Opening fair value of plan assets	**22,600**	–
Fair value of plan assets acquired	**–**	22,898
Interest income	**796**	475
Remeasurement gains:		
The return on plan assets (excluding amounts included in net interest expense)	**2,999**	(40)
Contributions from the employer	**221**	–
Benefits paid and expenses	**(1,232)**	(733)
Closing fair value of plan assets	**25,384**	22,600

The major categories and fair values of plan assets at the end of the reporting period for each category are as follows:

	2017 £000	2016 £000
Cash and cash equivalents	**669**	518
Government bonds	**2,538**	1,826
Corporate bonds	**3,034**	3,386
UK equities	**9,897**	9,236
Property	**1,432**	1,551
Overseas equities	**7,814**	6,083
Closing fair value of plan assets	**25,384**	22,600

None of the fair values of the assets shown above include any of the employer's own financial instruments or any property occupied by, or other assets used by, the employer. All of the schemes assets have a quoted market price in an active market.

The actual return on plan assets was £3,795,000 (2016: £435,000).

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, expected salary increase and mortality. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

If the discount rate decreased by 0.25% per annum, the defined benefit obligation would increase by 4.5%.

20. Retirement benefit obligations (continued)
If the rate of inflation increases by 0.25% per annum, the defined benefit obligation would increase by 3.3%.

If the life expectancy increases by one year for both men and women, the defined benefit obligation would increase by 4.1%.

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

In presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the Consolidated Balance Sheet.

The Group expects to make a contribution of £221,000 (2016: £221,000) to the defined benefit schemes during the next financial period.

21. Share capital

	2017 **£000**	2016 £000
Allotted, called up and fully paid		
90,969,396 Ordinary shares of 5p each (2016: 90,965,845)	**4,548**	4,548

The Company has one class of Ordinary shares which carry no right to fixed income.

The prior year number of ordinary shares have been restated to reflect the five for one share split which came into effect on 12 September 2016.

The Company issued 3,551 shares in the year in connection with the retailer incentive scheme (shares issued before 12 September 2016 have been restated for the five for one share split noted above).

Capital risk management
The Group considers its capital to comprise its Ordinary share capital, share premium, accumulated retained earnings and net debt. In managing its capital, the Group's primary objective is to ensure its continued ability to provide a consistent return for its equity shareholders through a combination of capital growth and distributions.

In order to achieve this objective, the Group monitors its gearing to balance risks and returns at an acceptable level and also to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs.
In making decisions to adjust its capital structure to achieve these aims, either through altering its dividend policy, new share issues, or the reduction of debt, the Group considers not only its short-term position but also its long-term operational and strategic objectives.

The Group is subjected to a number of financial covenants in connection with its group bank facilities. These covenants are tested quarterly and were not breached during the year.

22. Reserves

(a) Retained earnings

Retained earnings for the Group as at 1 April 2017 were £16,451,000 (2016: £10,257,000).

The profit of the Company for the year determined in accordance with the Companies Act 2006 was £2,733,000 (2016: profit of £2,679,000). The Company is exempt under Section 408 of the Companies Act 2006 from presenting its own Income statement and Statement of Comprehensive Income.

(b) Foreign exchange reserve

The foreign exchange reserve for the Group as at 1 April 2017 was £5,027,000 (2016: £3,083,000), in respect of foreign exchange differences on consolidation of overseas subsidiaries.

(c) Share premium

The share premium account for the Group as at 1 April 2017 was £52,472,000 (2016: £52,462,000), in respect of premium received on the issuance of equity above the nominal value of the shares issued.

(d) Other reserves

The Company entered into a fully subordinated £10m 2022 unsecured loan note facility prodivded by the Business Growth Fund ("BGF") at the time of the acquisition of Abingdon Flooring group and granted BGF an option for 3,730,000* new Victoria PLC ordinary 5p shares at an exercise price of £0.572* (together, the "BGF loan and option"). The BGF loan and option is accounted for as separete debt and equity components. The equity component was determined to have a fair value of £682,000.

The increase of £112,000 in the current year relates to a share-based payment charge on growth shares issued in the period (see further details in the Directors' Report).

* Figures restated for the effect of the five for one share split effective from 12 September 2016.

23. Acquisition of subsidiaries

(a) Ezi Floor

On 3 October 2016 the Group acquired the business and assets of Ezi Floor Limited.

Ezi Floor benefits from a modern, well equipped, manufacturing facility near Bradford, Yorkshire, and is an efficient manufacturer and distributor of a range of underlay and underlay accessories for both the residential and contract markets. It sells to wholesalers, retail groups, and independent stores throughout the UK.

The acquisition of Ezi Floor is highly complementary to the Group's existing businesses, with the addition of underlay and hard flooring ranges to the Group's product portfolio which previously consisted of only broadloom carpet and carpet tiles. The acquisition is expected to be immediately accretive to the underlying earnings per share of the Company.

The Group results for the year ended 1 April 2017 includes contribution from Ezi Floor of £4.4m of revenue and £1.2m of underlying profit before tax (before amortisation of acquired intangibles, acquisition and reorganisation costs). If the acquisition had been completed on the first day of the financial year Group revenue and underlying profit before tax would have been higher by £5.0m and £1.1m respectively.

Consideration

The consideration for the acquisition comprises:

(i) Initial cash consideration of £6.5m;

(ii) Deferred cash consideration of £6.5m, payable in annual instalments over four years; and

(iii) Contingent cash consideration of a maximum of £6.5m, wholly dependent on improved EBITDA over the next four years.

NOTES TO THE ACCOUNTS

23. Acquisition of subsidiaries (continued)
Net Assets Acquired

	Amounts recognised at acquisition date £000
Property, plant and equipment	1,759
Trade and other receivables	1,638
Inventories	1,170
Book value of net assets acquired	4,567
Provisional fair value adjustments:	
Intangible assets arising on acquisition - Customer Relationships (see Note 10)	5,900
Intangible assets arising on acquisition - Brand Names (see Note 10)	150
Deferred tax liability on intangible assets acquired	(1,099)
Fair value of total identifiable net assets	9,518
Goodwill (see Note 9)	7,094
Total consideration	16,612
Satisfied by:	
Cash	6,500
Deferred consideration	6,041
Contingent consideration	4,071
	16,612

Other than where fair value adjustments have been made, the book value of assets acquired is considered to approximate their fair values. Gross trade receivables acquired are considered to equate to the fair value of contractually collectable cash flows.

Depending on the future performance of Ezi Floor, the contingent element of consideration could vary from the present value assessed above. However, based on the overall quantum and sensitivity to changes in assumed future growth rates, the range in potential outcomes of contingent consideration is considered to be immaterial.

After fair value adjustments, goodwill of £7.1m is created on the consolidation of Ezi Floor which relates to expected future profits of the business.

Transaction costs amounting to £155,000 relating to the acquisition have been recognised as an expense and included in the administrative expenses in the Group Income Statement.

(b) Dunlop Flooring
The Group acquired the net assets of Dunlop Flooring through a newly incorporated company in Australia namely Primary Flooring Pty Ltd. The new entity continues to trade under the Dunlop Flooring name.

Dunlop Flooring is the largest manufacturer and distributor of carpet underlay in Australia catering to both the domestic and commercial markets. The two manufacturing plants are located at Sunshine, near Melbourne and Wetherill Park, a suburb of Sydney.

Dunlop Flooring also sources, imports and distributes a range of hard flooring comprising laminates, engineered wood and luxury vinyl plank under the “Heartridge” brand name. Exclusive product ranges are also provided to key customers under the “Castleton” and “Invincible” brand names.

The acquisition of Dunlop Flooring is highly complementary to the Group’s existing businesses in Australia with the addition of underlay and hard flooring ranges to the Group’s product portfolio which previously consisted of only broadloom carpet and carpet tiles. The acquisition is expected to be immediately accretive to the underlying earnings per share of the Company.

23. Acquisition of subsidiaries (continued)

The Group results for the year ended 1 April 2017 include contribution from Dunlop Flooring A$8.7m (£5.0m[1]) of revenue and A$0.8m (£0.5m[1]) of underlying profit before tax (before amortisation of acquired intangibles, acquisition and reorganisation costs). If the acquisition had been completed on the first day of the financial year Group revenue and underlying profit before tax would have been higher by A$45.4m (£26.1m[1]) and A$4.7m (£2.7m[1]) respectively.

1. Applying the average exchange rate over the financial year of 1.7435.

Consideration

Cash consideration of A$36.4m (£22.4m[2]) was paid on completion of the acquisition. There is no deferred or contingent consideration.

2. Applying the GBP to A$ exchange rate at the date of acquisition of 1.6252.

Net Assets Acquired

	Amounts recognised at acquisition date £000
Property, plant and equipment	1,540
Trade and other receivables	2,681
Inventories	5,378
Trade and other payables	(2,725)
Deferred tax assets	339
Book value of net assets acquired	7,213
Provisional fair value adjustments:	
Intangible assets arising on acquisition – Customer Relationships (see Note 10)	10,030
Intangible assets arising on acquisition – Brand Names (see Note 10)	1,477
Deferred tax liability on intangible assets acquired	(3,453)
Fair value of total identifiable net assets	15,267
Goodwill (see Note 9)	7,128
Total consideration	22,395
Satisfied by:	
Cash	22,395
	22,395

Other than where fair value adjustments have been made, the book value of assets acquired is considered to approximate their fair values. Gross trade receivables acquired are considered to equate to the fair value of contractually collectable cash flows.

After fair value adjustments, goodwill of £7.1m is created on the consolidation of Dunlop Flooring, which relates to expected future profits of the business.

Transaction costs amounting to £418,000 relating to the acquisition have been recognised as an expense and included in the administrative expenses in the Group Income Statement.

(c) Avalon and GrassInc.

On 13 February 2017 the Group acquired 100% of the equity of Avalon B.V and GrassInc. B.V

Avalon and GrassInc. primarily supply artificial grass for domestic and landscaping purposes across Europe. This is a very high growth – and high margin – segment of the flooring market.

The acquisitions continue Victoria's strategy of growing its business with earnings-enhancing acquisitions, and then using available synergies to drive further increases in profits. The Board believes that the Acquisitions present an excellent strategic fit with Victoria's existing business and will have strong long-term growth prospects as part of the Group.

NOTES TO THE ACCOUNTS

23. Acquisition of subsidiaries (continued)

The Group results for the year ended 1 April 2017 include contribution from Avalon and GrassInc of €3.0m (£2.6m[1]) of revenue and €0.7m (£0.6m[1]) of underlying profit before tax (before amortisation of acquired intangibles, acquisition and reorganisation costs). If the acquisition had been completed on the first day of the financial year Group revenue and underlying profit before tax would have been higher by €16.7m (£14.2m[1]) and €3.3m (£2.8m[1]) respectively.

1. Applying the average exchange rate over the financial year of 1.1785.

Consideration

The consideration for the acquisition comprises:

(i) Initial cash consideration of €11.2 million (£9.5m[2]);

(ii) Deferred cash consideration of €5.1 million (£4.3m[2]) payable in instalments over four years; and

(iii) Contingent cash consideration of up to approximately €8.8 million (£7.5m[2]) dependent on improved EBITDA and other criteria over the next four years.

2. Applying the GBP to € exchange rate at the date of acquisition of 1.1736

Net Assets Acquired

	Amounts recognised at acquisition date £000
Property, plant and equipment	110
Trade and other receivables	941
Inventories	5,180
Trade and other payables	(1,438)
Current tax liabilities	(66)
Net cash/(overdraft)	626
Loans	(620)
Book value of net assets acquired	4,692
Provisional fair value adjustments:	
Intangible assets arising on acquisition – Customer Relationships (see Note 10)	8,265
Intangible assets arising on acquisition – Brand Names (see Note 10)	767
Deferred tax liability on intangible assets acquired	(2,258)
Fair value of total identifiable net assets	11,466
Goodwill (see Note 9)	7,522
Total consideration	18,988
Satisfied by:	
Cash	9,524
Deferred consideration	4,168
Contingent consideration	5,297
	18,988

Other than where fair value adjustments have been made, the book value of assets acquired are considered to approximate their fair values. Gross trade receivables acquired are considered to equate to the fair value of contractually collectable cash flows.

Depending on the future performance of Avalon and GrassInc., the contingent element of consideration could vary from the present value assessed above. However, based on the overall quantum and sensitivity to changes in assumed future growth rates, the range in potential outcomes of contingent consideration is considered to be immaterial.

23. Acquisition of subsidiaries (continued)

After fair value adjustments, goodwill of £7.5m is created on the consolidation of Avalon and GrassInc. which relates to expected future profits of the businesses.

Transaction costs amounting to £1,033,000 relating to the acquisitions have been recognised as an expense and included in the administrative expenses in the Group Income Statement.

24. Government grants

	2017 £000	2016 £000
Deferred income at 3 April 2016	**554**	782
Amortisation to deferred income by release through cost of production	**(233)**	(269)
Adjustment for acquisitions in the year	**–**	37
Exchange adjustment	**56**	4
Deferred income at 1 April 2017	**377**	554
Presented in:		
Current liabilities	**209**	215
Non-current liabilities	**168**	339
	377	554

There are no unfulfilled conditions or other contingencies attaching to government assistance.

25. Financial instruments

Background

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout the financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The "financial instruments" which are affected by these risks comprise borrowings, cash and liquid resources used to provide finance for the Group's operations, together with various items such as trade debtors and trade creditors that arise directly from its operations, inter-company payables and receivables, and any derivatives transactions (such as interest rate swaps and forward foreign currency contracts) used to manage the risks from interest rate and currency rate volatility.

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receives monthly reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

25. Financial instruments (continued)

Credit risk

The Group's principal financial assets are bank balances and cash, trade and other receivables and investments.

The Group's exposure to credit risk is primarily attributable to its trade receivables. Credit risk is managed locally by the management of each business unit. Prior to accepting new customers, credit checks are obtained from reputable external sources. The amounts presented in the balance sheet are net of allowance for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction on the recoverability of the cash flows.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with low credit risk assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

The Company has no significant concentration of credit risk, other than with its own subsidiaries, the performances of which are closely monitored. The Directors confirm that the carrying amounts of monies owed by its subsidiaries approximate to their fair value.

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due.

To achieve this aim, the cash position is continuously monitored to ensure that cash balances (or agreed facilities) meet expected requirements for a period of at least 90 days.

The Board monitors annual cash budgets and updated forecasts against actual cash position on a monthly basis. At the balance sheet date, these projections indicated that the Group expected to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

The maturity of financial liabilities is detailed in Note 16.

Market risk

Market risk arises from the Group's use of interest bearing and foreign currency financial instruments. It is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk) or foreign exchange rates (currency risk).

(a) Interest rate risk

The Group finances its operations through a mixture of retained profits, equity capital and bank facilities, including hire purchase and lease finance. The Group borrows in the desired currency at floating or fixed rates of interest and may then use interest rate swaps to secure the desired interest profile and manage exposure to interest rate fluctuations.

Interest rate sensitivity

The annualised effect of a 50 basis point decrease in the interest rate at the balance sheet date on the variable rate debt carried at that date would, all other variables held constant, have resulted in an increase in post-tax profit for the year of £423,000 (2016: increase in post-tax profit of £284,000). A 50 basis point increase in the interest rate would, on the same basis, have reduced the profit for the year by the same amount.

Borrowings contractual maturities and effective interest rate analysis

In respect of interest bearing financial liabilities, the following table indicates the undiscounted amounts due for the remaining contractual maturity (including interest payments based on the outstanding liability at the year end) and their effective interest rates. The ageing of these amounts is based on the earliest dates on which the Group can be required to pay.

25. Financial instruments (continued)

Total undiscounted obligations including interest payments	Effective Interest Rate %	Total £000	0–1 Years £000	1–2 Years £000	2–5 Years £000	Over 5 Years £000	Effective Interest Rate %	Total £000	0–1 Years £000	1–2 Years £000	2–5 Years £000	Over 5 Years £000
	As at 1 April 2017						As at 2 April 2016					
Group												
Cash	**0.00%**	**27,979**	**27,979**	**–**	**–**	**–**	0.00%	19,078	19,078	–	–	–
Bank loans & overdraft	**2.83%**	**(110,376)**	**(3,001)**	**(107,375)**	**–**	**–**	3.28%	(76,097)	(2,272)	(2,272)	(71,552)	–
BGF loan	**13.30%**	**(16,135)**	**(1,000)**	**(3,134)**	**(10,291)**	**(1,710)**	13.30%	(17,134)	(1,000)	(1,000)	(9,758)	(5,376)
Finance lease and HP	**4.10%**	**(1,574)**	**(617)**	**(558)**	**(399)**	**–**	4.79%	(1,109)	(183)	(223)	(703)	–
		(100,106)	**23,361**	**(111,067)**	**(10,690)**	**(1,710)**		(75,262)	15,623	(3,495)	(82,013)	(5,376)
Company												
Bank loans & overdraft	**2.83%**	**(120,808)**	**(13,433)**	**(107,375)**	**–**	**–**	3.03%	(75,578)	(2,099)	(2,099)	(71,379)	–
BGF loan	**13.30%**	**(16,135)**	**(1,000)**	**(3,134)**	**(10,291)**	**(1,710)**	13.30%	(17,134)	(1,000)	(1,000)	(9,758)	(5,376)
Finance lease and HP	**–**	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–	–
		(136,943)	**(14,433)**	**(110,509)**	**(10,291)**	**(1,710)**		(97,712)	(3,099)	(3,099)	(81,137)	(5,376)

In addition, the following tables summarises the total undiscounted deferred and contingent consideration liabilities in relation to past acquisitions, again aged based on the earliest dates on which the Group can be required to pay.

Total undiscounted obligations	Total £000	0–1 Years £000	1–2 Years £000	2–5 Years £000	Over 5 Years £000	Total £000	0–1 Years £000	1–2 Years £000	2–5 Years £000	Over 5 Years £000
	As at 1 April 2017					As at 2 April 2016				
Group										
Deferred consideration liabilities	**(17,622)**	**(7,170)**	**(4,685)**	**(5,767)**	**–**	(9,951)	(3,637)	(4,425)	(1,889)	–
Contingent earn-out liabilities	**(22,289)**	**(9,026)**	**(4,857)**	**(8,406)**	**–**	(13,002)	(6,202)	(5,293)	(1,507)	–
	(39,911)	**(16,196)**	**(9,542)**	**(14,173)**	**–**	(22,953)	(9,839)	(9,718)	(3,396)	–
Company										
Deferred consideration liabilities	**–**	**–**	**–**	**–**	**–**	–	–	–	–	–
Contingent earn-out liabilities	**(6,111)**	**(6,057)**	**–**	**(54)**	**–**	(10,388)	(5,500)	(4,709)	(179)	–
	(6,111)	**(6,057)**	**–**	**(54)**	**–**	(10,388)	(5,500)	(4,709)	(179)	–

Non-interest bearing liabilities

Details of trade and other payables falling due within one year are set out in Note 15.

(b) Currency risk

The main currency exposure of the Group arises from the ownership of the Australian subsidiaries which cumulatively account for approximately 23.9% of the Group's net assets.

It is the Board's policy not to hedge against movements in the Sterling/Australian Dollar and Sterling/Euro exchange rate.

Other currency exposure derives from trading operations where goods are exported or raw materials and capital equipment are imported. These exposures may be managed by forward currency contracts, particularly when the amounts or periods to maturities are significant and at times when currencies are particularly volatile.

NOTES TO THE ACCOUNTS

25. Financial instruments (continued)

Currency risk sensitivity

The effect of a 10% strengthening of the Australian Dollar against Sterling over the full year would, all other variables held constant, have resulted in an increase in Group post-tax profit for the year of £176,000 (2016: increased Group post-tax profit by £273,000). A 10% weakening in the exchange rate would, on the same basis, have decreased Group post-tax profit by £144,000 (2016: decreased Group post-tax profit by £223,000).

The effect of a 10% strengthening of the Australia Dollar against Sterling at year-end rates would have resulted in an increase to equity of £2,103,000 (2016: an increase of £1,491,000). A 10% weakening in the exchange rate would, on the same basis, have decreased equity by £1,721,000 (2016: decrease of £1,220,000).

The effect of a 10% strengthening of the Euro against Sterling over the full year would, all other variables held constant, have resulted in a decrease in Group post-tax profit for the year of £68,000. A 10% weakening in the exchange rate would, on the same basis, have increased Group post-tax profit by £48,000.

The effect of a 10% strengthening of the Euro against Sterling at year-end rates would have resulted in an decrease to equity of £69,000. A 10% weakening in the exchange rate would, on the same basis, have decreased equity by £56,000.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2017 £000	2016 £000	**2017 £000**	2016 £000
Australia Dollar	**33,673**	24,098	**52,304**	38,299
Euro	**5,841**	–	**5,221**	–

(c) Trading

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

26. Key sources of estimation uncertainty

In applying the Group's accounting policies, appropriate estimates have been made in a number of areas and the actual outcome may vary from the position described in the Group's and Company's balance sheets at 1 April 2017. The key sources of uncertainty at the balance sheet date that may give rise to a material adjustment to the carrying value of assets and liabilities within the next financial year are as follows:

Realisation of deferred tax assets

Deferred tax assets are recognised at the balance sheet date based on the assumption that there is a high expectation that the asset will be realised in due course. This assumption is dependent on the UK & Europe and Australia divisions' ability to generate sufficient future taxable profits. Further details are set out in Note 19.

Valuation of deferred and contingent earn-out consideration

Liabilities are recognised in respect of acquisitions with outstanding deferred or contingent earn-outs at the end of the period. These are assessed based upon management forecasts for each business in question. Key assumptions are those regarding discount rates, growth rates and expected changes to selling prices and direct costs. Further details are set out in Note 17.

Valuation of acquired intangible assets

Intangible assets are recognised on acquisitions in relation to customer relationships and brands. These are assessed based upon management forecasts for each business in question. Key assumptions are those regarding discount rates, growth rates, expected changes to selling prices and direct costs, brand royalty rates and customer attrition. Further details are set out in Note 10.

26. Key sources of estimation uncertainty (continued)

Impairment of goodwill

On an annual basis the Group is required to perform an impairment review to assess whether the carrying value of goodwill is less than its recoverable amount. Recoverable amount is based on a calculation of expected future cash flows, which include estimates of future performance. Details of assumptions used in this review are detailed in Note 9.

Defined benefit obligation

The Group has two defined benefit pension schemes. The obligations under the schemes are recognised in the Consolidated Balance Sheet and represent the present value of the obligation calculated by independent actuaries, with input from the Directors. These actuarial valuations include assumptions such as discount rates, return on assets and mortality rates. These assumptions vary from time to time according to prevailing economic conditions.

Because of changing market and economic conditions, the expenses and liabilities actually arising under the scheme in the future may differ materially from the estimates made on the basis of the actuarial assumptions. The effects of any change to these assumptions are accounted for in the next financial year as other comprehensive income. The calculation of any charge relating to retirement benefits is clearly dependent on the assumptions used, which reflects the exercise of judgement.

Further details are set out in Note 20.

Inventories

A proportion of inventory is made up of stocks which are not expected to sell for the full normal selling price, either because they are remnants, come from discontinued ranges, or are below the required quality standard. This inventory is carried at the lower of cost and net realisable value. During the year to 1 April 2017, the total movement in stock provisions resulted in a credit to the income statement of £189,000 (2016: charge of £220,000). Further details are set out in Note 13.

Trade receivables

Details of the provision made for non-recoverability of debts due to the Group from the sale of goods are set out in Note 14.

27. Related parties

Transactions between the Company and its subsidiaries have been eliminated on consolidation.

Identity of related parties

The Group has a related party relationship with its Directors and executive officers.

The Company has a related party relationship with its subsidiaries and its Directors and executive officers.

Transactions with key management personnel

Key management personnel are considered to be the Directors of the Company and its subsidiaries.

As at 1 April 2017, the key management personnel, and their immediate relatives controlled 33.0% of the voting shares of the Company.

NOTES TO THE ACCOUNTS

27. Related parties (continued)

The remuneration of the key management personnel of the Group is set out below in aggregate for each of the categories specified in IAS 24 Related Party Disclosures.

	52 weeks ended 1 April 2017 £000	53 weeks ended 2 April 2016 £000
Short-term employee benefits	**3,801**	2,895
Post-employment benefits	**469**	419
	4,270	3,314

Transactions with subsidiary undertakings:

	Company	
	52 weeks ended 1 April 2017 £000	53 weeks ended 2 April 2016 £000
Management fee – Victoria Carpets Limited	**30**	–
Management fee – Globesign Limited	**30**	–
Management fee – Abingdon Flooring Limited	**30**	–
Management fee – Whitestone Carpets Holdings Limited	**30**	–
Management fee – Interfloor Group Limited	**30**	–
Management fee – Ezi Floor Limited	**15**	–
Management fee – The Victoria Carpet Company Pty Limited	**30**	–
Management fee – Quest Flooring Pty Ltd	**30**	–
Management fee – Primary Flooring Pty Limited	**5**	–
Management fee – Victoria Bidco BV	**4**	–
Interest on intercompany loans – Victoria Carpets Limited	**290**	–
Interest on intercompany loans – Globesign Limited	**335**	–
Interest on intercompany loans – Abingdon Flooring Limited	**448**	–
Interest on intercompany loans – Whitestone Carpets Holdings Limited	**578**	–
Interest on intercompany loans – Interfloor Group Limited	**1,651**	–
Interest on intercompany loans – Ezi Floor Limited	**147**	–
Interest on intercompany loans – The Victoria Carpet Company Pty Limited	**76**	–
Interest on intercompany loans – Primary Flooring Pty Limited	**202**	–
Interest on intercompany loans – Victoria Bidco BV	**36**	–
Interest on loan notes – Interfloor Operations Limited	**1,544**	–
Dividend income – Victoria Midco Holdings Limited	**5,112**	–
Dividend income – The Victoria Carpet Company Pty Limited	**–**	984
Dividend income – Globesign Limited	**–**	3,500
Dividend income – Abingdon Flooring Limited	**–**	3,000
Dividend income – Interfloor Group Limited	**–**	3,500
Dividend income – Whitestone Carpets Holdings Limited	**–**	2,000
Preference dividend income – Quest Flooring Pty Limited	**767**	474

	52 weeks ended 1 April 2017 £000	53 weeks ended 2 April 2016 £000
Amounts due from subsidiary undertakings	**146,930**	105,299
Amounts due to subsidiary undertakings	**1**	1

27. Related parties (continued)

Transactions with the Business Growth Fund

Gavin Petken, a Non-Executive Director of Victoria PLC, is the Business Growth Fund's ("BGF") Regional Director for the Midlands. On the 30 September 2014 the Company entered into a £10m 2022 unsecured loan facility with BGF. In addition, BGF has been granted an option over 3,730,000* new Ordinary 5p shares in the Company at 57.2p* per share, representing 5% of the Company's deemed enlarged issued share capital at the time of grant.

The BGF loan and option is accounted for as separate debt and equity components.

Interest charged to the income statement during the period in relation to the BGF loan was £1,372,000 (2016: £1,307,000).

* Figures restated for the effect of the five for one share split effective from 12 September 2016.

28. Post balance sheet events

On 5 July 2017, the Group entered into a new, extended multi-currency revolving credit facility. Further details are provided in the Financial Review on page 16.

SHAREHOLDER INFORMATION

Corporate website
The Annual Report, Company announcements and other information are available on the Group's website at: www.victoriaplc.com

Shareholder queries
If you have any queries in relation to Victoria PLC shares, please contact the Company's registrars whose details are as follows: Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.

Telephone: 0871 664 0300 Overseas: +44 20 8639 3399 website: www.capitaassetservices.com

Dividend payments
Our registrars have the facility to pay shareholders' dividends directly into their bank accounts, instead of receiving the dividend payment by cheque. They are also able to convert dividend payments into local currency and send the funds by currency draft or, again, if preferred, pay them straight into a bank account.

More information on the above services can be obtained from Capita Registrars or downloaded from the Group's website: www.victoria.plc.com/victoriaplc/investors/downloads/

Unsolicited mail
The Company is required by law to make its share register available on request to the public and organisations which may use it as a mailing list resulting in shareholders receiving unsolicited mail. Shareholders wishing to limit such mail should write to the Mailing Preference Service, DMA House, 70 Margaret Street, London, W1W 8SS or register online at www.mpsonline.org.uk

Victoria PLC Registered office
Worcester Road
Kidderminster
Worcestershire
DY10 1JR

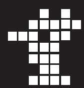
Company Registered No. (England & Wales)
282204

Advisers

Auditor:	Grant Thornton UK LLP – 20 Colmore Circus, Birmingham, B4 6AT
Bankers:	Barclays Bank PLC – PO Box 3333, One Snow Hill, Queensway, Birmingham, B3 2WN HSBC Bank plc – Penman Way, Grove Park, Enderby, Leicester, LE19 1SY The Royal Bank of Scotland Group PLC – 5th Floor, 2 St Philips Place, B3 2RB AIB Group (UK) p.l.c. – 8th Floor, 63 Temple Row, Birmingham, B2 5LS
Registrar:	Capita Asset Services – The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU
Solicitor:	Brown Rudnick LLP – 8 Clifford Street, London, WS1 2LQ
Nominated Adviser and Joint Broker:	Cantor Fitzgerald Europe – One Churchill Place, Canary Wharf, London E14 5RB
Joint Broker:	finnCap – 60 New Broad Street, London, EC2M 1JJ
Public Relations:	Buchanan Communications – 107 Cheapside, London, EC2V 6DN

GLOSSARY

BGF	Business Growth Fund
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EPS	Earnings per share
FY16	The 53 weeks ended 2 April 2016
FY17	The 52 weeks ended 1 April 2017
H1	The 26 weeks ended 2 October 2016
H2	The 26 weeks ended 1 April 2017
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
KPIs	Key performance indicators used to assess the business performance
PBT	Profit before taxation



VICTORIA PLC

Victoria PLC
Worcester Road
Kidderminster
Worcestershire
DY10 1JR
Tel: +44 (0)1562 749300
Fax: +44 (0)1562 749649
www.victoriaplc.com