VICTORIA PLC

Annual Report and Accounts
for the 52 weeks ended 31 March 2018

www.victoriaplc.com
stock code: VCP

VICTORIA PLC

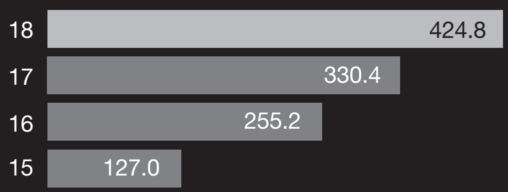
Welcome to Victoria PLC

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

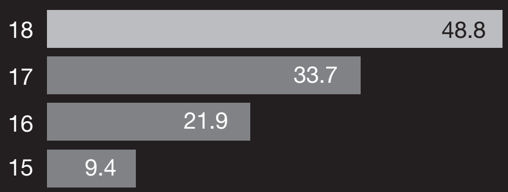
BY APPOINTMENT TO
HER MAJESTY THE QUEEN
CARPET MANUFACTURERS
VICTORIA CARPETS LTD
KIDDERMINSTER

Group financial and operational highlights

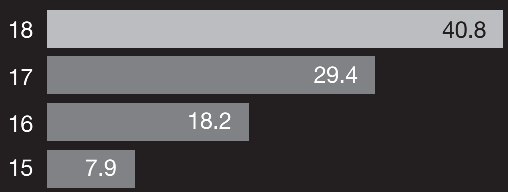
Revenue (m)



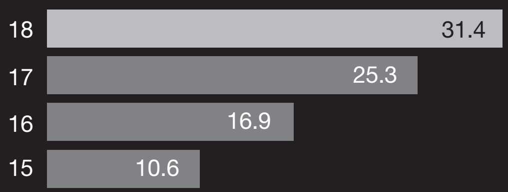
Operating profit* (m)



Pre-tax profit* (m)



Basic adjusted earnings per share* (pence)



* Underlying and before exceptional items

- 2018 was the fifth consecutive record year for Victoria as the Group continued to grow in financial strength and deliver upon its strategic objectives
- The Group achieved a record underlying EBITDA margin of 15.2%, a circa 140 basis point increase year-on-year driven by efficiency measures actioned across the businesses
- Acquisition strategy continued with the completion and successful integration of earnings-accretive acquisitions in Europe, Ceramiche Serra and Keraben Grupo
- Significant progress made during the year in the ongoing reorganisation of manufacturing and logistics, expected to drive organic improvements and efficiencies
- Net debt at the year-end was £258.7m, less than 2.7 times annualised EBITDA.

Read the **Victoria snapshot** on pages 2 and 3

Our Mission Statement

TO CREATE WEALTH FOR OUR SHAREHOLDERS

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Read the **Financial review** on pages 13 to 18

Visit our corporate website www.victoriaplc.com

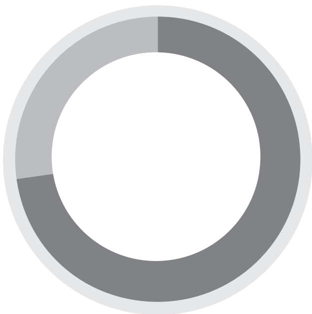
A snapshot of Victoria PLC

Location of operations

The Group has operations in the UK, Europe and Australia, employing approximately 2,500 people at more than 20 sites.

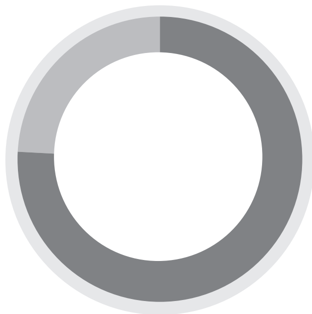
Revenue

UK & Europe **73%**
Australia **27%**



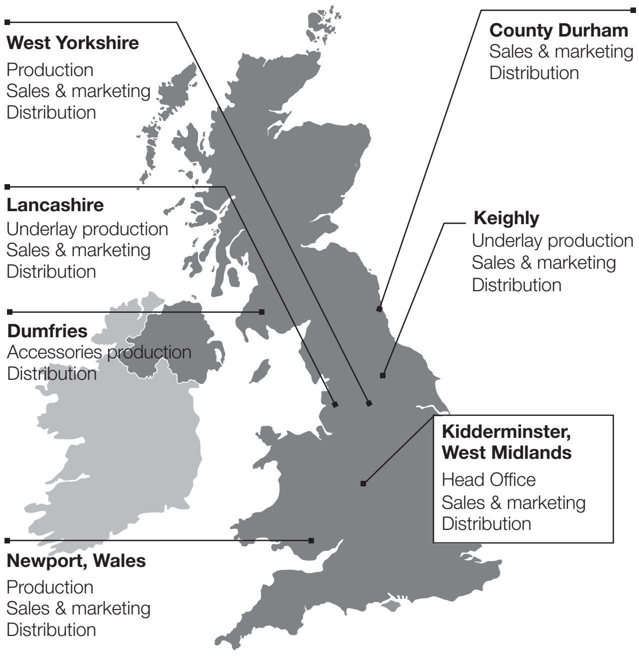
Operating profit*

UK & Europe **76%**
Australia **24%**



United Kingdom and Europe

Revenue	Operating profit*	Employees†	m² flooring sold‡	m² underlay sold‡
£312.0m	£38.5m	2,112	46.0m	44.0m

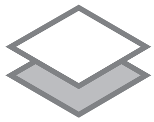


Key products

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

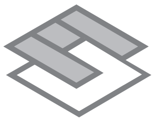
1. Carpets

2. Ceramics

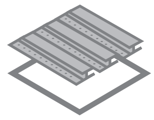


3. Underlay

4. Artificial Grass



5. Luxury Vinyl Tile (LVT) and hardwood flooring



6. Flooring Accessories

Australia

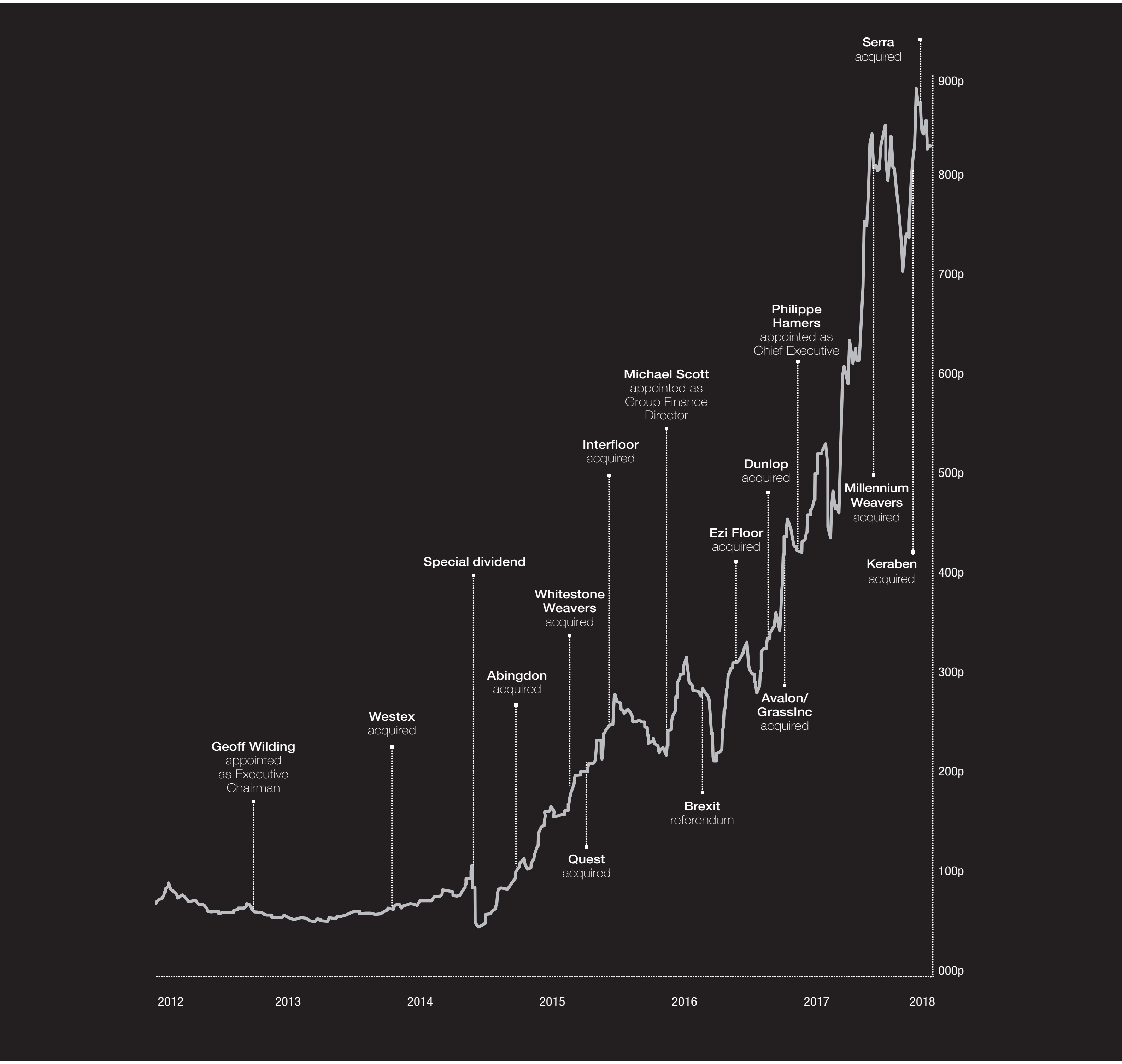
Revenue	Operating profit*	Employees†	m² flooring sold‡	m² underlay sold‡
£112.8m	£11.6m	388	9.0m	17.0m

* Operating profit before non-underlying and exceptional items, excluding unallocated central expenses of £1.2m.

† Number of employees as at 31 March 2018.

Creating wealth for shareholders

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



Chairman's statement

2018 was another record year for Victoria PLC as earnings and the Group's financial strength continued to grow:

- Revenue increased by 28.6% (28.1% in constant currency terms) from £330.4m to £424.8m, including acquisitions;
- 45.0% increase in underlying operating profit from £33.7m to £48.8m;
- Underlying profit before tax substantially increased from £29.4m to £40.8m;
- Expenditure on exceptional M&A and reorganisation costs of £11.2m, compared to £2.4m in the prior year;
- After exceptional and other non-underlying items, the Group reported profit before tax of £13.4m, compared with £18.8m in the prior year;
- The Group achieved a record underlying EBITDA margin of 15.2%, c.140 basis points ahead of the prior year;
- Following the two significant acquisitions during the second half of the year, net debt at the year-end was £258.7m.

£m	H1 FY18	H2 FY18	FY18
Revenue	£189.5m	£235.3m	£424.8m
EBITDA*	£24.6m	£40.1m	£64.7m
Operating profit*	£18.2m	£30.6m	£48.8m
Pre-tax profit*	£15.5m	£25.3m	£40.8m
Pre-tax operating cash flow*	£19.7m	£44.6m	£64.3m

* Underlying and before exceptional items. Underlying operating cash flow is before interest, tax and exceptional cash items.

Chairman's statement

This was the fifth consecutive year of growth in underlying earnings per share, free cash flow, and operating margins at Victoria – with challenging market conditions in the UK, confirming the value of diversifying our geographic exposure. We are confident there is further meaningful growth ahead of us from both ongoing organic improvements and efficiencies from our manufacturing capabilities and logistics (which I discuss in more detail later in this statement), and acquisitions. However, the benefits of the Group's strategy to achieve scale through acquisitions is clear, with 2018 adjusted earnings per share up by 24.3% – despite our two acquisitions only contributing for part of the year.

We took advantage of challenging conditions in the UK to grow our market share by remaining very competitive on price. Initial pressures on margins arising from the decision, are being relieved by solid gains in production efficiency from the manufacturing reorganisation project and, together with our increased market share, have placed Victoria in very good stead for the months and years ahead. Indeed, we have seen good growth in the first months of the current year, as noted in our market update in June.

There were some significant exceptional costs in 2018 as we completed acquisitions and continued our planned reorganisation to improve operating efficiency and increase capacity. These fall into two general categories:

- Much to the chagrin of London's advisory community, we use them rarely. However due to the pace at which we needed to move to secure the acquisition of Keraben last November and the requirement to raise the necessary funds with speed and certainty, we were left with little option. Although the advisors delivered an excellent service, given the cost – a total of £5.8m in 2018 – shareholders will understand why we use them as sparingly as possible. On a more positive note and to put it in some perspective, the cost is equivalent to only two months' profit from Keraben.
- Shareholders will recall we announced our intention to reorganise our UK manufacturing footprint and logistics operation in June 2017, to improve productivity, manufacturing capacity, and customer service. This exercise has come in a little under budget but has still been expensive with over £4m spent to date – a significant proportion on redundancy costs – but the improvement to the business's profits from this year making it well-worthwhile.

REVIEW

I was recently asked by what measure shareholders should judge whether Victoria is succeeding or failing. It is a straightforward question and the answer is equally straightforward. There is only one measure: Are we delivering on our mission statement, "To create wealth for shareholders"?

Our business plan, capital allocation, management compensation, operational decisions, acquisitions, … all these decisions are wholly focussed on accomplishing this mission. This is not to say we don't treat employees fairly, build solid relationships with suppliers, invest in research and development, create quality products at competitive prices for our customers, respect the environment, and act as good corporate citizens. We do all this (and more) as these things are essential for building a quality, long-lasting growth business but we never confuse the means with the end – creating wealth for shareholders.

So, we have, in 2018, stuck unwaveringly to our overarching successful strategy, which is to use acquisitions to achieve scale and open up new markets and distribution channels and then use that scale to deliver synergies, which reduce costs, improve operational efficiencies, and grow revenues.

The Group has a federal structure with managers individually responsible for the performance of their largely self-contained divisions with oversight by, but with very limited interference from, head office. We are, in fact, a team of teams. Within the limits of the Group's overall strategy and objectives, each manager develops their own plan and tactics (which are, of course, reviewed by the board) to deliver their targets. It is here that Victoria's policy of only employing talented managers with deep technical expertise bears fruit. The depth of their industry experience and product knowledge, their motivation, enthusiasm, and desire to win shows through in every action they take. 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.

There is no one right way to run a business. However, this is the way we do it at Victoria and shareholders can look forward to Victoria continuing to out-perform the sector.

Chief Executive

FY18 was Philippe Hamers' first full year as Group Chief Executive and I want to express my appreciation for his contribution. The energy and speed of change he has bought to the group has been remarkable and the effects of those changes are delivering very good growth in the current financial year. Previously, Victoria was managed by an enthusiastic industry amateur (me) but in Philippe we have a consummate professional who has forgotten more about flooring than I will ever know. His 25 years' experience in the flooring industry including, most recently, heading Europe's largest carpet manufacturing operation, has given him extensive experience in running very large, multi-site, multi-national, manufacturing and sales organisations.

Acquisitions

As I'm sure most of our shareholders are aware, acquisitions are a key part of our growth strategy and we continued to be acquisitive during the period under review, completing two earnings-accretive acquisitions in Europe.

Five years ago, the new Board envisioned Victoria as a flooring company, not just the carpet company it had been historically. Our initial focus on expanding our carpet manufacturing capability was in order to achieve the necessary scale to create real margin-enhancing synergies. If we had randomly acquired manufacturers of wood flooring, ceramic tiles, LVT, carpet, stone, laminate, etc., we would never have achieved scale in any sector and therefore been unable to achieve the margin and revenue growth we have been able to do with synergies.

However, over 60% of all flooring sold is ceramic tiles and we began researching the ceramic flooring market in late-2016. There are two primary regions of ceramic production in Europe – Castellon, Spain and Sassuolo, Italy. We spent many weeks in these industrial regions, talking to numerous manufacturers, suppliers, and distributors, gaining an understanding of the industry and identifying suitable acquisition prospects. The result, so far, has been two acquisitions, providing us with a high-quality footprint in each region:

- **Ceramiche Serra** – Located in Sassuolo, Italy Serra was acquired in December 2017. It is a highly efficient, mid-market manufacturer supplying retailers, distributors, and DIY chains throughout Europe. Demand for its products has been significantly outstripping Serra's production capacity and so we invested in a new production line in early 2018 (this was planned at the time of the acquisition). The line was installed in what must have been record time and production commenced in May 2018. Demand continues to rise and we are expecting very strong growth in the current financial year.
- **Keraben Grupo** – Based in the Castellon region of Spain, Keraben is one of Spain's largest and most successful ceramic tile manufacturer and was acquired in November 2017. It exports much of its product throughout Europe and the wider world and has an excellent reputation for high quality products and customer service. We were able to secure the continued services of the entire senior management team (indeed, we would not have proceeded without them) and they have invested a substantial amount of their net worth into the success of the Group. Keraben gives Victoria a very good platform for further growth in the sector.

It is important to remember that, due to completion of these acquisitions occurring during the second half of the year together with their integration costs, Serra and Keraben contributed only a small proportion of their normal full-year performance. However, the businesses are performing well and shareholders can be confident that profits from both acquisitions will make a meaningful contribution towards our growth in the current financial year.

We have continued to pursue acquisitions this year. Victoria has, I believe, a soundly-based reputation in the industry for paying a fair price for good businesses. We do not aim to buy only bargains (I am firmly of the view that, by and large, one gets what one pays for), but nor will we ever overpay. We stop listening and start running if we ever hear the words "strategic premium" or similar in a sales pitch and are, through bitter experiences in the distant past, completely inoculated against 'deal fever'. If the price gets too high or terms unfavourable, we just walk away – a step made easier because we always have other options due to the dozens of opportunities we look at every year. Shareholders can sleep soundly knowing we will never be profligate with their money.

Post period end events

We are always looking to improve productivity. Longer term shareholders will recall we successfully consolidated our carpet manufacturing footprint in Australia onto fewer sites during 2014 and more recently, we reorganised our UK production and logistics to improve efficiency and provide increased capacity due to continued strong demand for our products.

These moves have proven to be a great success – delivering incremental margin benefit from improved production efficiency and customer service.

Following on from these gains we have therefore recently announced our intention to reorganise the underlay production facilities in Australia. The Group acquired its Australian underlay business as part of the purchase of Dunlop Flooring in January 2017 and it currently has two manufacturing sites, in Sydney and Melbourne. The Group has decided to focus all manufacturing on the existing site in Sydney and to close the Melbourne operation when the current lease expires in 2019. Together with an investment of approximately A$2.1m (£1.2m) in new

Chairman's statement

technology, this move is expected to improve raw material processing, finishing and packaging at the Sydney site. The combination of consolidation and investment will increase flexibility and result in a more efficient and productive operation. This project is expected to complete during the second half of 2019.

CASH FLOW AND DIVIDEND POLICY

I have previously referred to Warren Buffett's acquisition of Shaw Industries, one of the world's largest flooring manufacturers, in order to access its 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.

Confirming this view, Victoria's underlying pre-tax operating cash flow this year was £64.3m, representing 99% of underlying EBITDA, and underlying free cash flow (i.e. after interest, tax, replacement capex, and asset disposals) was £35.0m, representing 54% of underlying EBITDA and 72% of underlying EBIT.

As a result, it is the Board's expectation that in the medium-term Victoria will be capable of sustainably returning a meaningful level of cash to shareholders. 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 FY18.

NET DEBT

Net debt at the recent year-end was a little under 2.7x annualised EBITDA (as calculated according to our banking covenants), compared to 1.6x at the prior year-end. This increase is due to the size of the recent acquisitions, in particular that of Keraben, which was larger than all other historical acquisitions by Victoria put together. This is, of course, reflected in the financial contribution that Keraben will bring to the group in its first full year this year, having contributed only four complete months in the financial year just ended.

This level of leverage is consistent with our financial strategy, to efficiently but also cautiously use debt funding to improve equity returns for our shareholders. Shareholders will recall leverage immediately following our previous largest acquisition, that of Interfloor during the year ended March 2016, being circa 2.5x. This was then reduced to below 2.0x during the subsequent twelve months through a combination of cash generation and profit growth.

MARKET RISK

Although 2018 was another record year for Victoria, shareholders can be assured we are not complacent.

We recognise that, within a market, flooring can be cyclical (like just about every other business, in reality). Therefore, we have striven to create a business that is resilient to different market conditions:

- We seek to reduce market risk by balancing our product category and geographic markets. Nearly 60% of our profits now come from outside the UK and the international share of our profits is expected to increase further in 2018.
- We have ensured our capital structure will be resilient in any down-cycles, with debt covenants and liquidity that will enable Victoria to ride out storms.
- We have a strong sales culture; irrespective of title, everyone is a sales person. The impact of this culture is far more powerful than many might think. For example, collectively, the revenues of the businesses comprising our group continued to grow through the 2007-2010 downturn as the sales-focussed nature of the businesses aggressively took market share from competitors in order to protect profits.
- Even as our group grows, we continue to maximise the variable component of our costs and minimise the fixed component. We have reduced our relative operational gearing, with a high proportion of fully variable costs (circa 46% of sales) and a low fully fixed overhead (only circa 12% of sales).
- We outsource some production to provide a buffer. In the event of a market downturn, the first fall in production demand will be absorbed by our outsourcing suppliers, giving us both protection for our own manufacturing plants plus buying us time to make any necessary changes.

Down cycles will happen. But, overall, the flooring market is growing steadily as more and more buildings are constructed and existing buildings are renovated – the latter by far the more important driver of the market.

OUTLOOK

I often hear non-shareholders worrying that they have "missed the boat" with Victoria – although I am at a total loss to understand why they would think that.

Our earnings per share growth has happened for two reasons: firstly, organic "self-help" actions (reducing overheads, better raw material procurement, more efficient logistics, leveraging the knowledge of our industry expert senior management to rationalise our production footprint, etc.), and secondly, earnings accretive acquisitions. And what on earth would make anyone think we will stop either activity any time soon?

The market opportunity we have before us is absolutely enormous. There is around 1,700 million sqm of flooring sold each year in Continental Europe, 300 million sqm sold in the UK, and 180 million sqm sold in Australasia[1]. Victoria sells circa 55 million sqm of flooring (excluding underlay), in total, across all three markets. The point I am emphasising is this: there is almost unlimited scope for growth – both organically through increasing our market share and expanding our product offering, and, of course, through acquisition, for which we continue to find many promising and high quality opportunities. We could continue making 3-4 acquisitions a year for the rest of my (intended very long) life and not run out of good opportunities!

And by good opportunities I mean potential acquisitions that meet the key criteria set out below. This list is not exhaustive and sometimes we will not acquire a business that meets all our criteria simply because of some indefinable factor that makes us uncomfortable with proceeding.

1. **We never buy failing turnarounds.** The time and energy expended on a turnaround is rarely worth it and the outcome is always sufficiently uncertain to make it too risky for us;
2. **Modern, well-equipped factories.** As a company, Victoria is extremely focussed on cash generation. It is free cash that enables us to pay down debt, fund growth, whether acquisitions or organic, and in due course progressively return capital to shareholders through dividends or share buybacks. So, the last thing we want to have to do after buying a business is spend all the cash it generates bringing the factory up to standard;
3. **Committed, talented and honest management.** Anyone can lease a factory and buy the machinery to make flooring. The difference between the average business and the extraordinary businesses Victoria acquires is the management;
4. **Broad distribution channels.** Victoria's sales are overwhelmingly made to literally thousands of retailers. We like the security this diversity provides; and pay close attention to customer concentration when considering a potential acquisition;
5. **A fair price.** To quote Warren Buffett, "It's far better to buy a wonderful company at a fair price than a fair company at a wonderful price. We recognise that quality businesses are rarely 'cheap' but shareholders can take comfort from the fact that we will not overpay. Ever.

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 five years but more upside remains through improving the efficiency of our logistics operation, procurement, and production footprint rationalisation. Each 1% increase in our EBITDA margin would increase net profits by circa 10%.

I will finish with a comment I read recently by a very successful fund manager: "[Investment is] not a well-behaved machine that cranks out returns to owners of all equities... Instead quite extraordinary returns flow from a tiny fraction of the companies in existence."

We intend to be one of those companies and look forward with confidence to another successful year of continued growth.

Geoffrey Wilding
Executive Chairman

24 July 2018

1 Source: Freedonia Global Flooring Market Report January 2017

Strategic report

BUSINESS OVERVIEW

Victoria PLC is a designer, manufacturer and distributor of innovative flooring products. The Group is headquartered in the UK, with operations across the UK, Spain, Italy, the Netherlands, Belgium and Australia, employing approximately 2,500 people at more than 20 sites.

The Group designs and manufactures a wide range of wool and synthetic broadloom carpets, ceramic tiles, 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 or specialist products, 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 and transparent management structure, with income statement 'ownership' and linked incentivisation, operating within a framework that promoted close links with each other and with the PLC Board to plan and implement the short and medium-term strategy.

STRATEGY

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 is maintained.

Organic growth is fundamentally driven by the five pillars of the business model highlighted above. 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 31 March 2018 £'m	Year ended 1 April 2017 £'m
Revenue	**424.8**	330.4
Revenue growth at constant currency	**28.1%**	24.8%
Underlying EBITDA	**64.7**	45.7
Underlying EBITDA margin	**15.2%**	13.8%
Underlying operating profit	**48.8**	33.7
Underlying operating margin	**11.5%**	10.2%
EPS (basic, adjusted)	**31.38p**	25.25p
Adjusted net debt / EBITDA[1]	**2.68x**	1.63x
EBITDA interest cover[1]	**9.34x**	12.09x

1 As measured in line with our bank facility covenants

The Group has again delivered a strong set of annual KPIs in relation to growth and margins. The key capital structure KPIs – leverage and interest cover – have tightened moderately versus the prior year-end, however this simply reflects the timing and scale of acquisitions between the two years. The current leverage is consistent with our financial strategy and risk appetite, whilst in 2017 the business was making much smaller acquisitions and had de-levered significantly from a similar peak in 2016.

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

Strategic report

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. Economic risk in any one region is mitigated by the independence of the UK & Europe Division, and the Australia Division. 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 yarn, polyurethane foam, and clay – 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. 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, Euros and Australian Dollars). Furthermore, the recent acquisitions in Continental Europe have created a natural hedge within the UK & Europe segment as there are material earnings in Euros as well as Sterling.

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 2018

Financial review

OVERVIEW

The year to 31 March 2018 has seen substantial positive changes to the Group. We continued our acquisition growth strategy, acquiring two sizeable businesses in Spain and Italy, which have transformed the scale and shape of the business, as well as correspondingly increasing the levels of both equity and debt funding. We have also made material investments – both operationally and financially – in two organic restructuring initiatives as announced during the year, which are expected to deliver operational and commercial benefits going forward.

The acquisitions in the year have significantly diversified the revenues of the Group and the UK & Europe segment in particular. Both Keraben (in Spain) and Serra (in Italy) are manufacturers and distributors of ceramic tiles, thereby broadening the Group's product portfolio into a completely new segment of the market. Furthermore, in terms of geographic end markets, these businesses have a greater spread of revenues across Continental Europe, in addition to sales into the UK. Having now successfully integrated these acquisitions in terms of legal structuring and administrative functions, we are reviewing potential synergy and distribution opportunities alongside the rest of the UK & Europe business.

The total cost of the acquisitions (net of cash and debt acquired or refinanced) was €311.5m (£276.5m, applying exchange rates at the time). In addition the Group spent a total of £5.8m on exceptional acquisition costs and fees in the year, the majority in relation to these acquisitions but some also in relation to our broader M&A prospecting activity.

Both Keraben and Serra generate significant returns on assets employed, with underlying operating profit (earnings before interest and tax) / net assets of over 30% between them. As a result, given the purchase price for each was based on sustainable profitability and cash generation rather than just the value of assets, the acquisitions have generated significant goodwill and acquired intangible assets in the consolidated balance sheet.

Significant progress has been made during the year on the manufacturing and logistics restructuring initiatives previously announced, with the rationalisation of the UK manufacturing footprint completed, and the strengthened UK logistics network – including the new Southern distribution centre – on track to be fully operational later this year. The total cost of these projects in the year was an exceptional cost of £4.5m, plus one-off capital expenditure to drive the necessary expansion in capacity of circa £3.3m.

Further review of the profit and cash performance of the Group in the year is detailed below.

REVENUE AND GROSS PROFIT

Group revenue increased by 28.6% during the year from £330.4m to £424.8m, primarily driven by acquisitions. This comprised 29.1% annual growth in the UK & Europe Division and 25.5% annual growth in the Australia Division on a constant currency basis. The overall translational impact of changes in value of the Euro and Australian dollar against Sterling were relatively immaterial in the period.

Underlying trading conditions in our traditional carpet and underlay markets have been slightly softer this year compared to the prior year. Despite this, the Group still experienced positive LFL sales growth in the year of +1.2%[1]. This growth has been driven by healthy sales volumes, offset slightly by a drop in average selling price due to changes in sales mix and a strategic decision in certain areas to remain highly competitive on pricing to help to drive market share.

	Year ended 31 March 2018			Year ended 1 April 2017		
Revenue and gross profit	**UK & Europe £'m**	**Australia £'m**	**Total £'m**	UK & Europe £'m	Australia £'m	Total £'m
Revenue	312.0	112.8	**424.8**	241.7	88.7	330.4
Revenue growth						
Reported	*29.1%*	*27.2%*	***28.6%***			
Constant currency[2]	*29.1%*	*25.5%*	***28.1%***			
Gross profit	111.2	34.3	**145.4**	84.5	25.1	109.6
Margin	*35.6%*	*30.4%*	***34.2%***	*34.9%*	*28.4%*	*33.2%*

1 LFL sales growth adjusted for the impact of acquired and restructured entities.

2 Revenue growth at constant currency is calculated applying the same GBP:AUD exchange rate to both years of 1.7206 (being the average exchange rate during the year ended 31 March 2018).

Financial review

Reported gross margin for the Group was 34.2%, an increase of circa 100bps on the prior year. This was driven by a number of factors, in particular the evolving product mix across the group and operational improvements (albeit the full benefit from the key restructuring activities in the UK will not be seen until the following year). Australia in particular delivered a circa 200bps margin improvement.

OPERATING PROFIT

The Group's underlying operating margin has seen a further significant improvement in the year, rising from 10.2% to 11.5%. This circa 130 basis point increase follows from the gross margin improvement noted above, which is slightly improved due to a small operational leverage effect on fixed overheads.

Reported operating profit (earnings before interest and taxation) was broadly flat at £26.4m, having been impacted by higher non-underlying and exceptional items during the year. After removing these items, underlying operating profit was £48.8m, representing a 45% increase over the prior year. This growth comprised 47% growth in the UK & Europe segment and 40% growth in the Australia segment, plus a small increase in central expenses.

	Year ended 31 March 2018				Year ended 1 April 2017			
Operating profit	**UK & Europe £'m**	**Australia £'m**	**Central expenses £'m**	**Total £'m**	UK & Europe £'m	Australia £'m	Central expenses £'m	Total £'m
Reported operating profit	**22.5**	**9.4**	**(5.5)**	**26.4**	21.8	7.0	(2.1)	26.7
Add back: non-underlying items	**16.0**	**2.2**	**4.2**	**22.4**	4.4	1.3	1.3	7.0
Underlying operating profit	**38.5**	**11.6**	**(1.3)**	**48.8**	26.2	8.3	(0.8)	33.7
Underlying operating margin	*12.3%*	*10.3%*	**–**	*11.5%*	*10.8%*	*9.4%*	–	*10.2%*
Reported profit before tax				**13.4**				18.8
Underlying profit before tax				**40.8**				29.4
Underlying PBT margin				**9.6%**				8.9%

EXCEPTIONAL AND OTHER NON-UNDERLYING ITEMS

The total net exceptional and non-underlying charge in the year was £23.0m, compared to £10.4m in the prior year. This reflects the increased scale of the acquisitions that were made (and prospected), as well as the operational restructuring projects, for which the year to March 2018 was the key implementation period. As a result, whilst reported profit before tax declined from £18.8m to £13.4m, underlying profit before tax grew by 39% to £40.8m.

Non-underlying and exceptional items	UK & Europe £'m	Australia £'m	PLC £'m	**Total £'m**
Amortisation of acquired intangibles	9.4	1.8	–	**11.2**
Exceptional costs:				
M&A related costs	2.5	–	3.3	**5.8**
Restructuring costs	4.2	0.3	0.9	**5.4**
Non-underlying finance costs:				
Change to deferred and contingent earn-out liabilities	–	0.1	–	**0.1**
Retranslation of foreign currency loans	–	–	3.5	**3.5**
Other non-underlying finance costs	0.5	(0.3)	1.2	**1.4**
Non-underlying tax	(3.8)	(0.6)	–	**(4.4)**
Total non-underlying costs	**12.8**	**1.3**	**8.9**	**23.0**

Non-underlying costs comprise four items:

– *Amortisation of acquired intangibles*

This cost has increased this year from £4.4m to £11.2m, of which £9.4m related to the UK & Europe segment and £1.8m to the Australia segment. Within UK & Europe, over half of this amount related to the new acquisitions.

Under IFRS, the Group is required to fair-value all items in the opening balance sheet of any acquisition made, including the identification of any intangible assets. Across our historical acquisitions, we have recognised three categories of such assets: key customer relationships, brand names, and relevant technical IP. Where an acquisition is structured as a purchase of shares in the target company, these intangible assets are only recognised on consolidation in the Group accounts, not in the target company's accounts themselves. The remainder of the purchase price, after subtracting both the tangible and intangible net assets, is then allocated to goodwill. Under IFRS, whilst goodwill is not subject to accounting amortisation but rather an annual impairment test, the intangible assets are subject to amortisation across their determined useful economic lives. Further details are provided in Note 10 to the Accounts.

As noted in the overview section above, one of the common characteristics of acquisitions that Victoria seeks is a high return on assets employed. This is certainly true of both Keraben and Serra. As a result, with purchase price based on profits and cash generation, it is a direct consequence of a high return on tangible assets that larger intangible assets and goodwill will be generated on consolidation, with the former resulting in larger amortisation charges going forward.

It is important to note that these amortisation charges are non-cash items, and that once the intangible assets have been fully written-down, they do not need to be replaced or reassessed in the accounts unless another acquisition occurs. Hence why these charges are considered to be non-underlying (see further details in the Significant Accounting Policies).

– *Exceptional costs*

These costs are often cash costs, but by definition are non-recurring. They tend to fall into one of two categories: M&A related costs or restructuring costs.

M&A related costs of £2.5m were incurred in the year in relation to the acquisitions completed, comprising advisory, due diligence and legal fees. In addition, a further £3.3m were incurred in relation to broader M&A prospecting activities (again, comprising advisory fees). These costs have increased in size (2017: £2.1m) as the acquisitions have increased in size.

Restructuring costs of £5.4m were incurred in the year in relation to the UK manufacturing and logistics reorganisation projects, comprising redundancy costs, consulting fees, legal fees, as well as internal one-off costs in relation to the projects. Some further restructuring costs were incurred in the UK & Europe segment, in relation to post-acquisition integration, and in Australia in relation to smaller operational and legal restructuring matters.

– *Non-underlying finance costs*

These costs sit within financial items in the income statement due to their nature, but are considered to be non-underlying. They fall into three broad categories: fair value adjustments to financial liabilities (primarily the BGF subordinated debt and any foreign exchange or interest rate hedging contracts); fair value adjustments to deferred and contingent earn-out liabilities (i.e. not the creation of the liabilities themselves, which are built into the value of the investments and therefore goodwill, but accounting adjustments to the value of these liabilities); and foreign exchange impacts on the translation of foreign currency loans (the Group has historically borrowed to fund acquisitions in the same currency as the reported earnings of the target company).

In the year ended March 2018, these costs totalled £5.0m versus £3.6m in the prior year. This is primarily due to the foreign currency impact on loans, which accounted for £3.5m of this charge. It is important to note that all of these costs are non-cash in nature.

– *Non-underlying tax*

This figure relates to the impact on the Group's tax charge as a result of the above items.

TAXATION

The reported tax charge in the year was £4.8m against a reported pre-tax profit of £13.4m, giving an effective tax rate of 35.6%. This was distorted by the impact of the exceptional and non-underlying costs, the majority of which have been treated as non-deductible for tax purposes. The underlying effective tax rate measured against adjusted profit before tax is 22.5%.

Financial review

EARNINGS PER SHARE

As a result of the significant increase exceptional and non-underlying costs in the year as detailed above, basic earnings per share decreased from 13.84p to 8.58p. However, adjusted earnings per share (before non-underlying and exceptional items) increased by circa 24% from 25.25p to 31.38p.

Earnings per share	**Year ended 31 March 2018 pence**	Year ended 1 April 2017 pence
Basic earnings per share	**8.58p**	13.84p
Basic adjusted earnings per share	**31.38p**	25.25p

OPERATING CASH FLOW

The Group delivered underlying EBITDA in the year of £64.7m, an increase of 42% on the prior year.

Cash flow from operating activities before interest, tax and exceptional items was £64.3m, which represents a conversion of 99% of underlying EBITDA, an improvement on the prior year. This is a 48% increase on the prior year operating cash flow.

	Year ended 31 March 2018 £'m	Year ended 1 April 2017 £'m
Underlying operating profit from continuing operations	**48.8**	33.7
Add back: underlying depreciation & amortisation	**15.9**	12.0
Underlying EBITDA	**64.7**	45.7
Non-cash items	**(0.2)**	(0.5)
Underlying movement in working capital	**(0.2)**	(1.6)
Operating cash flow before interest, tax and exceptional items	**64.3**	43.6
% conversion against underlying operating profit	**132%**	130%
% conversion against EBITDA	**99%**	95%
Interest paid	**(6.7)**	(3.6)
Corporation tax paid	**(10.6)**	(5.8)
Capital expenditure - replacement / maintenance of existing capabilities	**(14.1)**	(10.8)
Proceeds from fixed asset disposals	**2.1**	0.2
Free cash flow before exceptional items	**35.0**	23.7
% conversion against underlying operating profit	**72%**	70%
% conversion against EBITDA	**54%**	52%

Pre-exceptional free cash flow of the Group – after interest, tax and net replacement capex (see the capital expenditure section below) – was £35.0m. Compared with underlying operating profit (i.e. post-depreciation), this represents a conversion ratio of 72%, similar to the prior year.

A full reported statement of cash flows, including exceptional and non-underlying items, is provided on page 38.

CAPITAL EXPENDITURE

The year to March 2018 saw a significant increase in capital expenditure, from £11.2m in the prior year to £29.3m (these figures are inclusive of capex funded via finance leases and hire purchase, as well as cash flow). The majority of this increase relates to expenditure for restructuring and expansion purposes, in particular post-acquisition investments in Keraben and Serra and the manufacturing and logistics restructuring projects.

Capital expenditure	UK & Europe £'m	Australia £'m	PLC £'m	**Total £'m**
Capital expenditure - expansion / restructuring	14.5	0.4	0.3	**15.2**
Capital expenditure - replacement / maintenance of existing capabilities	12.0	2.1	–	**14.1**
Total capital expenditure	**26.5**	**2.5**	**0.3**	**29.3**

During the acquisition process for Keraben, a number of capex projects were identified to increase its manufacturing capacity for the future. One of these projects was initiated immediately on completion of the acquisition, and up to March 2018 a total of €6.7m (circa £5.9m) was invested.

Similarly, as part of the acquisition process for Serra, it was agreed that one of its three manufacturing lines would be immediately replaced and upgraded. This investment costs €6.5m (circa £5.7m) in total, of which €5.0m (circa £4.4m) had been spent prior to the end of March. Following the year-end, installation of the new line has been successfully completed and it is now operational.

Approximately £3.3m was invested during the year in relation to the UK manufacturing and logistics restructuring projects, plus a further circa £1.8m on other specific expansion and improvement projects around the Group.

Replacement capex – ongoing annual expenditure to maintain existing capacity and capabilities – increased from £11.2m to £14.1m as a result of the acquisition-led growth of the Group.

NET DEBT

As at 31 March 2018 the Group's net debt position was £258.7m. This compares with £89.6m as at the previous year-end, 1 April 2017. The principal reason for this increase during the year was due to the substantial acquisitions in the year of Keraben and Serra. Total acquisition-related expenditure in the year (including deferred consideration payments) was £362.3m, of which £178.1m was funded from the net proceeds of an equity raise in November 2017, and the rest from cash flow and new borrowings.

	Year ended 31 March 2018 £'m	Year ended 1 April 2017 £'m
Total initial cash consideration for acquisitions (net of cash acquired)	**(276.5)**	(37.8)
Total debt acquired or refinanced	**(66.0)**	(0.7)
Deferred and contingent consideration payments	**(15.3)**	(10.3)
Acquisition costs (cash paid)	**(4.5)**	(2.1)
Gross acquisition related expenditure	**(362.3)**	(50.9)
Net proceeds from issue of share capital	**178.1**	–
Net acquisition related expenditure	**(184.2)**	(50.9)
Capital expenditure - expansion / restructuring	**(15.2)**	–
Net investment financed from free cash flow or debt funding	**(199.4)**	(50.9)
Free cash flow before exceptional items (see above)	**35.0**	23.7
Non-underlying items impacting net debt:		
Other exceptional items (cash paid)	**(3.4)**	(0.3)
Mark to market adjustment on corporate bonds held	**(0.1)**	–
Non-cash adjustment to BGF loan recognised	**(1.1)**	(0.4)
Foreign exchange differences on opening cash / debt	**(0.1)**	(0.6)
Movement in net debt	**(169.1)**	(28.5)
Opening net debt	**(89.6)**	(61.1)
Closing net debt	**(258.7)**	(89.6)

Applying our banks' adjusted measure of financial leverage, the Group's year-end net debt to EBITDA ratio was 2.68x (2017: 1.63x). This is consistent with our financial strategy to use a sensible but cautious level of debt in the overall funding structure of the Group. The acquisition of Keraben was significantly larger than any previous acquisition made by the Group, and therefore the level of debt and equity funding sought as part of that transaction was structured to target this level of leverage.

Financial review

Net debt	31 March 2018 £'m	1 April 2017 £'m
Net cash and cash equivalents	**53.1**	28.0
Bank loans	**(298.5)**	(105.9)
BGF loan	**(11.3)**	(10.2)
Finance leases and hire purchase arrangements	**(2.0)**	(1.6)
Net debt	**(258.7)**	(89.6)
Adjusted net debt / EBITDA[3]	**2.68x**	1.63x

3 As measured in line with our bank facility covenants

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 IFRS16 is 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. This 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.

On 15 November 2017, the Group entered into an additional senior syndicated Euro term loan, to contribute towards the funding of the acquisitions of Keraben and Serra. The maturity of this facility is in line with the revolving credit facility.

The facilities are subject to various financial covenants measured against Group results on a quarterly basis. All such covenants have been satisfied to date.

In conjunction with the bank facilities, on 5 July 2017 the Group entered into a revised £10 million 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 2018

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 31 March 2018.

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 31 March 2018 and a description of the principal risks and uncertainties faced by the Group. The Strategic Report can be found on pages 10 to 12.

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 34 to 84.

	£000
Profit attributable to shareholders	8,636
Total dividend paid in the financial year	–
Retained profit	**8,636**

The Directors do not recommend the payment of a final dividend for the financial year ended 31 March 2018.

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 19.

The Directors of the Company who held office at 31 March 2018 had the following interests in the Ordinary shares of the Company:

	31 March 2018		1 April 2017	
	Beneficial	**Non-Beneficial**	Beneficial	Non-Beneficial
Geoffrey Wilding[(a)]	**26,438,650**	**–**	30,438,650	–
Philippe Hamers	**100,000**	**–**	–	–
Michael Scott[(b)]	**21,250**	**–**	21,250	–
Alexander Anton	**494,025**	**–**	494,025	–
Andrew Harrison	**179,530**	**–**	179,530	–
Gavin Petken	**–**	**–**	–	–

(a) Geoffrey 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 26,438,650 Ordinary Shares and as a result Mr. Wilding is the beneficial owner of this shareholding.

(b) On 7 June 2018 Michael Scott exercised his right to exchange B shares held by him in Victoria Midco Holdings Limited into Ordinary Shares, which resulted in the issue of 395,476 Ordinary Shares. Following this issue, Michael Scott holds 416,726 Ordinary Shares. Further details on the share based payment scheme are disclosed in Note 5.

Alexander Anton is also deemed by the Panel on Takeovers and Mergers to form part of the concert party formed in December 2011. At 31 March 2018 the concert party held 3.42% of the issued shares in the Company.

In accordance with the Company's Articles of Association, the Directors retiring by rotation at the 2018 Annual General Meeting are Geoffrey Wilding and Gavin Petken whom, being eligible, offer themselves for re-election pursuant to Article 86.

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 was also granted an option over 3,730,000 new Ordinary 5p shares in the Company (re-stated 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. In November 2017, the BGF exercised this option resulting in the issue of 3,730,000 new Ordinary 5p shares in the Company.

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 31 March 2018 and through to the date of this report.

Directors' emoluments

The emoluments of all Directors for the financial year ended 31 March 2018 were:

	Salary/Fees £000	Benefits in kind £000	Share based payment charge £000	Bonus £000	**Total 2018 £000**	Total 2017 £000
Executive						
Geoffrey Wilding	65	–	–	–	**65**	65
Philippe Hamers (from appointment on 20 March 2017)	580	–	–	–	**580**	22
Michael Scott	126	14	206	20	**366**	265
Non-executive						
Alexander Anton	35	–	–	–	**35**	35
Andrew Harrison	35	–	–	–	**35**	35
Gavin Petken*	35	–	–	–	**35**	35
	876	14	206	20	**1,116**	457

* 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.

The share based payment charge relates to a long term incentive plan established in April 2016. Further details on the scheme are set out in Note 5 'Staff Costs'.

The National Insurance Contributions made in respect of the Directors during the period ended 31 March 2018 amounted to £66,702 (2017: £34,311).

Directors' pension entitlements

No Director who held office during the year ended 31 March 2018 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 (2017: £nil).

Financial instruments

The Group's financial risk management objectives and policies are set out within Note 25 of 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.

Directors' report

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.

It is the Company's intention to use the QCA code as its benchmark going forward.

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 18.

Post balance sheet event

A new long-term management incentive plan was implemented post year end (see Note 28 for full details).

Auditor

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

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

(b) the Director has taken all 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 2018 Annual General Meeting to be held on 10 September 2018, 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 each 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 2018

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 2018

Independent auditor's report

to the members of Victoria PLC

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Victoria PLC (the 'parent company') and its subsidiaries (the 'group') for the period ended 31 March 2018 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 notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and 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.

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 31 March 2018 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

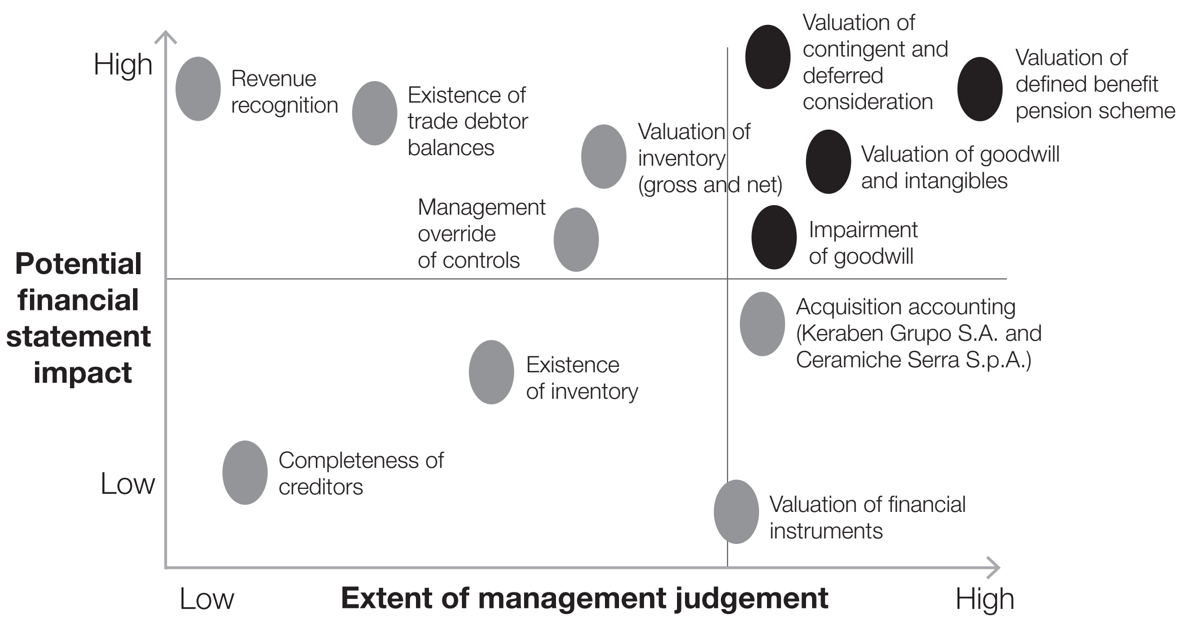
- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Overview of our audit approach

- Overall materiality: £1,600,000, which represents 4% of the group's profit before tax after exceptional items, amortisation of acquired intangibles and other non-underlying finance costs have been excluded;
- Key audit matters were identified as valuation of goodwill and intangibles, valuation of contingent and deferred consideration, impairment of goodwill, and valuation of defined benefit pension scheme for the group;
- We performed full scope audit procedures on significant components in the United Kingdom, Spain, the Netherlands, Italy and Australia. We performed analytical procedures over non-significant components in the Netherlands and Belgium, and the United Kingdom; and
- We issued group instructions to component auditors in respect of their full scope audit of the significant components

Key audit matters

The graph below depicts the audit risks identified and their relative significance based on the extent of the financial statement impact and the extent of management judgement.



Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent auditor's report

to the members of Victoria PLC

Key Audit Matter – Group	How the matter was addressed in the audit – Group
Risk 1 – Valuation of goodwill and intangibles During the year the group acquired the entire share capital of Keraben Grupo S.A. (Keraben) and Ceramiche Serra S.p.A. (Serra). These acquisitions have had a material impact on the financial statements, resulting in the recognition of goodwill and intangible assets upon consolidation of these entities. The group measures goodwill at the acquisition date as being the fair value of consideration transferred less the net recognised amount of identifiable assets acquired and liabilities assumed. Goodwill of £113.3 million and £14.9 million was recognised as a result of the acquisitions of Keraben and Serra respectively. 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. Intangible assets of £131.4 million and £29.0 million were recognised as a result of the acquisitions of Keraben and Serra respectively. These intangibles were valued, using input from a third party valuation expert, based on discounted cash flow forecasts, which require judgement by the Directors around key assumptions such as revenue growth, discount rates, brand royalty rates, customer attrition and long term growth rates. We therefore identified valuation of goodwill and intangibles recognised in respect of current year acquisitions as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • documenting our understanding of management's process for evaluating the valuation of goodwill and intangibles and assessing the design effectiveness of related key controls; • reperforming management's calculation of the fair value of the consideration transferred less the net recognised amount of identifiable assets acquired and liabilities assumed; • using our internal valuation specialist to evaluate and challenge the assumptions used, including discount rates, growth rates and forecast future trading performance, in the calculation of the fair value of the intangibles recognised; and • testing the completeness and accuracy of the data used in the intangibles valuation by agreeing data to pertinent supporting documentation such as long-term growth forecasts. The group's accounting policy on intangibles is shown on pages 42 and 43 and related disclosures are included in notes 9 and 10. **Key observations** Based on our audit work, we found that the assumptions and judgements used in management's estimation of the valuation of goodwill and intangibles recognised in respect of current year acquisitions were reasonable. We found no errors in the underlying calculations.

<table>
<tr><th>Key Audit Matter – Group</th><th>How the matter was addressed in the audit – Group</th></tr>
<tr><td>

Risk 2 – Valuation of contingent and deferred consideration

At 31 March 2018 amounts owing in respect of deferred and contingent consideration were £31.3 million, with additional amounts recognised on the acquisition in the period of Serra of £12.4 million.

Deferred and contingent consideration in respect of acquisitions is measured in accordance with International Financial Reporting Standard (IFRS) 3 'Business Combinations'. Contingent consideration is recognised initially at fair value with subsequent changes to the fair value of the contingent consideration recognised in the Consolidated Income Statement. Deferred consideration is initially recognised at fair value and subsequently at amortised cost.

The valuation of contingent consideration upon both acquisition and at each reporting date requires management to make judgements and estimates around the future performance of the relevant businesses and the discount rates to be applied. Estimated payments are calculated using such financial projections for the next 12 months and applying growth assumptions for future years where relevant.

Given the high level of estimation uncertainty in these judgements, we therefore identified valuation of contingent and deferred consideration as a significant risk, which was one of the most significant assessed risks of material misstatement.

</td><td>

Our audit work included, but was not restricted to:

- documenting our understanding of management's process for evaluating the valuation of contingent and deferred consideration and assessing the design effectiveness of related key controls;
- confirming that the deferred and contingent consideration conditions as defined in the respective share purchase agreements have been appropriately reflected in management's calculations;
- challenging the appropriateness of the assumptions used, including discount rates, growth rates and forecast future trading performance, in the calculation of the fair value of the deferred and contingent consideration; and
- testing the appropriateness of management's accounting policy through the above procedures and confirming it was correctly applied during the period.

The group's accounting policies in respect of deferred and contingent consideration are shown on pages 45 and 46, and related disclosures are included in note 17.

Key observations

Based on our audit work, we found that the assumptions and estimates used by management's evaluation of the valuation of deferred and consideration were reasonable. Note 17 also appropriately discloses the assumptions used in determining the estimate. We found no significant errors in the underlying calculations.

</td></tr>
</table>

Independent auditor's report

to the members of Victoria PLC

Key Audit Matter – Group	How the matter was addressed in the audit – Group
Risk 3 – Impairment of goodwill The process for assessing whether an impairment exists under International Accounting Standard (IAS) 36 'Impairment of assets' is complex. When carrying out the goodwill impairment review, determining the recoverable amount for each cash-generating unit ("CGU") requires the management to make judgements over certain key inputs in the value in use discounted cash flow models. These include revenue growth, discount rates and long term growth rates. We therefore identified impairment of goodwill as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • documenting our understanding of management's process for evaluating the impairment of intangible assets and assessing the design effectiveness of related key controls; • testing the methodology applied in the value in use calculation complies with the requirements of IAS 36; • testing the mathematical accuracy of management's model; • testing the key underlying assumptions for the financial year 2019 budget (FY19); • challenging management on its cash flow forecast and the implied growth rates for FY19 and corroborating to relevant evidence such as external market data to support these assumptions; • assessing the discount rates and long term growth rates used in the forecast including comparison to economic and industry forecasts where appropriate; and • testing the sensitivity analysis performed by management in respect of the key assumptions, such as discount and growth rates, to ensure there was sufficient headroom in their calculation. The group's accounting policy on goodwill is shown on pages 39 and 40 and related disclosures are included in note 9. **Key observations** Based on our audit work, we found that the assumptions made and estimates used in management's assessment of goodwill impairment were balanced. Note 9 also appropriately discloses the assumptions used in determining the estimate. We found no errors in the underlying calculations.

Key Audit Matter – Group	How the matter was addressed in the audit – Group
Risk 4 – Valuation of defined benefit pension scheme The group operates a defined benefit pension scheme that provides benefits to a number of current and former employees. At 31 March 2018 the defined benefit pension schemes net liability was £9.1 million (2017: £11.1 million). The gross value of pension scheme assets and liabilities which form the net liability amount to £24.2 million and £33.4 million, respectively. The valuation of the pension liabilities and assets in accordance with IAS 19 'Employee benefits' involves significant judgement and is subject to complex actuarial assumptions. Small variations in those actuarial assumptions can lead to a materially different defined benefit pension scheme asset or liability being recognised within the group financial statements. We therefore identified valuation of defined benefit pension scheme as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • documenting our understanding of management's process for evaluating the defined benefit pension scheme and assessing the design effectiveness of related key controls; • using an internal actuarial specialist to challenge the assumptions used, including discount rates, growth rates, mortality rates and the calculation methods employed in the calculation of the pension liability; • testing the accuracy of underlying membership data used by the group's actuary for the purpose of calculating the scheme liabilities by selecting a sample of employees and agreeing key member data to source records and by testing a sample of movements in the pension scheme membership; and • directly confirming the existence of pension scheme assets with the entity pension scheme's external asset managers. The group's accounting policy on the defined benefit pension scheme is shown on page 41 and related disclosures are included in note 20. **Key observations** Based on our audit work, we found the valuation methodologies and the actuarial assumptions applied by management to be reasonable and consistent with the expectation of our actuarial specialists. We consider that the group's disclosures in note 20 appropriately describe the significant degree of inherent imprecision in the assumptions and estimates and the potential impact on future periods of revisions to these estimates. We found no errors in the underlying calculations.

We did not identify any Key Audit Matters relating to the audit of the financial statements of the parent company.

Independent auditor's report

to the members of Victoria PLC

Our application of materiality

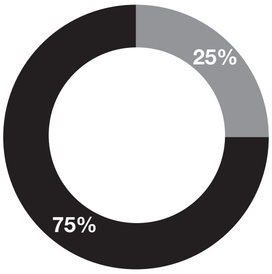
We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality was determined as follows:

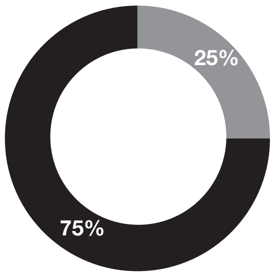
Materiality measure	Group	Parent
Financial statements as a whole	£1,600,000, which represents approximately 4% of the group's profit before tax after exceptional items, amortisation of acquired intangibles, and other non-underlying finance costs have been excluded. This benchmark is considered the most appropriate because this is a key performance measure used by the Board of Directors to report to investors on the financial performance of the group. Underlying profit before tax is also a consistent basis for determining materiality compared with the previous periods. Materiality for the current year is higher than the level that we determined for the period ended 1 April 2017 as a result of the increased underlying group profit before tax in the current period.	£1,200,000, which represents approximately 2% of the parent company total assets, capped at 75% of group materiality. The benchmark is considered the most appropriate as it most accurately reflects the parent company's status as a non-trading holding company. Materiality for the current year is higher than the level that we determined for the period ended 1 April 2017 to reflect the parent company's increased total assets in the current period.
Performance materiality used to drive the extent of our testing	Based on our risk assessment, including the group's overall control environment, we determined a performance materiality of 75% of the financial statement materiality.	Based on our risk assessment, including the company's overall control environment, we determined a performance materiality of 75% of the financial statement materiality.
Specific materiality	We determined a lower level of materiality for directors' remuneration and related party transactions.	We determined a lower level of materiality for directors' remuneration and related party transactions.
Communication of misstatements to the audit committee	£80,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£60,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.

Overall materiality – group



Overall materiality – parent



■ Tolerance for potential uncorrected misstatements
■ Performance materiality

An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the group's business, its environment and risk profile. The components of the group were identified by the group audit team based on a measure of materiality, considering each as a percentage of the group's total assets, revenues and profit before taxation, to assess the significance of the component and determine the planned audit response.

A full scope audit approach for all significant components was determined based on their relative materiality to the group and our assessment of the audit risk. For significant components requiring a full scope approach we evaluated the processes and controls over the financial reporting system identified as part of our risk assessment, reviewed the financial statement production process and addressed critical accounting matters such as those related to the key audit matters as identified above. We then undertook substantive testing on significant transactions and material account balances.

In order to respond to the audit risks identified in our risk assessment, we performed a full scope audit of the financial statements of the parent company, Victoria PLC (in the United Kingdom), and of other significant component entities in the United Kingdom, the Netherlands, Spain, Italy and Australia. The significant components represented 91.7 percent of consolidated revenues and 92.4 percent of underlying profit before taxation. Statutory audits of subsidiaries, where required by local legislation, were performed to a lower materiality where applicable.

The non-significant group components were subject to analytical procedures with a focus on the key audit matters as identified above and the significance to the group's balances.

Detailed audit instructions were issued to the auditors of all the significant components. The instructions highlighted the significant risks to be addressed through their procedures and detailed the information to be reported to the group audit team. The group audit team conducted a remote review of the work performed by the component auditors, and communicated with all component auditors throughout the planning, fieldwork and concluding stages of the local audits.

Independent auditor's report

to the members of Victoria PLC

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report set out on pages 1 to 23, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors for the financial statements

As explained more fully in the Statement of directors' responsibilities set out on page 23, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

24 July 2018

Consolidated income statement

For the 52 weeks ended 31 March 2018

	Notes	52 weeks ended 31 March 2018 Underlying performance £m	Non-underlying items £m	Reported numbers £m	52 weeks ended 1 April 2017 Underlying performance £m	Non-underlying items £m	Reported numbers £m
Continuing operations							
Revenue	1	**424.8**	**–**	**424.8**	330.4	–	330.4
Cost of sales		**(279.4)**	**–**	**(279.4)**	(220.8)	–	(220.8)
Gross profit		**145.4**	**–**	**145.4**	109.6	–	109.6
Distribution costs		**(59.4)**	**–**	**(59.4)**	(54.9)	–	(54.9)
Administrative expenses		**(38.6)**	**(22.4)**	**(61.0)**	(21.5)	(7.0)	(28.5)
Other operating income		**1.4**	**–**	**1.4**	0.5	–	0.5
Operating profit/(loss)		**48.8**	**(22.4)**	**26.4**	33.7	(7.0)	26.7
Comprising:							
Operating profit before non-underlying and exceptional items	1	**48.8**	**–**	**48.8**	33.7	–	33.7
Amortisation of acquired intangibles		**–**	**(11.2)**	**(11.2)**	–	(4.4)	(4.4)
Exceptional items	1, 2	**–**	**(11.2)**	**(11.2)**	–	(2.6)	(2.6)
Finance costs	3	**(8.0)**	**(5.0)**	**(13.0)**	(4.3)	(3.6)	(7.9)
Comprising:							
Interest payable on loans	3	**(6.6)**	**–**	**(6.6)**	(3.6)	–	(3.6)
Amortisation of prepaid finance costs	3	**(1.0)**	**(0.2)**	**(1.2)**	(0.4)	–	(0.4)
Interest accrued on BGF loan	3	**(0.1)**	**(0.3)**	**(0.4)**	(0.2)	(0.2)	(0.4)
Net interest expense on defined benefit pensions	3	**(0.3)**	**–**	**(0.3)**	(0.1)	–	(0.1)
Other non-underlying finance costs	3	**–**	**(4.5)**	**(4.5)**	–	(3.4)	(3.4)
Profit / (loss) before tax	4	**40.8**	**(27.4)**	**13.4**	29.4	(10.6)	18.8
Taxation	6	**(9.2)**	**4.4**	**(4.8)**	(6.4)	0.2	(6.2)
Profit / (loss) for the period		**31.6**	**(23.0)**	**8.6**	23.0	(10.4)	12.6
Earnings per share - pence							
basic	7	**31.38**		**8.58**	25.25		13.84
diluted	7	**30.61**		**8.37**	24.43		13.60

Consolidated statement of comprehensive income

For the 52 weeks ended 31 March 2018

	Note	**52 weeks ended 31 March 2018 £m**	52 weeks ended 1 April 2017 £m
Profit for the period		**8.6**	12.6
Other comprehensive income / (expense):			
Items that will not be reclassified to profit or loss:			
Actuarial gains / (losses) on defined benefit pension scheme	20	**2.0**	(7.8)
(Decrease) / increase in deferred tax asset relating to pension scheme liability		**(0.4)**	1.4
Items that will not be reclassified to profit or loss		**1.6**	(6.4)
Items that may be reclassified subsequently to profit or loss:			
Retranslation of overseas subsidiaries		**(2.1)**	1.9
Items that may be reclassified subsequently to profit or loss		**(2.1)**	1.9
Other comprehensive expense		**(0.5)**	(4.5)
Total comprehensive income for the year attributable to the owners of the parent		**8.1**	8.1

Consolidated and Company balance sheets

As at 31 March 2018

		Group		Company	
	Notes	**31 March 2018 £m**	1 April 2017 £m	**31 March 2018 £m**	1 April 2017 £m
Non-current assets					
Goodwill	9	**188.1**	59.8	**–**	–
Intangible assets other than goodwill	10	**210.3**	66.3	**0.2**	–
Property, plant and equipment	11	**142.9**	41.8	**–**	–
Investment property	12	**0.8**	0.2	**0.2**	0.2
Investments in subsidiaries	12	**–**	–	**49.3**	49.3
Investments in associates	12	**1.0**	–	**–**	–
Trade and other non-current receivables	14	**–**	–	**14.8**	14.1
Deferred tax assets	19	**4.6**	5.0	**0.2**	0.3
Total non-current assets		**547.7**	173.1	**64.7**	63.9
Current assets					
Inventories	13	**100.3**	73.1	**–**	–
Trade and other receivables	14	**88.2**	55.1	**484.0**	132.9
Cash and cash equivalents	17	**54.0**	28.0	**6.2**	0.3
Total current assets		**242.5**	156.2	**490.2**	133.2
Total assets		**790.2**	329.3	**554.9**	197.1
Current liabilities					
Trade and other current payables	15	**121.5**	82.8	**3.1**	6.6
Current tax liabilities	17	**1.0**	4.3	**–**	–
Other financial liabilities	16, 17	**3.0**	0.6	**12.9**	10.4
Total current liabilities		**125.5**	87.7	**16.0**	17.0
Non-current liabilities					
Trade and other non-current payables	15	**29.2**	19.9	**0.4**	–
Other non-current financial liabilities	16	**306.1**	116.1	**300.7**	115.1
Deferred tax liabilities	19	**54.7**	15.2	**–**	–
Retirement benefit obligations	20	**9.1**	11.1	**–**	–
Total non-current liabilities		**399.1**	162.3	**301.1**	115.1
Total liabilities		**524.6**	250.0	**317.1**	132.1
Net assets		**265.6**	79.3	**237.8**	65.0
Equity					
Share capital	21	**5.9**	4.5	**5.9**	4.5
Share premium		**229.8**	52.5	**229.8**	52.5
Retained earnings	22	**26.7**	16.5	**1.8**	7.2
Foreign exchange reserve	22	**2.9**	5.0	**–**	–
Other reserves	22	**0.3**	0.8	**0.3**	0.8
Total equity		**265.6**	79.3	**237.8**	65.0

The loss of the Company for the year determined in accordance with the Companies Act 2006 was £5,430,000 (2017: profit of £2,733,000). Company Registered Number (England & Wales) 282204

The financial statements on pages 34 to 84 were approved by the Board of Directors and authorised for issue on 24 July 2018.

They were signed on its behalf by:

Michael Scott
Group Finance Director

Consolidated statement of changes in equity

For the 52 weeks ended 31 March 2018

	Share capital £m	Share premium £m	Retained earnings £m	Foreign exchange reserve £m	Other reserves £m	Total equity £m
At 3 April 2016	4.5	52.5	10.3	3.1	0.7	71.1
Profit for the period to 1 April 2017	–	–	12.6	–	–	12.6
Other comprehensive loss for the period	–	–	(6.4)	–	–	(6.4)
Retranslation of overseas subsidiaries	–	–	–	1.9	–	1.9
Total comprehensive profit	–	–	6.2	1.9	–	8.1
Issue of share capital	–	–	–	–	–	–
Share-based payment charge	–	–	–	–	0.1	0.1
Transactions with owners	–	–	–	–	0.1	0.1
At 1 April 2017	4.5	52.5	16.5	5.0	0.8	79.3
Profit for the period to 31 March 2018	–	–	8.6	–	–	8.6
Other comprehensive profit for the period	–	–	1.6	–	–	1.6
Retranslation of overseas subsidiaries	–	–	–	(2.1)	–	(2.1)
Total comprehensive profit / (loss)	–	–	10.2	(2.1)	–	8.1
Issue of share capital	1.4	176.6	–	–	–	178.0
BGF equity transfer	–	0.7	–	–	(0.7)	–
Share-based payment charge	–	–	–	–	0.2	0.2
Transactions with owners	1.4	177.3	–	–	(0.5)	178.2
At 31 March 2018	**5.9**	**229.8**	**26.7**	**2.9**	**0.3**	**265.6**

Company statement of changes in equity

For the 52 weeks ended 31 March 2018

	Share capital £m	Share premium £m	Retained earnings £m	Other reserves £m	Total equity £m
At 3 April 2016	4.5	52.5	4.5	0.7	62.2
Profit for the period to 1 April 2017	–	–	2.7	–	2.7
Total comprehensive profit	–	–	2.7	–	2.7
Issue of share capital	–	–	–	–	–
Share-based payment charge	–	–	–	0.1	0.1
Transactions with owners	–	–	–	0.1	0.1
At 1 April 2017	4.5	52.5	7.2	0.8	65.0
Loss for the period to 31 March 2018	–	–	(5.4)	–	(5.4)
Total comprehensive loss	–	–	(5.4)	–	(5.4)
Issue of share capital	1.4	176.6	–	–	178.0
BGF equity transfer	–	0.7	–	(0.7)	–
Share-based payment charge	–	–	–	0.2	0.2
Transactions with owners	1.4	177.3	–	(0.5)	178.2
At 31 March 2018	**5.9**	**229.8**	**1.8**	**0.3**	**237.8**

Consolidated and Company statements of cash flows

For the 52 weeks ended 31 March 2018

	Note	Group		Company	
		52 weeks ended 31 March 2018 £m	52 weeks ended 1 April 2017 £m	**52 weeks ended 31 March 2018 £m**	52 weeks ended 1 April 2017 £m
Cash flows from operating activities					
Operating profit / (loss)		**26.4**	26.7	**(4.0)**	(2.1)
Adjustments for:					
Depreciation charges		**15.8**	12.0	**–**	–
Amortisation of intangible assets		**11.3**	4.4	**0.1**	–
Amortisation of government grants		**(0.3)**	(0.2)	**–**	–
Loss on disposal of property, plant and equipment		**0.1**	–	**–**	–
Share-based employee remuneration		**0.2**	0.1	**0.2**	0.1
Defined benefit pension		**(0.2)**	(0.2)	**–**	–
Net cash flow from operating activities before movements in working capital		**53.3**	42.8	**(3.7)**	(2.0)
Change in inventories		**(8.0)**	(0.5)	**–**	–
Change in trade and other receivables		**2.6**	(5.9)	**0.1**	–
Change in trade and other payables		**6.4**	4.7	**1.2**	0.4
Cash generated / (used) by operations		**54.3**	41.1	**(2.4)**	(1.6)
Interest paid		**(6.7)**	(3.6)	**(6.5)**	(3.4)
Income taxes paid		**(10.6)**	(5.8)	**(0.2)**	(0.1)
Net cash inflow / (outflow) from operating activities		**37.0**	31.7	**(9.1)**	(5.1)
Investing activities					
Purchases of property, plant and equipment		**(25.9)**	(9.4)	**–**	–
Proceeds on disposal of property, plant and equipment		**2.1**	0.2	**–**	–
Purchases of intangible assets		**(0.7)**	–	**(0.3)**	–
Loan to subsidiary companies		**–**	–	**(288.5)**	(28.5)
Deferred and contingent consideration payments		**(15.3)**	(10.3)	**(5.8)**	(5.8)
Acquisition of subsidiaries net of cash acquired		**(276.5)**	(37.8)	**–**	–
Net cash used in investing activities		**(316.3)**	(57.3)	**(294.6)**	(34.3)
Financing activities					
Increase in long-terms loans		**128.8**	34.3	**129.2**	34.9
Issue of share capital		**178.1**	–	**178.1**	–
Repayment of obligations under finance leases / hire purchase		**(0.3)**	(0.9)	**–**	–
Net cash generated in financing activities		**306.6**	33.4	**307.3**	34.9
Increase / (decrease) in net cash and cash equivalents		**27.3**	7.8	**3.6**	(4.5)
Net cash and cash equivalents at beginning of period		**28.0**	19.1	**(10.1)**	(5.6)
Effect of foreign exchange rate changes		**(2.2)**	1.1	**(0.2)**	–
Net cash and cash equivalents at end of period		**53.1**	28.0	**(6.7)**	(10.1)
Comprising:					
Cash and cash equivalents	17	**54.0**	28.0	**6.2**	0.3
Bank overdrafts	17	**(0.9)**	–	**(12.9)**	(10.4)
		53.1	28.0	**(6.7)**	(10.1)

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 IAS39. 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 10 to 12 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.

Investments in associates

An associate is an entity over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Under the equity method, the investments are initially recognised in the Balance Sheet at cost and thereafter adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in value. The carrying values of investments in associates include any acquired goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

If the Group's share of losses in an associate exceeds its investment in the associate, the Group does not recognise further losses, unless it has incurred obligations to do so or made payments on behalf of the associate.

Investments in subsidiaries and associates held by the Company

Investments in subsidiaries and associates held by the Company are included at cost less accumulated impairment.

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.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management controls the related cash flows.

Goodwill with an indefinite useful life is tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or

Significant accounting policies

changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

If the impairment is subsequently reversed, the carrying amount, except in the case of goodwill, is increased to the revised estimate of its recoverable amount, limited to the carrying value that would have been determined had no impairment been recognised previously. Impairment losses in respect of goodwill are not subsequently reversed.

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.

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 properties
Investment properties are valued on an historical costs basis. In adopting this historical cost approach, the requirements to disclose fair value are set out in Note 12.

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 and after deducting rebates. The Group has one revenue stream in relation to the sale of flooring products. Revenue is recognised upon sale of the goods at the point of delivery when all of the following conditions have been satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- 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.

Cash and cash equivalents
Cash comprises amounts held short-term on deposit with financial institutions.

Cash equivalents comprises short-term highly liquid corporate bonds with maturities of three months or less from inception that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Bank overdrafts that are repayable on demand are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

Interest income
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
Dividend income from investments in subsidiaries 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 at fair value, the transaction is treated as a disposal and any profit or loss is recognised immediately in the income statement.

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 other than costs associated with managing plan assets which are deducted from the return on plan assets.

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 to 5 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.

Sampling assets consist of a variety of product samples and sample books, as well as point of sale stands. The Group places these assets with retail customers for the purpose of helping to generate future consumer sales, and therefore sales for the Group. Sampling assets are included within the category 'Fixtures, vehicles and equipment' as shown in Note 11.

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
Developed Technology: 4 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.

In September 2017 the terms of the BGF loan agreement were modified. The changes to the loan agreement were determined to give rise to a substantial modification, and as such has been accounted for under IAS 39.40 'extinguishment accounting'.

In adopting extinguishment accounting the Group has:

- De-recognised the existing liability and recognised a new liability at fair value.
- Recognised a gain or loss equal to the difference between the carrying value of the old liability and the fair value of the new liability. The unamortised element of the transactions costs from the original loan have also been included in the determination of the gain or loss;
- Calculated a new effective interest rate for the modified liability which will be used in future periods.

In November 2017 the BGF exercised the share option in full, acquiring 3,730,000 shares. Following the issue of the shares in the period, the equity component was transferred from other reserves to share premium.

Share-based payments
The equity settled share based incentive programme allows certain Group employees to exchange growth shares issued in the intermediate holding company Victoria Midco Holdings Limited into Ordinary Shares in Victoria PLC of equivalent value. The fair value of the growth shares is based

Significant accounting policies

on growth in the share price of Victoria PLC above a hurdle, and is measured using an appropriate valuation model (Black-Scholes or Monte Carlo) at grant date. The fair value is spread over the expected term, representing the Company's best estimate of the time in which the participant will exchange growth shares for Ordinary Shares in the Company, with the charge to the income statement recognised as an employee expense, and a corresponding increase in equity.

Long term employee benefits

As part of the acquisition of Keraben Grupo S.A.U., the senior management team of the business invested in a new incentive structure under Victoria ownership. This investment has been structured through the holding company of Keraben, Kinsan Trade S.L, within which there are 82,093 B ordinary shares owned by certain individuals. The fair value of the B shares is linked to the future operating profit performance of Keraben over a five year period. The shares are considered to have no value other than through redemption in cash and redemption is based on EBITDA performance and not linked to share price. Due to this along with the nature of the leaver provisions within the originally agreed contractual terms of the B shares, the accounting treatment has been assessed as a long-term employee benefit, with the original investment held within short-term liabilities and the expected uplift in fair value spread over the five year term.

Exceptional items

Operating costs which are material by virtue of their size or incidence and are not expected to be recurring are disclosed as exceptional items.

Non-underlying items

Non-underlying items are material non-trading costs and non-underlying finance costs as defined by the Directors. 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:

Operating costs

(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.

Finance costs

(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)(i) 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.

(c)(ii) BGF charge arising on modification

As a result of changes to the terms of the BGF loan in September 2017, the Group adopted extinguishment accounting as set out earlier in this section. This has resulted in a one off charge equal to the difference between the carrying value of the old liability and the fair value of the new liability. The unamortised element of the transactions costs from the original loan have also been included in the non-underlying charge.

(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) Contingent consideration fair value adjustments

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.

(e)(ii) Deferred consideration charge

Deferred consideration in respect of acquisitions is measured under IFRS 3 at amortised cost. 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 "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) and investments in listed corporate bonds, which are held in cash and cash equivalents. They are carried in the balance sheet at fair value with changes in fair value recognised in the income statement.

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.

The listed corporate bonds are held for short term trading and are highly liquid with maturities of three months or less from inception, and are therefore readily convertible into cash. The fair value of the Group's corporate bonds is measured using quoted prices in active markets.

(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.

(ii) Fair value through profit or loss

These liabilities include the following items:

Significant accounting policies

- "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.

- Contingent consideration payable in relation to acquisitions, which are carried in the balance sheet at fair value with changes in fair value, including movements in the discount rate, 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 are shown as share premium.

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

- IAS 7 Statement of Cash Flows (amendment)
- IAS 12 Income Taxes (amendment)

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.

- IFRS 15 Revenue from Contracts with Customers (effective 1 January 2018)
- IFRS 16 Leases (effective 1 January 2019)
- IFRS 9 Financial Instruments (effective 1 January 2018)

IFRS 15 'Revenue from Contracts with Customers' was issued in 2014 and was endorsed by the EU in 2016. IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 Revenue. IFRS 15 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. The Group plans to adopt IFRS 15 in its financial statements for the year ending 30 March 2019.

At present, revenue is recognised at the point in time when the risks and rewards of ownership transfer to the customer, which is deemed to be at the point of delivery of the product. Under IFRS 15 revenue will be recognised when performance obligations are satisfied. We have undertaken a detailed analysis of the impact of IFRS 15 on the Group which has shown that the recognition of revenue will be consistent with the transfer of risks and rewards to the customer under IAS 18. We have concluded following this assessment that the implementation of IFRS 15 will not have a significant impact on the Group's consolidated financial statements.

IFRS 16 'Leases' will be effective for annual periods beginning on or after 1 January 2019. The standard removes the classification of leases as either operating leases or financial leases and introduces a single lessee accounting model where the lessee is required to recognise lease liabilities and 'right of use' assets on the Balance Sheet, with exemption for low value and short-term leases. The Group is in the process of evaluating the impact of IFRS16 on its current lease arrangements.

IFRS 9 Financial instruments revises the approach to financial instruments framework replacing IAS 39 Financial Instruments: Recognition and Measurement. The classification and measurement of the group's financial instruments are not anticipated to be impacted significantly upon adoption of IFRS 9.

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

– Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions (IASB effective 1 January 2018, EU endorsed)

– Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (IASB effective 1 January 2018, EU endorsed)

– Annual improvements to IFRS 2014-2016 Cycle – Relating to IFRS 12 Disclosure of interest in other entities (IASB effective 1 January 2018, not yet EU endorsed)

– IFRIC Interpretation 22 Foreign currency transactions and advance considerations (IASB effective 1 January 2018, not yet EU endorsed)

– Amendments to IAS 40: Transfers of investment property (IASB effective 1 January 2018, not yet EU endorsed).

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 in Australia. The CGUs that comprise the UK & Europe division are combined into one reporting segment on the basis that they share economic characteristics.

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

Income statement

	52 weeks ended 31 March 2018				52 weeks ended 1 April 2017			
	UK & Europe £m	**Australia £m**	**Unallocated central expenses £m**	**Total £m**	UK & Europe £m	Australia £m	Unallocated central expenses £m	Total £m
Revenue	**312.0**	**112.8**	**–**	**424.8**	241.7	88.7	–	330.4
Underlying operating profit	**38.5**	**11.6**	**(1.3)**	**48.8**	26.2	8.3	(0.8)	33.7
Non-underlying operating items	**(9.3)**	**(1.9)**	**–**	**(11.2)**	(3.6)	(0.8)	–	(4.4)
Exceptional operating items	**(6.7)**	**(0.3)**	**(4.2)**	**(11.2)**	(0.8)	(0.5)	(1.3)	(2.6)
Operating profit	**22.5**	**9.4**	**(5.5)**	**26.4**	21.8	7.0	(2.1)	26.7
Underlying finance costs				**(8.0)**				(4.3)
Non-underlying finance costs				**(5.0)**				(3.6)
Profit before tax				**13.4**				18.8
Tax				**(4.8)**				(6.2)
Profit for the period				**8.6**				12.6

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.

The Group's revenue for the period was split geographically as follows:

	52 weeks ended 31 March 2018 £m	52 weeks ended 1 April 2017 £m
Revenue		
UK & other European countries	**265.0**	241.7
Spain	**41.3**	–
Italy	**5.7**	–
Australia	**112.8**	88.7
	424.8	330.4

Materially all revenue within 'UK & other European countries' relate to the UK.

Balance sheet

	As at 31 March 2018			As at 1 April 2017		
	UK & Europe £m	**Australia £m**	**Total £m**	UK & Europe £m	Australia £m	Total £m
Total Assets	**712.7**	**77.5**	**790.2**	277.0	52.3	329.3
Total Liabilities	**(467.0)**	**(57.6)**	**(524.6)**	(216.3)	(33.7)	(250.0)
Net Assets	**245.7**	**19.9**	**265.6**	60.7	18.6	79.3

Notes to the accounts

1. Segmental information (continued)

The Group's non-current assets as at 31 March 2018 were split geographically as follows:

	As at 31 March 2018 £m	As at 1 April 2017 £m
Non-current assets		
UK & other European countries	**130.5**	130.4
Spain	**332.2**	–
Italy	**49.1**	–
Australia	**35.9**	42.7
	547.7	173.1

Materially all non-current assets within 'UK & other European countries' relate to the UK.

Other segmental information

	52 weeks ended 31 March 2018				52 weeks ended 1 April 2017			
	UK & Europe £m	**Australia £m**	**Unallocated central liabilities £m**	**Total £m**	UK & Europe £m	Australia £m	Unallocated central liabilities £m	Total £m
Depreciation and amortisation								
Depreciation	**12.8**	**3.0**	**–**	**15.8**	9.3	2.7	–	12.0
Amortisation of acquisition intangibles	**9.4**	**1.8**	**–**	**11.2**	3.6	0.8	–	4.4
Amortisation of other intangibles	**0.1**	**–**	**–**	**0.1**	–	–	–	–
	22.3	**4.8**	**–**	**27.1**	12.9	3.5	–	16.4

	52 weeks ended 31 March 2018				52 weeks ended 1 April 2017			
	UK & Europe £m	**Australia £m**	**Unallocated central expenditure £m**	**Total £m**	UK & Europe £m	Australia £m	Unallocated central expenditure £m	Total £m
Investments in fixed assets								
Purchases of property, plant and equipment	**26.1**	**2.5**	**–**	**28.6**	9.4	1.8	–	11.2
Disposals of property, plant and equipment	**(0.9)**	**(0.3)**	**–**	**(1.2)**	(0.2)	–	–	(0.2)
Purchases of intangible assets	**0.4**	**–**	**0.3**	**0.7**	–	–	–	–
Total capital expenditure	**25.6**	**2.2**	**0.3**	**28.1**	9.2	1.8	–	11.0

2. Exceptional items

	2018 £m	2017 £m
(a) Acquisition and disposal related costs	**(5.8)**	(2.1)
(b) Reorganisation costs	**(5.4)**	(0.3)
(c) Prior year preference payment claim	**–**	(0.2)
	(11.2)	(2.6)

All exceptional items are classified within administrative expenses.

(a) One-off professional fees in connection with prospecting and completing acquisitions during the year.

(b) One-off reorganisation costs, including redundancy costs, in relation to the Group's manufacturing and logistics operations, as well as other corporate restructuring.

(c) Potential preference payment claim in respect of an Australian customer that went into administration during the prior year.

3. Finance costs

	2018 £m	2017 £m
Interest payable on bank loans and overdrafts	**5.7**	2.5
Cash interest payable on BGF loan	**0.8**	1.0
Interest payable on Hire Purchase and Finance Leases	**0.1**	0.1
Total interest payable on loans	**6.6**	3.6
Amortisation of prepaid finance costs	**1.0**	0.4
Interest rolled up into BGF loan	**0.1**	0.2
Net interest expense on defined benefit pensions	**0.3**	0.1
Underlying interest costs	**8.0**	4.3
Non-underlying finance costs:		
(a) BGF loan, one-off non-cash adjustments arising on modification	**0.9**	–
(b) BGF loan and option, redemption premium charge	**0.3**	0.2
(c) Unwinding of present value of contingent earn-out liabilities	**2.6**	1.8
(c) Unwinding of present value of deferred consideration liabilities	**0.4**	0.4
(c) Other adjustments to present value of contingent earn-out liabilities	**(2.9)**	1.6
(d) Mark to market adjustment on corporate bonds held	**0.1**	–
(e) Mark to market adjustment on foreign exchange forward contracts	**0.1**	–
(f) Retranslation of foreign currency loans	**3.5**	(0.4)
	13.0	7.9

(a) Non-cash charge relating to a significant modification to the terms of the BGF loan, on which the coupon was reduced from 10% to 6% in September 2017. The charge comprises an extinguishment charge of £705,000 and a release of prepaid costs of £210,000.

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

(c) Non-cash costs relating to the revaluation of deferred consideration and contingent earn-outs. Deferred consideration is measured at amortised cost, while contingent consideration is measured under IFRS 3 at fair value. Both are discounted for the time value of money. The present value is then remeasured at each half-year and year-end in relation to the appropriateness of the discount factor and the unwind of this discount. In addition, any changes to contingent earn-outs arising from actual and forecast business performance are reflected as other adjustments to present value of contingent earn-out liabilities.

(d) Fair value adjustments on corporate bonds held.

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

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

Notes to the accounts

4. Profit/(loss) on ordinary activities before taxation

	2018 £m	2017 £m
After charging / (crediting):		
Net foreign exchange losses / (gains)	**0.2**	(1.9)
Depreciation of property, plant and equipment (see Note 11)	**15.8**	12.0
Amortisation of intangible assets (see Note 10)	**11.3**	4.4
Staff costs (see Note 5)	**76.7**	59.8
Cost of inventories recognised as an expense	**230.2**	183.9
Profit on sale of fixed assets	**(0.1)**	–
Government grants (see Note 24)	**(0.3)**	(0.2)
Operating lease rentals	**6.5**	5.4

Auditor's remuneration	2018 £m	2017 £m
Fees payable to the Company's Auditor in respect of audit services:		
The audit of the Group consolidated accounts	**0.08**	0.05
The audit of the Company's subsidiaries pursuant to legislation	**0.30**	0.25
Total audit fees	**0.38**	0.30
Tax compliance services	**0.05**	0.04
Taxation advisory services	**0.07**	0.02
Services relating to corporate finance transactions (etiher proposed or entered into) by or on behalf of the Company or any of its associates	**0.01**	0.09
Pension scheme advisory services	**–**	0.02
Total non-audit fees	**0.13**	0.17

5. Staff costs

	Group		Company	
	2018 £m	2017 £m	2018 £m	2017 £m
Wages and salaries	**65.7**	52.0	**0.6**	0.4
Social security costs	**7.1**	4.4	**0.1**	–
Share-based employee remuneration	**0.2**	0.1	**0.2**	0.1
Other pension costs	**3.7**	3.3	**–**	–
	76.7	59.8	**0.9**	0.5

Directors' remuneration is included as part of the staff costs above. Directors' remuneration is disclosed separately on page 21 of the Directors' Report and forms part of these financial statements.

Average number employed (including executive directors of subsidiaries):

	Group		Company	
	2018	2017	2018	2017
Directors	**50**	38	**6**	6
Sales and marketing	**381**	242	**–**	–
Production, logistics and maintenance	**1,893**	1,397	**–**	–
Finance, IT and administration	**176**	125	**2**	1
	2,500	1,802	**8**	7

5. Staff costs (continued)

Share based payment schemes

On 29 April 2016, the Group Finance Director, Michael 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 is 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. Since the year end, Mr Scott has exercised his option, exchanging the B Shares for 395,476 Ordinary Shares.

On 8 June 2017, Mr Scott was awarded 5,350 C ordinary shares and certain other employees 1,070 C ordinary shares (collectively the "C Shares") in connection with the share-based incentive plan. Between the 1 July 2019 and 30 June 2020 participants will be able to exchange the C Shares into Ordinary Shares of equivalent value. The monetary value of the award represents approximately 0.733% of the growth in value of the Ordinary Shares above a share price of £6.75. The Plan is subject to good leaver and bad leaver provisions.

The B and C 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 for the B and C Shares are set out in the table below:

Inputs and Assumptions	B Shares	C Shares
Grant date	29 April 2016	8 June 2017
Victoria Plc share price at grant	£2.81	£5.53
Exercise price	£3.00	£6.75
Expected term	2.18 years	2.56 years
Risk free rate (continuously compounded)	0.50%	0.13%
Expected dividend yield	0%	0%
Expected volatility	32.76%	31.30%

Based on this model, the aggregate fair value of the B Shares was assessed to be £263,150 and for the C Shares £322,733. The fair value of the respective B and C Shares are charged to the income statement over the expected terms.

The expected volatility assumption has been determined based on historical share price volatility over a period commensurate with the expected maximum term of the respective B and C Shares issued.

Notes to the accounts

6. Taxation

	2018 £m	2017 £m
Current tax		
– Current year UK	**2.0**	4.6
– Current year overseas	**5.3**	2.5
– Adjustments in respect of prior years	**0.2**	(0.2)
	7.5	6.9
Deferred tax (Note 19)		
– Credit recognised in the current year	**(2.7)**	(1.3)
– Charge in respect of non-qualifying sampling assets	**–**	0.7
– Adjustments in respect of prior years	**–**	(0.1)
– Effect of rate change	**–**	–
	(2.7)	(0.7)
Total tax	**4.8**	6.2

Corporation tax is calculated at the applicable percentage of the estimated assessable profit for the year in each respective geography. This is 19% in the UK; 25% in the Netherlands and Spain; 27.9% in Italy; 30% in Australia; and 29% in Belgium.

The charge in respect of non-qualifying sampling assets incurred in the prior year of £682,000 is a non-recurring timing difference resulting from the change in accounting policy in the year ended 2 April 2016.

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

	2018		2017	
	£m	**%**	£m	%
Profit before tax from continuing operations	**13.4**		18.8	
Tax charge at the UK corporation tax rate of 19% (2017: 20%)	**2.5**	**19.0**	3.8	20.0
Tax effect of items that are not deductible/non-taxable in determining taxable profit	**1.1**	**7.8**	1.5	7.9
Effect of different tax rates of subsidiaries operating in other jurisdictions	**1.0**	**7.8**	0.6	3.3
Deferred consideration fair value remeasurement non-taxable	**–**	**–**	0.8	4.3
Effect of change in rate	**–**	**–**	–	–
Effect of change in future tax rate enacted on deferred tax recognised on intangible assets	**(0.1)**	**(1.0)**	(0.1)	(0.7)
Movement in deferred tax on revalued land no longer required	**–**	**–**	–	–
Tax losses not recognised as a deferred tax asset	**0.1**	**0.7**	–	–
Adjustments to prior periods	**0.2**	**1.3**	(0.4)	(1.9)
Tax charge and effective tax rate	**4.8**	**35.6**	6.2	32.9

7. Earnings per share

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

	Basic 2018 £m	**Adjusted 2018 £m**	Basic 2017 £m	Adjusted 2017 £m
Profit attributable to ordinary equity holders of the parent entity	**8.6**	**8.6**	12.6	12.6
Exceptional and non-underlying items:				
Amortisation of acquired intangibles	**–**	**11.2**	–	4.4
Acquisition and disposal-related cost	**–**	**5.8**	–	2.1
Reorganisation costs	**–**	**5.4**	–	0.3
Other exceptional items	**–**	**–**	–	0.2
BGF loan and option, non-underlying charges	**–**	**1.2**	–	0.2
Unwinding of present value of deferred and contingent consideration	**–**	**3.0**	–	2.2
Other adjustments to present value of contingent earn-out liabilities	**–**	**(2.9)**	–	1.6
Mark to market adjustment on corporate bonds held	**–**	**0.1**	–	–
Mark to market adjustment on foreign exchange forward contracts	**–**	**0.1**	–	–
Retranslation of foreign currency loans	**–**	**3.5**	–	(0.4)
Tax effect on adjusted items where applicable	**–**	**(4.4)**	–	(0.9)
Deferred tax charge in respect of non-qualifying sampling assets	**–**	**–**	–	0.7
Earnings for the purpose of basic and adjusted earnings per share	**8.6**	**31.6**	12.6	23.0

Weighted average number of shares

	2018 Number of shares (000's)	2017 Number of shares (000's)
Weighted average number of shares for the purpose of basic and adjusted earnings per share	**100,701**	90,968
Effect of dilutive potential ordinary shares:		
BGF share options and growth shares	**2,533**	3,080
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**103,234**	94,048

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

The Group's earnings per share are as follows:

	2018 Pence	2017 Pence
Earnings per share		
Basic adjusted earnings per share	**31.38**	25.25
Diluted adjusted earnings per share	**30.61**	24.43
Basic earnings per share	**8.58**	13.84
Diluted earnings per share	**8.37**	13.60

Notes to the accounts

8. Rates of exchange

	2018		2017	
	Average	**Year end**	Average	Year end
Australia - A$	**1.7206**	**1.8246**	1.7435	1.6448
Europe - €	**1.1373**	**1.1370**	1.1785	1.1777

9. Goodwill

	Goodwill £m
At 3 April 2016	37.2
Arising on acquisition	21.7
Exchange movements	0.9
At 1 April 2017	59.8
At 2 April 2017	59.8
Arising on acquisition	130.7
Exchange movements	(2.4)
At 31 March 2018	**188.1**

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:

	Reporting segment	**2018 £m**	2017 £m
Westex (Carpets) Limited	UK & Europe	**2.7**	2.7
Whitestone Weavers Group	UK & Europe	**1.4**	1.4
Interfloor Limited	UK & Europe	**25.2**	25.2
Quest Flooring Pty Limited	Australia	**8.0**	8.8
Ezi Floor Limited	UK & Europe	**7.1**	7.1
Primary Flooring Pty Limited	Australia	**6.3**	7.1
GrassInc. B.V. and Avalon B.V.	UK & Europe	**7.8**	7.5
Keraben Grupo S.A.	UK & Europe	**114.7**	–
Ceramiche Serra S.p.A.	UK & Europe	**14.9**	–
		188.1	59.8

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 10.4% for CGUs within the UK; 9.1% for CGUs within Holland; 10.4% for CGUs within Spain; 12.7% for CGUs within Italy; and 11% 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 for five years from the budget for the year ending 30 March 2019. Mid-term growth rates in EBITDA are estimated at 4% for CGUs within the UK; 4% for CGUs within Australia; and 7% for CGUs within Continental Europe. At the end of the discrete forecast period, a terminal value is calculated based on a terminal growth rate assumption of 2.0%.

The Group does not consider it probable that any reasonable changes to the key assumptions would result in impairment to any of the Goodwill balances. As at 31 March 2018 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

Group		Customer relationships £m	Brand names £m	Other acquired intangibles £m	IT software £m	Group total £m
Cost	At 3 April 2016	37.1	9.3	–	–	46.4
	Business combinations	24.2	2.4	–	–	26.6
	Exchange difference	0.7	0.1	–	–	0.8
	At 1 April 2017	62.0	11.8	–	–	73.8
	At 2 April 2017	**62.0**	**11.8**	**–**	**–**	**73.8**
	Additions	**–**	**–**	**–**	**0.7**	**0.7**
	Business combinations	**119.4**	**32.9**	**4.8**	**0.3**	**157.4**
	Exchange difference	**(2.5)**	**(0.5)**	**–**	**–**	**(3.0)**
	At 31 March 2018	**178.9**	**44.2**	**4.8**	**1.0**	**228.9**
Amortisation	At 3 April 2016	2.4	0.6	–	–	3.0
	Charge for the period	4.0	0.4	–	–	4.4
	Exchange difference	0.1	–	–	–	0.1
	At 1 April 2017	6.5	1.0	–	–	7.5
	At 2 April 2017	**6.5**	**1.0**	**–**	**–**	**7.5**
	Charge for the period	**9.4**	**1.4**	**0.4**	**0.1**	**11.3**
	Disposals	**–**	**–**	**–**	**–**	**–**
	Exchange difference	**(0.2)**	**–**	**–**	**–**	**(0.2)**
	At 31 March 2018	**15.7**	**2.4**	**0.4**	**0.1**	**18.6**
Net book value	At 31 March 2018	**163.2**	**41.8**	**4.4**	**0.9**	**210.3**
	At 1 April 2017	55.5	10.8	–	–	66.3
	At 2 April 2016	34.7	8.7	–	–	43.4

Company		Customer relationships £m	Brand names £m	Other acquired intangibles £m	IT software £m	Total £m
Cost	At 2 April 2017	**–**	**–**	**–**	**–**	**–**
	Additions	**–**	**–**	**–**	**0.3**	**0.3**
	At 31 March 2018	**–**	**–**	**–**	**0.3**	**0.3**
Amortisation	At 2 April 2017	**–**	**–**	**–**	**–**	**–**
	Charge for the period	**–**	**–**	**–**	**0.1**	**0.1**
	At 31 March 2018	**–**	**–**	**–**	**0.1**	**0.1**
Net book value	At 31 March 2018	**–**	**–**	**–**	**0.2**	**0.2**

Notes to the accounts

11. Property, plant and equipment

	Freehold land and buildings £m	Plant and machinery £m	Fixtures, vehicles and equipment £m	Total £m
Cost				
At 3 April 2016	13.8	43.0	13.9	70.7
Additions	0.1	3.6	7.5	11.2
Disposals	–	(1.4)	(6.8)	(8.2)
Business combinations	0.1	3.1	0.2	3.4
Exchange differences	–	2.9	0.5	3.4
At 1 April 2017	14.0	51.2	15.3	80.5
At 2 April 2017	**14.0**	**51.2**	**15.3**	**80.5**
Additions	**0.7**	**16.5**	**11.4**	**28.6**
Disposals	**–**	**(2.8)**	**(6.4)**	**(9.2)**
Business combinations	**61.6**	**28.0**	**1.4**	**91.0**
Exchange differences	**(0.7)**	**(3.2)**	**(0.5)**	**(4.4)**
At 31 March 2018	**75.6**	**89.7**	**21.2**	**186.5**
Accumulated depreciation				
At 3 April 2016	0.3	26.7	4.9	31.9
Charge for the period	0.4	4.1	7.5	12.0
Disposals	–	(1.4)	(6.6)	(8.0)
Exchange differences	0.1	2.4	0.3	2.8
At 1 April 2017	0.8	31.8	6.1	38.7
At 2 April 2017	**0.8**	**31.8**	**6.1**	**38.7**
Charge for the period	**0.7**	**6.3**	**8.8**	**15.8**
Disposals	**–**	**(1.9)**	**(6.1)**	**(8.0)**
Exchange differences	**(0.1)**	**(2.5)**	**(0.3)**	**(2.9)**
At 31 March 2018	**1.4**	**33.7**	**8.5**	**43.6**
Net book value				
At 31 March 2018	**74.2**	**56.0**	**12.7**	**142.9**
At 1 April 2017	13.2	19.4	9.2	41.8
At 2 April 2016	13.5	16.3	9.0	38.8

The Company holds no property, plant and equipment.

Included within fixed assets are the following:

	Plant and machinery hire purchase £m	Fixtures, vehicles and equipment hire purchase £m	Plant and machinery finance lease £m	Fixtures, vehicles and equipment finance lease £m	Group total £m
Held under hire purchase / finance leases:					
Cost at 31 March 2018	**1.2**	**1.4**	**4.1**	**0.8**	**7.5**
Accumulated depreciation at 31 March 2018	**0.1**	**0.5**	**3.3**	**0.3**	**4.2**
Depreciation charged in year	**0.1**	**0.2**	**0.3**	**0.1**	**0.7**
Held under hire purchase / finance leases:					
Cost at 1 April 2017	0.6	1.0	4.2	0.5	6.3
Accumulated depreciation at 1 April 2017	0.1	0.4	3.1	0.2	3.8
Depreciation charged in year	0.1	0.2	0.3	0.1	0.7

Capital expenditure authorised and committed at the period end:

	2018 £m	2017 £m
Contracts placed	**6.1**	0.3

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

	Note	Group 2018 £m	Group 2017 £m	Company 2018 £m	Company 2017 £m
Investment property	(a)	**0.8**	0.2	**0.2**	0.2
Investment in subsidiaries	(b)	**–**	–	**49.3**	49.3
Investment in associates	(c)	**1.0**	–	**–**	–

(a) Investment property held in the opening balance sheet relates to the legacy ownership of a small area of land in Kidderminster, which is held at cost. The fair value of this land is dependent on future use and therefore cannot be accurately estimated.

The increase in investment property during the year relates to properties obtained as part of the acquisition of Keraben. These are held at cost, according to the opening balance sheet of Keraben, which is equal to their total fair value at the date of acquisition. The fair value at 31 March 2018 is deemed to be materially unchanged.

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

As at 31 March 2018	Country of incorporation and operation	Nature of business	Ownership
Victoria Midco Holdings Limited	England	Holding company	Direct
Victoria Carpets Limited	England	Carpet manufacturer	Indirect
Whitestone Carpets Holdings Limited	England	Holding company	Indirect
View Logistics Limited	England	Logistic services	Indirect
A&A Carpets Limited	England	Carpet distributor	Indirect
Abingdon Flooring Limited	England	Carpet manufacturer	Indirect
Alliance Flooring Distribution Limited	England	Logistic services	Indirect
Distinctive Flooring Limited	England	Flooring distributor	Indirect
Globesign Limited	England	Holding company	Indirect
Westex (Carpets) Limited	England	Carpet manufacturer	Indirect
Interfloor Limited	England	Carpet underlay manufacturer	Indirect
Ezi Floor Limited	England	Carpet underlay manufacturer	Indirect
The Victoria Carpet Company Pty Limited	Australia	Carpet manufacturer	Indirect
Primary Flooring Pty Limited	Australia	Carpet underlay manufacturer	Indirect
Quest Flooring Pty Ltd	Australia	Carpet 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
Serra Holdings S.p.A	Italy	Holding company	Indirect
Ceramiche Serra S.p.A	Italy	Ceramics manufacturer	Indirect
Kinsan Trade, S.L.	Spain	Holding company	Indirect
Keraben Grupo S.A.U	Spain	Ceramics manufacturer	Indirect
Victoria Belgium N.V	Belgium	Carpet distributor	Indirect
The Victoria Carpet Company Limited	England	Non-trading	Indirect
Munster Carpets Limited	Ireland	Non-trading	Indirect
V-Line Carpets Limited	England	Non-trading	Indirect
Carpet Line Direct Limited	England	Non-trading	Indirect
Whitestone Weavers Limited	England	Non-trading	Indirect
Thomas Witter Carpets Limited	England	Non-trading	Indirect
Gaskell Mackay Carpets Limited	England	Non-trading	Indirect
Interfloor Group Limited	England	Non-trading	Indirect
Interfloor Operations Limited	England	Non-trading	Indirect
Tacktrim Limited	England	Non-trading	Indirect
Stikatak Limited	England	Non-trading	Indirect
Flooring at Home Limited	England	Non-trading	Direct
Keraben Guatemala	Guatamala	Ceramics manufacturing services	Indirect
Kerainvest S.L.	Spain	Non-trading	Indirect

Notes to the accounts

12. Fixed asset investments (continued)

(c) Victoria PLC indirectly holds investments in the following associate companies.

As at 31 March 2018	Percentage ownership
Ceramica Navagres S.A.	40%
Keraben Bolivia, S.R.L.	50%
Cong Ty Tnhh Taicera Keraben (Vietnam)	49%

The agregate result for the associated undertakings during the period was immaterial.

Due to the immaterial nature of these investments, further detailed disclosures have been omitted.

13. Inventories

Inventories held at year-end	**2018 £m**	2017 £m
Raw materials	**22.2**	18.8
Work-in-progress	**3.6**	3.4
Finished goods	**74.5**	50.9
	100.3	73.1

During the year to 31 March 2018, the total movement in stock provisions resulted in a credit to the income statement of £477,000 (2017: £189,000).

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

	Group		Company	
Amounts falling due within one year:	**2018 £m**	2017 £m	**2018 £m**	2017 £m
Trade debtors	**79.1**	51.5	**–**	–
Amounts owed by subsidiaries	**–**	–	**484.0**	132.7
Other debtors	**4.1**	0.2	**–**	–
Prepayments and accrued income	**5.0**	3.4	**–**	0.2
	88.2	55.1	**484.0**	132.9

Amounts falling due after one year:

	Group		Company	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Amounts owed by subsidiaries	**–**	–	**14.8**	14.1
	–	–	**14.8**	14.1

Where intercompany loans have been formally documented, 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.

14. Trade and other receivables (continued)

The above amounts are stated net of an allowance (net of VAT) of £2,014,000 (2017: £777,000) made for estimated irrecoverable amounts from sale of goods. The movement of this allowance account during the year is summarised below:

	2018 £m	2017 £m
Opening balance at 2 April 2017	**0.8**	1.0
Acquisition opening balances	**3.1**	0.2
(Decrease)/Increase in provisions	**(0.1)**	0.5
(Recovered)/written off against provisions	**(1.7)**	(0.9)
Exchange differences	**(0.1)**	–
Closing balance at 31 March 2018	**2.0**	0.8

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:

	2018 £m	2017 £m
1-30 days overdue	**12.2**	8.9
31-60 days overdue	**2.6**	0.9
> 60 days overdue	**2.2**	1.0
Total	**17.0**	10.8

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

	2018 £m	2017 £m
Current	**0.3**	–
1-30 days overdue	**0.1**	–
31-60 days overdue	**0.1**	–
> 60 days overdue	**1.8**	0.9
Total	**2.3**	0.9

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	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Trade creditors	**77.1**	46.4	**–**	–
Amounts due to subsidiaries	**–**	–	**1.1**	–
Deferred and contingent earn-out liabilities	**6.1**	14.7	**–**	5.8
Other creditors	**20.5**	12.0	**–**	–
Accruals	**10.5**	9.5	**2.0**	0.8
Employee incentive plan liability	**7.2**	–	**–**	–
Deferred income	**0.1**	0.2	**–**	–
	121.5	82.8	**3.1**	6.6

Amounts falling due after one year:

	Group		Company	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Deferred and contingent earn-out liabilities	**25.2**	19.3	**0.4**	–
Deferred income	**0.9**	0.2	**–**	–
Other creditors	**3.1**	0.4	**–**	–
	29.2	19.9	**0.4**	–

Deferred and contingent earn-out liabilities (Group and Company) are in connection with the acquisitions of Globesign Limited, Quest Carpet Manufacturers Pty Limited, Ezi Floor Limited, Avalon B.V., Grass Inc B.V., and Ceramiche Serra S.p.A. 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 £25.25m is split as follows: between one to two years is £11.20m and between two to five years is £14.05m.

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

Employee incentive plan liability relates to an incentive plan put in place for the senior management of Keraben Grupo S.A.U. which involved an initial investment by participants. The fair value of the scheme is linked to the performance of Keraben over a five year period, and the difference between the expected future fair value and the initial investment is being spread over this term. See accounting policies for further details.

16. Other financial liabilities

Amounts falling due within one year:

	Group		Company	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Bank overdraft	**0.9**	–	**12.9**	10.4
Bank loans	**1.2**	–	**–**	–
Finance leases & hire purchase agreements	**0.9**	0.6	**–**	–
	3.0	0.6	**12.9**	10.4

Amounts falling due after one year:

	Group		Company	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Bank loans:				
- due between one and two years	**–**	–	**–**	–
- due between two and five years	**293.7**	105.2	**289.4**	105.2
- due over five years	**–**	–	**–**	–
Subordinated loans:	**–**	–	**–**	–
- due between one and two years	**2.1**	2.9	**2.1**	2.9
- due between two and five years	**9.2**	5.4	**9.2**	5.4
- due over five years	**–**	1.6	**–**	1.6
Finance leases & hire purchase agreements:	**–**	–	**–**	–
- due between one and two years	**0.7**	0.6	**–**	–
- due between two and five years	**0.4**	0.4	**–**	–
- due over five years	**–**	–	**–**	–
	306.1	116.1	**300.7**	115.1

Bank loans as at 31 March 2018 relate to a Group multi-currency Revolving Credit Facility and Euro Term Loan, each provided by a number of banks. Both facilities mature on 15 October 2020, and are secured by way of debenture over the assets of the Group.

The Subordinated loans relate to the debt component of the BGF loan and option instruments. During the year there was a significant modification to the terms of the loan, on which the coupon was reduced from 10% to 6% in September 2017. A corresponding extinguishment charge of £705,000 and release of prepaid costs of £210,000 have been charged to finance costs within the income statement (see Note 3).

The Group's net debt position as at 31 March 2018 was £258.7m (2017: £89.6m), before netting off prepaid finance costs. The contractual maturities of financial liabilities and average effective interest rates are set out in Note 25.

Notes to the accounts

17. Financial assets and liabilities

The financial assets of the Group comprised:

	At 31 March 2018				At 1 April 2017			
	Loans and receivables £m	**Financial assets held at fair value through profit and loss £m**	**Assets not within the scope of IAS 39 £m**	**Total £m**	Loans and receivables £m	Financial assets held at fair value through profit and loss £m	Assets not within the scope of IAS 39 £m	Total £m
Cash and cash equivalents								
Sterling	**6.7**	**–**	**–**	**6.7**	10.9	–	–	10.9
US Dollars	**2.7**	**–**	**–**	**2.7**	1.5	–	–	1.5
Euros	**27.7**	**–**	**–**	**27.7**	1.4	–	–	1.4
Australian Dollars	**11.2**	**–**	**–**	**11.2**	14.1	–	–	14.1
New Zealand Dollars	**0.3**	**–**	**–**	**0.3**	0.1	–	–	0.1
Investments in listed corporate bonds	**–**	**5.4**	**–**	**5.4**	–	–	–	–
	48.6	**5.4**	**–**	**54.0**	28.0	–	–	28.0
Current assets								
Trade and other receivables	**83.1**	**–**	**5.0**	**88.1**	51.7	–	3.4	55.1
Current inventories	**–**	**–**	**100.3**	**100.3**	–	–	73.1	73.1
Forward foreign exchange contracts	**–**	**0.1**	**–**	**0.1**	–	–	–	–
Current assets	**131.7**	**5.5**	**105.3**	**242.5**	79.7	–	76.5	156.2

Investments in listed corporate bonds are held for short-term trading and are highly liquid, and are therefore treated as cash equivalents and designated at fair value through profit and loss.

17. Financial assets and liabilities (continued)

The financial liabilities of the Group comprised:

	At 31 March 2018				At 1 April 2017			
	Other financial liabilities at amortised cost £m	**Financial liabilities held at fair value through profit and loss £m**	**Liabilities not within the scope of IAS 39 £m**	**Total £m**	Other financial liabilities at amortised cost £m	Financial liabilities held at fair value through profit and loss £m	Liabilities not within the scope of IAS 39 £m	Total £m
Overdraft								
Sterling	**0.9**	**–**	**–**	**0.9**	–	–	–	–
	0.9	**–**	**–**	**0.9**	–	–	–	–
Current liabilities								
Trade and other payables	**106.4**	**1.6**	**5.9**	**113.9**	70.1	7.7	4.9	82.7
Employee incentive plan liability	**7.2**	**–**	**–**	**7.2**	–	–	–	–
Current tax liabilities	**–**	**–**	**1.0**	**1.0**	–	–	4.3	4.3
Forward foreign exchange contracts	**–**	**0.4**	**–**	**0.4**	–	0.1	–	0.1
Finance leases and hire purchase	**0.9**	**–**	**–**	**0.9**	0.6	–	–	0.6
Bank loans	**1.2**	**–**	**–**	**1.2**	–	–	–	–
Current liabilities	**116.6**	**2.0**	**6.9**	**125.5**	70.7	7.8	9.2	87.7
Non-current liabilities								
Trade and other payables	**7.4**	**20.9**	**0.9**	**29.2**	10.2	9.5	0.2	19.9
Deferred tax liabilities	**–**	**–**	**54.7**	**54.7**	–	–	15.2	15.2
Retirement benefit obligations	**–**	**–**	**9.1**	**9.1**	–	–	11.1	11.1
Finance leases & hire purchase	**1.1**	**–**	**–**	**1.1**	1.0	–	–	1.0
Bank loans	**293.7**	**–**	**–**	**293.7**	105.2	–	–	105.2
BGF loan	**11.3**	**–**	**–**	**11.3**	9.9	–	–	9.9
Non-current liabilities	**313.5**	**20.9**	**64.7**	**399.1**	126.3	9.5	26.5	162.3
Total liabilities	**430.1**	**22.9**	**71.6**	**524.6**	197.0	17.3	35.7	250.0

Notes to the accounts

17. Financial assets and liabilities (continued)

The financial assets of the Company comprised:

	At 31 March 2018				At 1 April 2017			
	Loans and receivables £m	**Financial assets held at fair value through profit and loss £m**	**Assets not within the scope of IAS 39 £m**	**Total £m**	Loans and receivables £m	Financial assets held at fair value through profit and loss £m	Assets not within the scope of IAS 39 £m	Total £m
Cash and cash equivalents								
US Dollars	**0.9**	**–**	**–**	**0.9**	–	–	–	–
Euros	**2.8**	**–**	**–**	**2.8**	–	–	–	–
Australian Dollars	**2.5**	**–**	**–**	**2.5**	0.3	–	–	0.3
	6.2	**–**	**–**	**6.2**	0.3	–	–	0.3
Current assets								
Trade and other receivables	**484.0**	**–**	**–**	**484.0**	132.7	–	0.2	132.9
Current assets	**490.2**	**–**	**–**	**490.2**	133.0	–	0.2	133.2
Non-current assets								
Amounts owed by subsidiaries	**14.8**	**–**	**–**	**14.8**	14.2	–	–	14.2
Deferred tax assets	**–**	**–**	**0.2**	**0.2**	–	–	0.3	0.3
Non-current assets	**14.8**	**–**	**0.2**	**15.0**	14.2	–	0.3	14.5
Total financial assets	**505.0**	**–**	**0.2**	**505.2**	147.2	–	0.5	147.7

The financial liabilities of the Company comprised:

	At 31 March 2018				At 1 April 2017			
	Other financial liabilities at amortised cost £m	**Financial liabilities held at fair value through profit and loss £m**	**Liabilities not within the scope of IAS 39 £m**	**Total £m**	Other financial liabilities at amortised cost £m	Financial liabilities held at fair value through profit and loss £m	Liabilities not within the scope of IAS 39 £m	Total £m
Overdraft								
Sterling	**12.9**	**–**	**–**	**12.9**	10.4	–	–	10.4
	12.9	**–**	**–**	**12.9**	10.4	–	–	10.4
Current liabilities								
Trade and other payables	**3.1**	**–**	**–**	**3.1**	0.8	5.8	–	6.6
Current tax liabilities	**–**	**–**	**–**	**–**	–	–	–	–
Current liabilities	**16.0**	**–**	**–**	**16.0**	11.2	5.8	–	17.0
Non-current liabilities								
Trade and other payables	**–**	**0.4**	**–**	**0.4**	–	–	–	–
Bank loans	**289.4**	**–**	**–**	**289.4**	105.2	–	–	105.2
BGF loan	**11.3**	**–**	**–**	**11.3**	9.9	–	–	9.9
Non-current liabilities	**300.7**	**0.4**	**–**	**301.1**	115.1	–	–	115.1
Total liabilities	**316.7**	**0.4**	**–**	**317.1**	126.3	5.8	–	132.1

17. Financial assets and liabilities (continued)
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 indirectly
- 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 31 March 2018.
- The Group's interest rate swap contract, which is a Level two financial asset and expired in May 2018.

The Group has relied upon valuations performed by third party valuations specialists for complex 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 earn-out liabilities arising from acquisitions is determined considering the value of estimated future payments, discounted to present value. Payments are determined by mechanisms set out in each acquisition agreement, and are generally based on EBITDA performance over a three to four year period. Estimated future payments are calculated using financial projections based on operational budgets for the next 12 months and then applying growth assumptions for future years as appropriate. Discount rates are reviewed annually for each acquisition, and range between 11.5% and 18.5%.

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 sensitive 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 2018 or 2017.

Notes to the accounts

17. Financial assets and liabilities (continued)

Analysis of net debt

Reconciliation of movements in the Group's net debt position:

	At 1 April 2017 £m	Cash flow £m	Capital expenditure under finance leases / HP £m	Acquisitions £m	Other non-cash changes £m	Exchange movement £m	**At 31 March 2018 £m**
Cash and cash equivalents	28.0	10.4	–	17.8	–	(2.2)	**54.0**
Bank overdraft	–	(0.9)	–	–	–	–	**(0.9)**
Net cash and cash equivalents	28.0	9.5	–	17.8	–	(2.2)	**53.1**
Finance leases and hire purchase agreements:							
- due in less than one year	(0.6)	0.3	0.2	–	(0.8)	–	**(0.9)**
- due in more than one year	(1.0)	–	(0.9)	–	0.8	–	**(1.1)**
Bank loans:							
- due in less than one year	–	–	–	(1.2)	–	–	**(1.2)**
- due in more than one year	(105.8)	(128.8)	–	(64.8)	–	2.1	**(297.3)**
Subordinated loans:							
- due in less than one year	–	–	–	–	–	–	**–**
- due in more than one year	(10.2)	–	–	–	(1.1)	–	**(11.3)**
Net debt	(89.6)	(119.0)	(0.7)	(48.2)	(1.1)	(0.1)	**(258.7)**
Prepaid finance costs	0.9	3.9	–	–	(1.2)	–	**3.6**
Net debt including prepaid finance costs	(88.7)	(115.1)	(0.7)	(48.2)	(2.3)	(0.1)	**(255.1)**

The bank loans and subordinated loans are disclosed in the table excluding prepaid finance costs.

The Group's policy on Derivatives and Other Financial Instruments is set out in Note 25.

Reconciliation of movements in the Company's net debt position:

	At 1 April 2017 £m	Cash flow £m	Capital expenditure under finance leases / HP £m	Acquisitions £m	Other non-cash changes £m	Exchange movement £m	**At 31 March 2018 £m**
Cash and cash equivalents	0.3	5.8	–	–	–	0.1	**6.2**
Bank overdraft	(10.4)	(2.2)	–	–	–	(0.3)	**(12.9)**
Net cash and cash equivalents	(10.1)	3.6	–	–	–	(0.2)	**(6.7)**
Finance leases and hire purchase agreements:							
- due in less than one year	–	–	–	–	–	–	**–**
- due in more than one year	–	–	–	–	–	–	**–**
Bank loans:							
- due in less than one year	–	–	–	–	–	–	**–**
- due in more than one year	(105.8)	(129.2)	–	–	(60.0)	2.0	**(293.0)**
Subordinated loans:							
- due in less than one year	–	–	–	–	–	–	**–**
- due in more than one year	(10.2)	–	–	–	(1.1)	–	**(11.3)**
Net debt	(126.1)	(125.6)	–	–	(61.1)	1.8	**(311.0)**
Prepaid finance costs	0.9	3.9	–	–	(1.2)	–	**3.6**
Net debt including prepaid finance costs	(125.2)	(121.7)	–	–	(62.3)	1.8	**(307.4)**

The bank loans and subordinated loans are disclosed in the table excluding prepaid finance costs.

17. Financial assets and liabilities (continued)

Amounts falling due within one year:

	Group		Company	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Deferred earn-out liabilities	**4.5**	7.0	**–**	–
Contingent earn-out liabilities	**1.6**	7.7	**–**	5.8
	6.1	14.7	**–**	5.8

Amounts falling due after one year:

	Group		Company	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Deferred earn-out liabilities:				
- due between one and two years	**4.5**	4.4	**–**	–
- due between two and five years	**1.1**	5.4	**–**	–
Contingent earn-out liabilities:	**–**	–	**–**	–
- due between one and two years	**7.9**	4.4	**0.4**	–
- due between two and five years	**11.7**	5.1	**–**	–
	25.2	19.3	**0.4**	–

	Group	Company
Reconciliation of movement in contingent earn-out liabilities	£m	£m
Contingent earn-out liabilities as at 2 April 2017	17.2	5.8
Additional liabilities from acquisitions in the period	12.4	–
Payments made during the period	(8.2)	(5.9)
Unwinding of present value	2.6	0.3
Other fair value adjustments	(2.9)	0.2
Exchange rate difference	0.1	–
Contingent earn-out liabilities as at 31 March 2018	**21.2**	**0.4**

Notes to the accounts

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	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Payments under operating leases recognised in income statement for the year	**6.5**	5.0	**0.5**	–

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	**2018 £m**	2017 £m	**2018 £m**	2017 £m
Within one year	**7.3**	6.5	**0.5**	0.5
In the second to fifth years inclusive	**20.8**	15.1	**2.1**	2.1
After five years	**20.2**	12.9	**5.8**	6.3
	48.3	34.5	**8.4**	8.9

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 £m	Company £m
At 3 April 2016	5.8	(0.3)
Credit to income statement (see Note 6)	(1.4)	–
Charge in respect of non-qualifying sampling assets (see Note 6)	0.7	–
Deferred tax in relation to pension scheme	(1.4)	–
Deferred tax on intangible assets acquired	6.8	–
Adjustment for acquisitions in the year	(0.3)	–
Exchange adjustment	–	–
At 1 April 2017	10.2	(0.3)
At 2 April 2017	**10.2**	**(0.3)**
Credit to income statement (see Note 6)	**(2.7)**	**0.1**
Deferred tax in relation to pension scheme	**0.4**	**–**
Deferred tax on intangible assets acquired	**40.2**	**–**
Adjustment for acquisitions in the year	**2.7**	**–**
Exchange adjustment	**(0.7)**	**–**
At 31 March 2018	**50.1**	**(0.2)**

19. Deferred taxation (continued)

The provision for deferred taxation is as follows:

	Group		Company	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Fixed assets	**(1.3)**	(0.8)	**–**	–
Investment property	**(0.1)**	(0.1)	**(0.1)**	(0.1)
Deferred grant income	**–**	(0.1)	**–**	–
Tax losses	**(2.6)**	(0.5)	**(0.1)**	(0.2)
Deferred tax on intangible assets acquired	**51.3**	14.9	**–**	–
Deferred tax on defined benefit pension	**(1.7)**	(2.1)	**–**	–
Other timing differences	**4.5**	(1.1)	**–**	–
	50.1	10.2	**(0.2)**	(0.3)

The provision is based on taxation rates of 30% in respect of balances relating to the Australian businesses (2017: 30%), 25% in respect of balances relating to the Dutch businesses (2017: 25%), 25% in respect of balances relating to the Spanish business (2017: n/a), 29% in respect of balances relating to the Belgian business (2017: n/a), and 27.9% in respect of balances relating to the Italian business (2017: n/a). 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 reductions, from 20% to 19% on 1 April 2017, and to 17% on 1 April 2020, have been substantively enacted. Accordingly, deferred tax balances at 31 March 2018 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	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Deferred tax liabilities	**54.7**	15.2	**–**	–
Deferred tax assets	**(4.6)**	(5.0)	**(0.2)**	(0.3)
	50.1	10.2	**(0.2)**	(0.3)

Notes to the accounts

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 £3,712,000 (2017: £3,265,000), of which £2,126,000 (2017: £2,111,000) relates to the UK schemes. The total contributions outstanding at year-end were £nil (2017: £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 (2017: £95,000) in respect of the Main Scheme and £126,000 (2017: £126,000) 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.

20. Retirement benefit obligations (continued)

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.

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

	2018	2017
Discount rate	**2.5%**	2.5%
Revaluation rate of deferred pensioners of CPI or 5% p.a. if less	**2.3%**	2.4%
Pension in payment increases of RPI or 5% p.a. if less	**3.1%**	3.2%
Pension in payment increases of CPI or 3% p.a. if less	**2.1%**	2.1%
Inflation (RPI)	**3.3%**	3.4%
Inflation (CPI)	**2.3%**	2.4%

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), 22.8 years (female).

(ii) Future retiree (aged 45) upon reaching 65: 22.0 years (male), 24.1 years (female).

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

	2018 £m	2017 £m
Net interest expense	**0.3**	0.1
Components of defined benefit costs recognised in profit or loss	**0.3**	0.1

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:

	2018 £m	2017 £m
The return on plan assets (excluding amounts included in net interest expense)	**0.9**	3.0
Actuarial gains arising from changes in demographic assumptions	**0.4**	–
Actuarial gains and (losses) arising from changes in financial assumptions	**0.4**	(11.1)
Actuarial gains arising from experience adjustments	**0.3**	0.3
Remeasurement of the net defined benefit liability	**2.0**	(7.8)

20. Retirement benefit obligations (continued)

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:

	2018 £m	2017 £m
Present value of defined benefit obligations	**(33.4)**	(36.5)
Fair value of plan assets	**24.3**	25.4
Net liability arising from defined benefit obligation	**(9.1)**	(11.1)
Deferred tax applied to net obligation	**1.7**	2.1

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

	2018 £m	2017 £m
Opening defined benefit obligation	**36.5**	26.0
Interest cost	**0.9**	0.9
Remeasurement (gains)/losses:		
Actuarial gains arising from changes in demographic assumptions	**(0.4)**	–
Actuarial (gains)/losses arising from changes in financial assumptions	**(0.4)**	11.1
Actuarial gains arising from experience adjustments	**(0.3)**	(0.3)
Benefits paid and expenses	**(2.9)**	(1.2)
Closing defined benefit obligation	**33.4**	36.5

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

	2018 £m	2017 £m
Opening fair value of plan assets	**25.4**	22.6
Interest income	**0.6**	0.8
Remeasurement gains:		
The return on plan assets (excluding amounts included in net interest expense)	**1.0**	3.0
Contributions from the employer	**0.2**	0.2
Benefits paid and expenses	**(2.9)**	(1.2)
Closing fair value of plan assets	**24.3**	25.4

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

	2018 £m	2017 £m
Cash and cash equivalents	**0.2**	0.7
Government bonds	**1.6**	2.6
Corporate bonds	**8.9**	3.0
LDI	**3.8**	–
UK equities	**0.6**	9.9
Property	**1.8**	1.4
Overseas equities	**7.4**	7.8
Closing fair value of plan assets	**24.3**	25.4

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.

20. Retirement benefit obligations (continued)

The actual return on plan assets was £1,551,000 (2017: £3,795,000).

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%.

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 4.5%.

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 (2017: £221,000) to the defined benefit schemes during the next financial period.

21. Share capital

	2018 £m	2017 £m
Allotted, called up and fully paid		
Ordinary shares	**5.9**	4.5

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

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.

Notes to the accounts

22. Reserves

(a) Retained earnings

Retained earnings for the Group as at 31 March 2018 were £26,659,000 (2017: £16,451,000).

The loss of the Company for the year determined in accordance with the Companies Act 2006 was £5,430,000 (2017: profit of £2,733,000). 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 31 March 2018 was £2,878,000 (2017: £5,027,000), in respect of foreign exchange differences on consolidation of overseas subsidiaries.

(c) Share premium

The share premium account for the Group as at 31 March 2018 was £229,822,000 (2017: £52,472,000), in respect of premium received on the issuance of equity above the nominal value of the shares issued.

(d) Other reserves

In September 2014, the Company entered into a fully subordinated £10m 2022 unsecured loan note facility provided by the Business Growth Fund ("BGF") at the time of the acquisition of the 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 separate debt and equity components. The equity component was determined to have a fair value of £682,000. Following the exercise of the BGF share option, in November 2017, this amount was transferred to Share Premium.

The above decrease in the current year was partially offset by an increase of £222,000 relating to a share-based payment charge (see further details in Note 5).

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

23. Acquisition of subsidiaries

(a) Keraben Grupo

On 16 November 2017 the Group acquired 100% of the equity of Keraben Grupo S.A.

Keraben is a large ceramic tiles business, based in Castellon, Spain. It designs, manufactures and distributes a range of white body and porcelain tiles for both wall and floor covering. Its products are priced at the medium to high-end of the market and are sold throughout western Europe under three different brands, each with a strong market reputation.

The acquisition is expected to be significantly earnings-accretive, with additional commercial synergy opportunities to drive incremental profits. The enlarged group is substantially diversified in terms of both product and geography, and Keraben is considered an ideal platform for further potential acquisitions within this market segment.

The Group results for the year ended 31 March 2018 include contribution from Keraben of €46.8m (£41.1m[1]) of revenue and €10.8m (£9.5m[1]) of profit before tax (before amortisation of acquired intangibles and acquisition costs). If the acquisition had been completed on the first day of the financial year Group revenue and profit before tax would have been higher by €82.9m (£72.9m[1]) and €21.0m (£18.5m[1]) respectively.

1 Applying the average exchange rate over the financial year of 1.1373.

Consideration

Cash consideration of €274.1m (£243.4m[2]) was paid on completion of the acquisition. There is no deferred or contingent consideration.

2 Applying the GBP to € exchange rate at the date of acquisition of 1.1258.

23. Acquisition of subsidiaries (continued)

Net assets acquired

	Amounts recognised at acquisition date £m
Property, plant and equipment	89.1
Investments in associates	0.9
IT software	0.3
Trade and other receivables	29.8
Inventories	17.7
Trade and other payables	(28.2)
Other taxes and social security	(21.5)
Deferred tax liabilities	(3.0)
Net cash / (overdraft)	6.4
Loans	(60.0)
Finance leases and hire purchase	–
Book value of net assets acquired	31.5
Fair value adjustments:	
Intangible assets arising on acquisition - Customer Relationships (see Note 10)	97.5
Intangible assets arising on acquisition - Brand Names (see Note 10)	30.6
Deferred tax liability on intangible assets acquired	(32.0)
Fair value of total identifiable net assets	127.6
Goodwill (see Note 9)	115.8
Total consideration	243.4
Satisfied by:	
Cash	243.4
Deferred consideration	–
	243.4

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.

The other taxes and social security figure in the acquired balance sheet of £21.5m is a one-off transaction-related tax liability which crystallised on acquisition and was settled following completion. As such, whilst it does not form part of the cost of investment in the Group balance sheet, it has been treated as an investment-related item in the Group cash flow statement and included as part of investments in subsidiaries net of cash acquired.

As a condition of the acquisition, the senior management team of Keraben Grupo S.A.U were required to invest £7.2m in a new incentive structure under Victoria ownership (see Note 15). This cash inflow has been treated as investment related and deducted from the investment in subsidiaries net of cash acquired.

After fair value adjustments, goodwill of £115.8m is created on the consolidation of Keraben, which relates to expected future profits of the business.

Transaction costs amounting to £836,000 relating to the acquisition have been recognised as an expense and included in exceptional administrative expenses in the Group income statement.

(b) Ceramiche Serra

On 1 December 2017 the Group acquired 100% of the equity of Ceramiche Serra S.p.A.

Serra, operating from sites in Serramazzoni, Sassuolo (near Bologna), the heart of the Italian ceramics industry, manufactures ceramic flooring, which is sold domestically and exported internationally. It sells to a combination of wholesalers, retail groups, and independent stores throughout Continental Europe, North America, and the Far East.

Notes to the accounts

23. Acquisition of subsidiaries (continued)

The Group results for the year ended 31 March 2018 include contribution from Serra of €6.5m (£5.7m[1]) of revenue and €2.5m (£2.2m[1]) of profit before tax (before amortisation of acquired intangibles and acquisition costs). If the acquisition had been completed on the first day of the financial year Group revenue and profit before tax would have been higher by €12.8m (£11.3m[1]) and €5.6m (£4.9m[1]) respectively.

1 Applying the average exchange rate over the financial year of 1.1373.

Consideration

The consideration for the acquisition comprises:

(i) Initial cash consideration of €38.1m (£33.6m[2]);

(ii) Contingent cash consideration of up to €20.0m (£17.6m[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 1.1341.

Net Assets Acquired

	Amounts recognised at acquisition date £m
Property, plant and equipment	2.1
IT software	–
Trade and other receivables	5.8
Inventories	1.2
Trade and other payables	(4.6)
Deferred tax assets	0.2
Net cash / (overdraft)	11.4
Loans	(6.0)
Book value of net assets acquired	10.1
Fair value adjustments:	
Intangible assets arising on acquisition - Customer Relationships (see Note 10)	21.9
Intangible assets arising on acquisition - Brand Names (see Note 10)	2.4
Intangible assets arising on acquisition - Developed Technology (see Note 10)	4.8
Deferred tax liability on intangible assets acquired	(8.1)
Fair value of total identifiable net assets	31.1
Goodwill (see Note 9)	14.9
Total consideration	46.0
Satisfied by:	
Cash	33.6
Deferred consideration	12.4
	46.0

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.

Contingent consideration is measured at fair value, so depending on the future performance of Serra, 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 £14.9m is created on the consolidation of Serra, which relates to expected future profits of the business.

Transaction costs amounting to £1,657,000 relating to the acquisition have been recognised as an expense and included in the administrative expenses in the Group income statement.

23. Acquisition of subsidiaries (continued)

(c) Millennium Weavers Europe

On 1 June 2017 the Group acquired the business and assets of Millennium Weavers Europe, a carpet distribution business based in Belgium. The acquisition further enhances the Group's coverage of the UK volume market.

Cash consideration of €3,494,000 (£3,069,000) was paid, with transaction costs of £170,000 recognised within administrative expenses. The fair value of the acquired assets and liabilities was equal to the price paid. No goodwill is recognised on acquisition and no separately identified intangible assets were acquired.

1 Applying the GBP to € exchange rate at the date of acquisition of 1.1386.

24. Government grants

	2018 £m	2017 £m
Deferred income at 2 April 2017	**0.4**	0.6
Grant income received in the year	**0.2**	–
Amortisation to deferred income by release through cost of production	**(0.3)**	(0.2)
Adjustment for acquisitions in the year	**0.7**	–
Exchange adjustment	**–**	–
Deferred income at 31 March 2018	**1.0**	0.4
Presented in:		
Current liabilities	**0.1**	0.2
Non-current liabilities	**0.9**	0.2
	1.0	0.4

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:

Notes to the accounts

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), foreign exchange rates (currency risk), or market pricing (price 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 £1,209,000 (2017: increase in post-tax profit of £423,000). 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.

25. Financial instruments (continued)

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.

	As at 31 March 2018						As at 1 April 2017					
	Effective Interest Rate %	**Total £m**	**0-1 Years £m**	**1-2 Years £m**	**2-5 Years £m**	**Over 5 Years £m**	Effective Interest Rate %	Total £m	0-1 Years £m	1-2 Years £m	2-5 Years £m	Over 5 Years £m
Group												
Cash and cash equivalents	**0.00%**	**54.0**	**54.0**	**–**	**–**	**–**	0.00%	28.0	28.0	–	–	–
Bank loans & overdraft	**2.92%**	**(320.6)**	**(8.7)**	**(311.9)**	**–**	**–**	2.83%	(110.4)	(3.0)	(107.4)	–	–
BGF loan	**7.91%**	**(13.8)**	**(0.6)**	**(2.1)**	**(11.1)**	**–**	13.30%	(16.1)	(1.0)	(3.1)	(10.3)	(1.7)
Finance lease and HP	**5.25%**	**(2.0)**	**(0.9)**	**(0.7)**	**(0.4)**	**–**	4.10%	(1.6)	(0.6)	(0.6)	(0.4)	–
		(282.4)	**43.8**	**(314.7)**	**(11.5)**	**–**		(100.1)	23.4	(111.1)	(10.7)	(1.7)
Company												
Cash and cash equivalents	**0.00%**	**6.2**	**6.2**	**–**	**–**	**–**	0.00%	–	–	–	–	–
Bank loans & overdraft	**2.96%**	**(315.0)**	**(8.7)**	**(306.3)**	**–**	**–**	2.83%	(120.8)	(13.4)	(107.4)	–	–
BGF loan	**7.91%**	**(13.8)**	**(0.6)**	**(2.1)**	**(11.1)**	**–**	13.30%	(16.1)	(1.0)	(3.1)	(10.3)	(1.7)
		(322.6)	**(3.1)**	**(308.4)**	**(11.1)**	**–**		(136.9)	(14.4)	(110.5)	(10.3)	(1.7)

In addition, the following table 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.

	As at 31 March 2018					As at 1 April 2017				
Total undiscounted obligations	**Total £m**	**0-1 Years £m**	**1-2 Years £m**	**2-5 Years £m**	**Over 5 Years £m**	Total £m	0-1 Years £m	1-2 Years £m	2-5 Years £m	Over 5 Years £m
Group										
Deferred consideration liabilities	**(10.4)**	**(4.5)**	**(4.7)**	**(1.2)**	**–**	(17.6)	(7.0)	(4.8)	(5.8)	–
Contingent earn-out liabilities	**(28.6)**	**(1.6)**	**(8.5)**	**(18.5)**	**–**	(22.3)	(7.7)	(6.2)	(8.4)	–
	(39.0)	**(6.1)**	**(13.2)**	**(19.7)**	**–**	(39.9)	(14.7)	(11.0)	(14.2)	–
Company										
Contingent earn-out liabilities	**(0.7)**	**–**	**(0.7)**	**–**	**–**	(5.8)	(5.8)	–	–	–
	(0.7)	**–**	**(0.7)**	**–**	**–**	(5.8)	(5.8)	–	–	–

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 continental European and Australian subsidiaries, which account for approximately 62.8% and 9.8% of the Group's total assets, respectively.

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 £705,000 (2017: increased Group post-tax profit by £176,000). A 10% weakening in the exchange rate would, on the same basis, have decreased Group post-tax profit by £577,000 (2017: decreased Group post-tax profit by £144,000).

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 £2,235,000 (2017: an increase of £2,103,000). A 10% weakening in the exchange rate would, on the same basis, have decreased equity by £1,828,000 (2017: decrease of £1,721,000).

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 £309,000 (2017: decrease of £68,000). A 10% weakening in the exchange rate would, on the same basis, have increased Group post-tax profit by £253,000 (2017: increase of £48,000).

The effect of a 10% strengthening of the Euro against Sterling at year-end rates would have resulted in a decrease to equity of £280,000 (2017: decrease of £69,000). A 10% weakening in the exchange rate would, on the same basis, have increased equity by £229,000 (2017: increase of £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	
	2018 £m	2017 £m	**2018 £m**	2017 £m
Australian Dollar	**24.9**	33.7	**77.8**	52.3
Euro	**131.3**	5.8	**502.1**	5.2

c) Price

The group is exposed to price risk in respect of corporate bonds held, which are accounted for within cash and cash equivalents. The volatility of such securities is very low. If the quoted price for these securities increased or decreased by 10%, profit before tax for the period and equity would have changed by £540,000.

d) Trading

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken other than in the corporate bonds held within cash and cash equivalents.

26. Key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised. Information about significant areas of estimation and critical judgements that have the most significant impact on the financial statements are described in the following notes:

Estimates

Measurement of intangible assets

Intangible assets are recognised on acquisitions in relation to customer relationships, brands and developed technology.

The fair value of these assets are determined by discounting estimated future net cash flows generated by the asset where no active market for the assets exists. 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.

26. Key sources of estimation uncertainty (continued)

Measurement of deferred tax assets

The Group has potential deferred tax assets, principally in the form of tax losses but deferred tax assets are only recognised to the extent it is probable that sufficient future taxable income will be available against which the losses and deductions can be utilised. Recognition therefore involves assessment of the future performance of the particular legal entity in which the deferred tax asset has been recognised. Deferred tax assets in respect of losses recognised at the balance sheet date are based on the assumption that there is a high expectation that the asset will be realised in due course.

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 for each relevant business based upon management financial projections for the next 12 months and applying growth assumptions for future years where relevant. 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.

Share based payments

The Group has share based payment incentive arrangements in place for certain employees. The fair value of the growth shares is based on growth in the share price of Victoria PLC above a hurdle and is measured using appropriate valuation model (Black-Scholes or Monte Carlo) at grant date. Key assumptions include expected volatility and the expected exercise period. The growth shares awarded effectively track the market capitalisation of the Company, therefore historical share price volatility has been used as a guide to the expected future volatility of the growth shares. As the fair value of the share based payment charge is spread on a straight line basis to the income statement over the expected term this estimate impacts the annual charge recognised.

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.

Judgements

Impairment of goodwill, investments or intercompany balances

Determining whether goodwill, investments or intercompany balances are impaired requires an estimation of the value in use of the cash-generating units to which value has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and to apply a suitable discount rate in order to calculate present value. On an annual basis the Group is required to perform an impairment review to assess whether the carrying value of goodwill, investments or intercompany balances are 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.

Notes to the accounts

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 31 March 2018, the key management personnel, and their immediate relatives, controlled 25.0% of the voting shares of the Company.

Details of the Group's share-based incentive plan, which includes key management personnel, are provided in Note 5.

Furthermore, details of an employee incentive plan in relation to the key management personnel of Keraben, are provided in Note 15.

The aggregate remuneration of the Group's key management personnel, including the above incentive schemes, is set out below for each of the categories specified in IAS 24 Related Party Disclosures.

	52 weeks ended 31 March 2018 £m	52 weeks ended 1 April 2017 £m
Short-term employee benefits	**5.1**	3.8
Post-employment benefits	**0.3**	0.5
	5.4	4.3

27. Related parties (continued)

Company

Transactions with subsidiary undertakings:	**52 weeks ended 31 March 2018 £m**	52 weeks ended 1 April 2017 £m
Management fees - Victoria Carpets Ltd	**–**	0.03
Management fees - Whitestone Carpets Holdings Ltd	**–**	0.03
Management fees - View Logistics Ltd	**0.03**	–
Management fees - Abingdon Flooring Ltd	**0.03**	0.03
Management fees - Globesign Ltd	**–**	0.03
Management fees - Westex (Carpets) Ltd	**0.03**	0.03
Management fees - Interfloor Group Ltd	**0.03**	0.03
Management fees - Ezi Floor Ltd	**0.03**	0.02
Management fees - The Victoria Carpet Company Pty Ltd	**0.03**	0.03
Management fees - Quest Flooring Pty Ltd	**0.03**	0.03
Management fees - Primary Flooring Pty Limited	**0.03**	0.01
Management fees - Victoria Bidco B.V	**0.03**	–
Interest payable - Victoria Carpets Ltd	**0.32**	0.29
Interest payable - Whitestone Carpets Holdings Ltd	**0.68**	0.58
Interest payable - Abingdon Flooring Ltd	**0.44**	0.45
Interest payable - Globesign Ltd	**0.25**	0.33
Interest payable - Interfloor Group Ltd	**1.49**	1.65
Interest payable - Interfloor Operations Ltd	**0.57**	1.54
Interest payable - Ezi Floor Ltd	**0.31**	0.15
Interest payable - The Victoria Carpet Company Pty Ltd	**–**	0.08
Interest payable - Primary Flooring Pty Limited	**1.20**	0.20
Interest payable - Victoria Bidco B.V	**0.36**	0.04
Interest payable - Keraben Grupo S.A.	**0.73**	–
Interest payable - Kinsan Trade, S.L.	**1.31**	–
Dividend Income - Victoria Midco Holdings Ltd	**2.75**	5.11
Preference dividend Income - Quest Flooring Pty Ltd	**0.76**	0.77

	52 weeks ended 31 March 2018 £m	52 weeks ended 1 April 2017 £m
Amounts due from subsidiary undertakings	**497.5**	146.9
Amounts due to subsidiary undertakings	**1.0**	–

Notes to the accounts

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. During the year there was a significant modification to the terms of the loan, on which the coupon was reduced from 10% to 6%, details are provided in Note 16. The share option was redeemed in November 2017, details are provided in Note 22.

Interest charged to the income statement during the period in relation to the BGF loan was £1,182,000 (2017: £1,372,000). Furthermore, during the period there was a one-off non-cash finance charge of £915,000 relating to the significant modification.

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

28. Post balance sheet events

Senior management long-term incentive plan

A new long-term management incentive plan was implemented post year end involving the issue of up to 100,000 ordinary shares in Victoria Midco Holdings Limited (the "Incentive Shares"), a subsidiary of the Company. Participants in the Plan will subscribe for these shares. The Plan will operate for a five year period, with the value of the Incentive Shares linked to cumulative Total Shareholder Return delivered each year above a hurdle, being the current market capitalisation of the Company increased annually by 20% p.a. on a compounding basis. At the end of the Plan, the Incentive Shares can be exchanged for new ordinary shares in Victoria, at the then prevailing share price averaged over the month prior to exchange. While the Company has the ability to buy back Incentive Shares after 3 years participants can only choose to exchange at the end of the full five-year period of the Plan. Customary good and bad leaver provisions will apply. The financial impact of the scheme has yet to be determined.

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: Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.

Telephone: 0871 664 0300 Overseas: +44 20 8639 3399 website: www.linkassetservices.com Calls cost 12p per minute plus your phone company's access charge. Overseas: +44 371 664 0300. Calls outside the UK will be charged at the applicable international rate. Lines are open between 9.00 am – 5.30 pm, Monday to Friday excluding public holidays in England and Wales. Website: www.linkassetservices.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

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Glossary

BGF	Business Growth Fund
Capex	Capital expenditure
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EPS	Earnings per share
FY17	The 52 weeks ended 1 April 2017
FY18	The 52 weeks ended 31 March 2018
H1	The 26 weeks ended 30 September 2017
H2	The 26 weeks ended 31 March 2018
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
KPIs	Key performance indicators used to assess the business performance
LFL	Like for like
LVT	Luxury vinyl tile
M&A	Mergers and acquisitions
PBT	Profit before taxation

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