VICTORIA PLC

Annual Report and Accounts for the 52 weeks ended 30 March 2019

www.victoriaplc.com

stock code: VCP

VICTORIA PLC

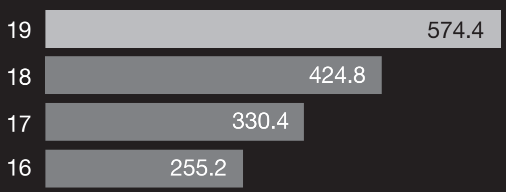
Welcome to Victoria PLC

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

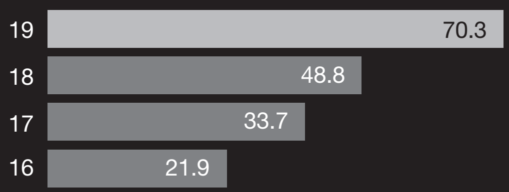
BY APPOINTMENT TO
HER MAJESTY THE QUEEN
CARPET MANUFACTURERS
VICTORIA CARPETS LTD
KIDDERMINSTER

Group financial and operational highlights

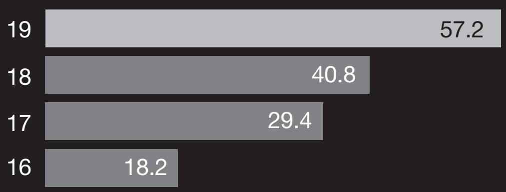
Revenue (m)



Operating profit* (m)



Pre-tax profit* (m)



Diluted adjusted earnings per share* (pence)

* Underlying and before exceptional items

- Like-for-like revenue growth of 2.0% across the Group, despite challenging market conditions.
- Achieved a record underlying EBITDA margin of 16.8%, a circa 160 basis point increase year-on-year.
- Strong cash generation continues with £50.4m of underlying free cash flow during 2019, a 44% increase over the previous year, which equates to a 72% conversion from underlying operating profit.
- Significant reorganisation of UK and European manufacturing footprint and logistics structure completed on schedule and on budget, with a materially positive impact on margin expected in FY20.
- Acquisition of Ceramica Saloni completed during the year expanding the Group's presence in the high-margin ceramic flooring sector in Europe and internationally. Now fully integrated with Keraben, Victoria's enlarged ceramics division is performing strongly, in line with expectations.

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 16 to 23

Visit our corporate website www.victoriaplc.com

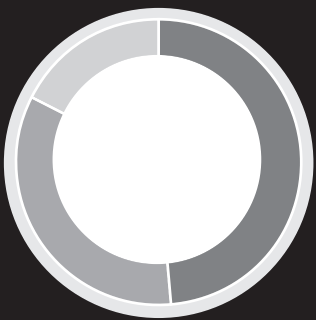
A snapshot of Victoria PLC

Overview

The Group designs, manufactures and distributes a wide range of carpets, ceramic tiles, underlay, LVT (luxury vinyl tile), artificial grass and flooring accessories.

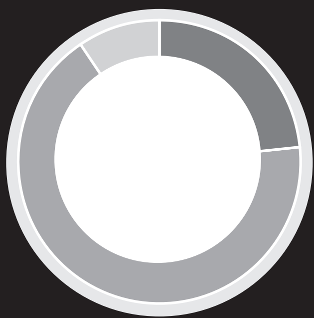
Revenue

UK & Europe Soft Flooring	49%
UK & Europe Ceramic Tiles	34%
Australia	17%



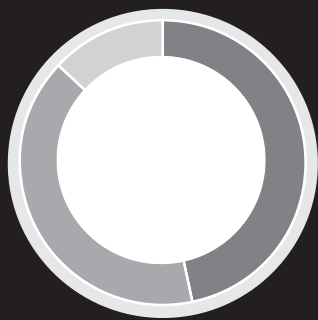
Operating profit*

UK & Europe Soft Flooring	24%
UK & Europe Ceramic Tiles	67%
Australia	9%



Employees

UK & Europe Soft Flooring	47%
UK & Europe Ceramic Tiles	40%
Australia	13%



United Kingdom & Europe Soft Flooring

Revenue	Operating profit*	Employees	m² flooring sold	m² underlay sold
£280.5m	£17.0m	1,422	27.8m	49.9m

United Kingdom & Europe Ceramics

Revenue	Operating profit*	Employees	m² flooring sold
£193.9m	£48.2m	1,230	27.7m

Australia

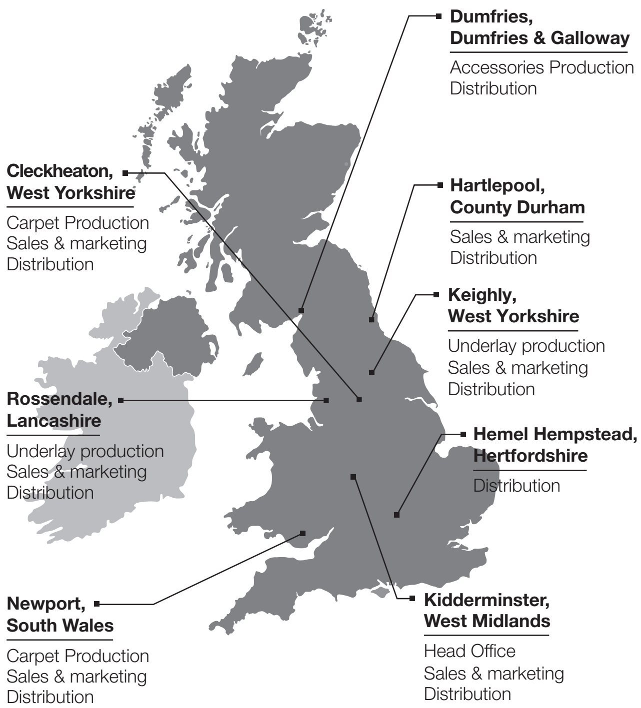
Revenue	Operating profit*	Employees	m² flooring sold	m² underlay sold
£100.0m	£6.8m	391	8.1m	16.2m

* Underlying and before exceptional items and before unallocated central expenses

Location of operations

The Group has operations in the UK, Europe and Australia, employing approximately 3,000 people at more than 20 sites.

United Kingdom and Europe



Australia

EBITDA by Geography

UK	28%
Spain	24%
France	10%
Australia	9%
Rest of Europe	17%
Other	12%

* Based on underlying EBITDA split by selling destination

Chairman and CEO review

Victoria's mission statement since October 2012 has been "To create wealth for our shareholders". Since that date, to 30 March 2019, Victoria's total shareholder return has been 62.0% per annum, a cumulative 2,183.2%. In FY2019, diluted adjusted earnings per share increased by 15.2% but, judged solely by our share price, we have failed to deliver against our mission statement over the last 12 months.

While we do not pretend for one moment that the fall in valuation over FY2019 is welcome, far more progress has been made in continuing to deliver on the mission statement than the recent share price performance would suggest. We will set out this progress in the balance of this review.

However, before we do, we will address the key factors which, outside of general UK equity market conditions, have impacted our share price and the rate of earnings growth in 2019.

- On 29 October last year, Victoria announced it intended to issue bonds to refinance its bank debt and provide a source of funding for future acquisitions. It was (and remains) the Board's view that the bond market provides the optimal mix of cost, depth, and flexibility to meet Victoria's long-term debt financing requirements.

  Unexpectedly, November 2018 turned out to be one of the worst months in recent history to attempt a bond issue with investors suddenly demanding much higher interest rates. Consequently, the board of Victoria withdrew the issue. Due to poor communication, for which your chairman takes responsibility, the equity market took fright, and this materially impacted our share price. The reaction seemed excessive as despite the wasted money (a not insignificant £7.3 million), our credit rating remained unchanged and all our banks continued to be very supportive. We have subsequently put in place very attractive committed long-term debt financing arrangements, underwritten by Credit Suisse which, importantly, incorporates flexibility to replace a proportion in the bond market at an appropriate time.

- Like many other businesses, flooring manufacturing and distribution is somewhat cyclical in nature, albeit with a less pronounced peak and trough than one might expect given the market is a fundamental one (everyone has a floorcovering, with a steady refurbishment pattern) and is mature. Nonetheless, as long-term shareholders we are strongly of the view that it is preferable to have somewhat variable, but on average higher, earnings growth than lower, but regular earnings improvement.

  In the UK general trading conditions over the 2019 financial year proved to be more challenging than in other recent periods. Accordingly given Victoria's very strong competitive position in the UK, the board decided to secure market share gains by actively taking advantage of the difficult conditions, when weaker competitors would find it more difficult to counter our initiatives. In mature, competitive markets, like flooring, there is no "pixie dust" that will triple or quadruple organic growth rates. However, a few percentage points increase in market share, taken together with tightly managed costs can dramatically beneficially impact earnings – especially as trading conditions rebound. We therefore decided to temporarily absorb some raw material price increases, launched a "value" range of products, and spent heavily on improving our customer service levels. These actions impacted the short-term rate of growth of our earnings but accelerated the organic growth of our revenues (LFL +7.3% in a market experiencing a mid-single digit decline) and we are confident we have increased our competitive superiority in the UK over the last 12 months. This will permanently benefit the Group.

- Australia simply has not performed well over the last 12 months. There are two reasons for this; neither, reassuringly, are permanent: Firstly, the Reserve Bank of Australia ("RBA") effectively tightened mortgage lending criteria, which reduced both the number of housing transactions, and the number of people able to utilise equity release loans to renovate their homes. A further by-product was a small decline in the value of housing in Australia, that, together with some of the political uncertainty (resolved with the Federal election in May), impacted consumer confidence.

  We expect all our businesses to have ups and downs from time-to-time and are not in the least disturbed by the downs. We value the geographic diversification that our Australian businesses provide and the region has performed exceptionally well for the last 20 years. Most importantly, we have the highest confidence in the Australian management team (which has not, after decades of success, suddenly forgotten how to manufacture and sell flooring!) and know they will be the first to capitalise on the inevitable upturn. This may not be far away as over the last 2 months the RBA cut interest rates by 0.5% and the Australian Prudential Regulation Authority lifted its mandatory 7% interest rate buffer (under which borrowers had to prove they could meet repayments at an interest rate much higher than actual interest rates in order to be approved for a mortgage), which will stimulate mortgage lending. Furthermore, the new government has stated its intention to legislate meaningful tax cuts for low- and middle-income earners as soon as possible.

The outcome of the trading factors outlined above was that our 2019 diluted adjusted EPS growth of 15.2%, although strong, was slower than some investors had expected. The result of this slower growth in FY2019 has been a more than commensurate drop in our share price. Having said that, it is only fair to note that there have also been times over the last six years when the share price growth has outpaced the growth in the underlying value of the business. However, over time, these two figures should more-or-less track each other and therefore we remain confident Victoria will continue to create wealth for its shareholders.

	Diluted adjusted EPS pence	Underlying EBITDA per share £	Underlying free cash flow per share[1] £	EBITDA by geography		
				UK %	Aus %	Eur %
FY15	10.47	0.27	0.17	79.5%	20.5%	-
FY16	16.32	0.39	0.19	79.3%	20.7%	-
FY17	24.42	0.50	0.25	75.1%	23.6%	1.3%
FY18	30.61	0.64	0.34	48.3%	22.0%	29.7%
FY19	35.25	0.78	0.41	25.8%	9.7%	64.5%

1 Underlying free cash flow equal to underlying EBITDA less non-cash items, movement in working capital, interest, tax and net replacement capex.
2 Number of shares based on diluted, weighted-average calculation consistent with diluted EPS, FY15 adjusted for 5-for-1 share split; FY16 figures for continuing operations.

Chairman and CEO review

OPERATIONAL REVIEW

Flooring manufacturing and distribution is a tough industry but our management team has continued to excel themselves in FY2019. We subscribe to little else he might have believed but concur unreservedly with Mao Zedong's comment on leadership, "Weapons are an important factor in war but not the decisive one; it is men and not materials that counts." We have said before, and we will say again, Victoria is fortunate in having the most talented management team in the sector.

Structurally, the Group operates as a 'team of teams'. That is to say, the managing directors of our subsidiaries work together to execute on a common strategy, but, other than capital allocation, we have delegated full operational authority and responsibility to these managers to run their business unit and achieve their strategic objectives. Apart from the low corporate overhead (five FTE) this arrangement enables a sense of autonomy and ensures our managers retain real passion for their businesses – even though many are already independently wealthy, having created fortunes in the business we have acquired from them.

There were three stand out performers in the Group this past year: Yorkshire-based Ezi Floor, run by Saqib Karim, Ceramiche Serra in Italy, run by Andrea Bordignon, and Grass Inc, led by Dave Droomers in the Netherlands. These managing directors could not be more different in style and temperament but they have delivered in spades for shareholders.

Your Chairman was first introduced to Saqib in 2015 by the former owner of a business Victoria had acquired earlier (this sort of referral is worth a dozen cold approaches). Saqib had established Ezi Floor a few years previously and had built an incredible carpet underlay manufacturer business from the ground up with a relentless focus on minimising costs. Negotiating with Saqib, your chairman quickly learned one of the reasons he runs such a successful business: he is a formidable negotiator. Nonetheless we were able to agree a deal in October 2016.

In FY2019 Ezi Floor had to cope with softer demand in the UK for underlay, and raw material price increases of more than 100%. The key ingredient in underlay is PU foam offcuts from other manufacturing processes such as furniture and car seats (PU is the squishy foam inside seat cushions and similar products) and the price can vary due to supply fluctuations (if, for example, sofa manufacturers are going through a quiet period, there is much less PU offcuts available) and/or demand (it is a global market and, even if demand is low from the UK, demand from other geographies can push up prices). Showing the sort of lateral thinking entrepreneurs are famed for, Saqib discovered new sources of raw materials and innovative production processes which enabled his business to deliver record levels of revenues and profits, despite these dramatic increases in raw material prices and softer demand. I'm delighted to have Saqib on our side.

Similarly, Serra did something extraordinary last year and much of the credit must go to Andrea Bordignon, who runs this company for us.

Andrea inherited sole responsibility for Serra in sad circumstances. Pietro Fogliani, the former owner of Serra, was declared missing, presumed drowned, by the Italian authorities after a boating accident last summer. Pietro was a lovely human being and a production genius. We will miss him for the former quality and, along with all Victoria shareholders, be forever grateful for his latter gift. With a combination of patented technology and innovative thinking Pietro designed and built a factory that could produce a greater quantity of good quality ceramics tiles than the theoretical maximum output – and at a cost below any of his "competitors" (we use the word loosely; genuine competitors simply do not exist). Serra's lowest possible cost base is perfectly illustrated by employee numbers. Serra employs 67 people. We have looked at numerous other similar-sized businesses in the region in the (so far) forlorn hope of finding another one. Not one has employed less than 150 people and some employ many more than that. So, this productivity that is part of Serra's DNA, together with some patented production processes, provides it with a sustainable competitive advantage: no-one in Italy can produce a ceramic tile like Serra's at a lower cost.

Effectively FY2019 was a year of two halves for Serra. Immediately following our purchase Victoria commenced installing a new production line to expand capacity. During the installation process, which took until June 2018, Serra's production output was reduced by about one third as we needed to remove one line (of three) before installing the faster one. As you can imagine, the reduced production output together with the general disruption from construction impacted short-term profitability substantially, as we were still carrying the full costs (all employees were retained through the process) of the business with one third less output.

However, once the new line was installed and the usual teething issues ironed out, Andrea and his team lost no time in filling it with orders from new and existing customers with the result that, even with the factory disruption and full capacity available for only part of the year, Serra generated more profits in FY2019 than in any previous year of its history. It was a truly extraordinary achievement.

Building on a solid year in FY2018, Grass Inc shot the lights out in FY2019. An ‘asset-lite’ operation, Grass Inc designs its own unique artificial turf products, imports the necessary raw materials, and contracts the manufacturing to specialist factories in Europe. In the fast-moving artificial turf sector this approach has important advantages in terms of flexibility, speed to market, operational leverage, and technology upgrades.

It is important to understand that Victoria’s artificial turf businesses are all focussed on the domestic and commercial landscaping sector, not playing fields (football pitches, tennis courts, etc). With increasing water restrictions in some regions and increased apartment and townhouse dwelling throughout Europe, this is a rapidly growing market that comes without the very significant contingent risks associated with supplying playing fields.

Dave Droomers’ energy and enthusiasm has to be experienced to be believed. He achieves more in a morning than most people do in a week (or politicians in a lifetime). Watching Dave in action at a trade show could be a spectator sport and I’m proud to have him as part of our team.

Solid gains have also been made elsewhere within the Group.

Led by Steve Byrne, who joined the Group when we acquired his successful Whitestone Weavers group in 2014, our UK carpet operations underwent significant transformation in 2019 to improve production efficiency and gain capacity. Although there are regional differences, demand for carpet in the UK overall remains constant at around two-thirds of residential flooring sold and Steve’s objective was to build a production capability (capacity and efficiency) that would ensure we were able to materially grow both our existing c.15% market share and our margins, in what remains a highly fragmented market.

As noted elsewhere in this Review, we planned for and accepted slower margin growth in 2019 in order to gain market share in the certain knowledge that the changes Steve was making would quickly make up the temporarily foregone margin opportunity. His transformation had three aspects:

1. **Consolidation**. Steve completed the incorporation of our Victoria Carpets production into the much larger Abingdon Flooring factory in Newport, Wales. This was, of course, operationally disruptive and the 200 FTE reduction enabled by the move was expensive in terms of redundancies, with the total exceptional cost amounting to £4.0 million. (This is covered in more detail in the section on restructuring costs). However, reducing the factory headcount has focussed the workforce and led to markedly increased efficiency with productivity materially higher than ever before.
2. **Investment**. Significant upgrades have resulted in a state-of-the-art carpet manufacturer, which is, by far, the best invested carpet factory in the UK. Carpet manufacturing consists of two key stages; tufting, when fibres are stitched into a backing cloth, and finishing, when a secondary layer is fixed to the back of the carpet to ‘lock’ the fibres into place amongst other processes. In 2019 we increased the number of tufting machines from 10 to 21, with the new machines also benefitting from being faster, and so giving us almost three times the capacity, along with higher quality output and different production gauges so that we will always be able to manufacture the latest on-trend demands. In addition, having invested £5.3 million in a new backing line with the latest high-speed technology, we have more than doubled our finishing capacity as well as improved the quality and finish of our carpets.
3. **Operational Integration**. Full production integration across our brands has delivered improved economies of scale. Working capital and manufacturing complexity is reducing with better SKU control across the brands (SKU’s are falling from 3,000 prior to the reorganisation to less than 2,000), and a 50% reduction in the number of yarn systems being used from 28 last year to 14 this year.

The outcome of this transformation is that the organic revenue growth we are achieving this year is being matched with margin increases. The reorganisation of the factory is now in its final stages but Steve has promised there is still much more upside to come, without, you will be pleased to learn, further significant exceptional costs.

As part of our strategy to achieve market share gains in the UK last year, we invested (capex and additional overhead) heavily into our warehousing and logistics operation to improve our customer service levels. Quite simply, there is a direct correlation between customer service (essentially product availability and speed of delivery) and sales. Retailers know that if they order a product from us, it will be delivered on the date promised - not something that is universal in the industry - which is important to someone who will have arranged for installers to be at a home on a given day and homeowners

Chairman and CEO review

who will have vacated their house for the day, possibly moving all their furniture out. We now have three modern distribution centres located at strategic locations around the country and a fleet of 124 trucks, capable of delivering nearly 1,000 tonnes of flooring per day. The fleet has about 15% spare capacity, but with further route optimisation, this will grow to over 20%, allowing for continued growth without extra capex or costs.

We are pleased to say that even with all the improvements completed to date, the management team sees further upside in reducing inventory levels, gains in quality control, production efficiencies, and enhanced logistics.

ACQUISITIONS

Victoria completed one acquisition in FY2019, Ceramica Saloni, in Spain. As was explained at the time of the acquisition, we believed there were significant operational synergies with our existing Keraben subsidiary, which was based in the same region. We are pleased to confirm that operational integration of Saloni was substantially completed by March (at a cost of just under £3 million) and the synergies are being realised as anticipated.

1. Total integration of the Keraben and Saloni production facilities in Spain. The factories are now being run as one production unit, manufacturing product for both businesses. The resulting efficiencies from longer production runs (lines no longer shut down as frequently for product size changeovers) has meant the combined factory is now able to produce the same output of tile (approximately 23 million sqm per annum) with three fewer kilns (out of 11) and a reduction in headcount of 25 FTEs. Energy, labour, and maintenance savings are in excess of £3 million per annum.
2. Integration of administrative functions and elimination of duplicated roles, maintaining only one head office has reduced costs by approximately £2 million per annum.
3. Utilisation of surplus capacity at Keraben's clay atomisation plant to supply Saloni. Clay atomisation, which turns mined clay into a fine powder at a specific humidity, is an essential first step in the production of a ceramic tile. This synergy was a key attraction of the Saloni acquisition as, like many manufacturers, Saloni was previously buying atomised clay from third-party suppliers at considerably higher cost.
4. Integrating raw materials procurement has, as previously achieved at our UK carpet businesses, lower prices for raw materials and energy.

Jose-Luis Lanuza, the managing director of Keraben who oversees our ceramics division is an outstanding operator – one of the few people we have met who has a very clear strategic understanding of the sector, and yet is equally comfortable down "amongst the weeds" of the daily operations of a business. Jose Luis and the team he has built around him provide the Board with confidence that Victoria possesses the essential management competence that will enable us to continue to expand our ceramic flooring presence.

We have continued to research acquisition opportunities with an emphasis on businesses that generate free cash and with synergy opportunities. As and when we find a business that meet the key criteria set out below, we will endeavour to acquire it, subject to a sensible capital structure. 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.

It is common for acquisition valuations to be expressed as a multiple of EBITDA and, rightly or wrongly, we have usually announced our acquisitions using that metric. However, it is not the methodology we use internally to assess value. Internally we focus on the free cash flow return, with EBITDA as a waypoint, not the finishing line. We adjust for depreciation (not necessarily the accounting depreciation, but rather the actual assessed cost of maintaining the required level of fixed assets on an accrued basis), working capital and taxes, which vary significantly between jurisdictions. Identical EBITDA numbers from two different businesses can produce vastly different amounts of cash.

While on the subject of acquisitions, we would like to comment briefly on four related subjects: Goodwill, Return on Capital Employed, Restructuring Costs, and Net Debt.

Goodwill

Due to their high return on tangible assets, we have paid significantly more than the net tangible assets for almost all our acquisitions and, as required by IFRS, the difference is shown on our balance sheet as various categories of acquired intangibles and goodwill. This amount has become a substantial figure, £465 million.

Some investors like companies with a high percentage of tangible assets on the balance sheet on the basis that they somehow underpin the value of the equity. Victoria's board does not share this view for two reasons: firstly, we think this assumption provides a false sense of security as tangible assets rarely, if ever, achieve their stated book value in a distressed sale, and secondly (and far more importantly), companies who need a high level of tangible assets to generate their earnings will, when achieving organic growth, almost certainly consume vast amounts of cash 'investing' in the additional assets needed to support that growth. The result is a poor return on capital. Needless to say, this prospect holds little appeal for Victoria, who would rather deploy the cash more productively.

There is one very important qualification to this statement: a high level of goodwill is not automatically a good thing. Overpaying for a business (the overpayment will appear as excessive goodwill) destroys the economic argument set out above. That is why we have walked away from numerous opportunities over the last six years – even where the actual business was an extraordinary one, but the price was excessive.

Return On Capital Employed (ROCE")

Over time, it is Victoria's ability to generate an above average return on capital employed that will create wealth for its shareholders.

However, there are two ways to look at Victoria's return on capital employed: at the group level, and at the subsidiary level. The two numbers are quite different but, over time, it is the underlying return achieved at subsidiary level that will be more important.

At group level, the capital employed is, of course, based on the purchase price we paid for a business. Because we have only acquired successful businesses, the price has invariably been a substantial premium to the capital base of the actual business being acquired. However, of course the price we paid had no impact on the amount of capital the subsidiary's manager is deploying, which remains unchanged.

For example, in September 2015 Victoria acquired market-leading underlay manufacturer, Interfloor. In the year prior to its acquisition, the company was using capital of £1.6 million in net working capital and £9.3 million of tangible assets, a total of £10.9 million. Adjusted pre-tax profits were £8.7 million, an extraordinary 79.8% pre-tax return on capital employed. The capital employed by the business did not, of course, suddenly change immediately after its acquisition and yet, measured at the Group level, where we paid £65 million for the business, the return on capital employed became 13.4%.

(Incidentally, since the acquisition Interfloor has returned over £35 million of operating profit to Victoria).

Subject to the proviso noted above about not overpaying for a business, it is the underlying ROCE that is more important because, over time, it is that ratio that determines how much cash the managers will require to grow their business and, therefore, how much of the cash they generate they can return to the Group for deployment elsewhere. Businesses able to achieve a high return are able to return more capital while still growing and this is a key factor in our investment analysis when we are considering a potential acquisition opportunity.

Victoria's *unlevered*, underlying pre-tax return on tangible assets exceeds 49% per annum, and by doing so the cash required to maintain the assets is low as a percentage of our earnings, which will, over time, result in ever higher returns on capital employed at Group level.

Chairman and CEO review

Restructuring Costs

Frequently the most significant synergy gains require a significant amount of reorganisation of the acquired business. As you would expect, these actions can be expensive in terms of closure costs, redundancy payments, and other costs. When we are assessing a potential acquisition, we attempt to establish the likely total cost of these items and, internally, incorporate them into our valuation alongside the likely improvement in earnings and working capital that the synergies will deliver. This is not, of course, the accounting treatment and we have recorded some large 'Exceptional Costs' in 2019 totalling £20.4 million, which we will explain in detail below so that investors can have a better understanding of the financial workings of the company. The better shareholders are informed, the greater confidence they can have in the judgements they form about the business.

(i) A total of £12.7 million was spent across the Group on one-off reorganisation costs (e.g. redundancy payments, closure costs, relocation expenses, as detailed in the table below) in FY2019. This is a very substantial amount of money and will not be repeated in FY2020. Indeed, we expect the final stages of our reorganisation will cost no more than £2 million in FY2020. Despite the cost, we expect the payback on the FY2019 reorganisation expense to be less than two years.

The Exceptional Costs fall into four main categories:

Revenue	Redundancy £m	Legal & professional £m	Asset impairment (non cash) £m	Other £m	Total %
Project 1 – UK manufacturing	2.2	0.1	1.3	0.5	4.0
Project 2 – UK logistics	0.1	0.2	–	1.6	1.9
Project 3 – Spain integration	2.2	–	0.7	–	2.9
Project 4 – Australia manufacturing	1.3	0.3	0.5	0.3	2.4
Other projects	0.1	0.9	–	0.5	1.5
Total	**5.9**	**1.5**	**2.5**	**2.9**	**12.7**

(ii) Acquisition-related expenses such as due diligence, fees to advisors, legal costs, etc. were £1.8 million in FY2019. Obviously, these would immediately drop to nil if we stopped our acquisition activity. However, the value added to the Group by continuing to grow is substantial and, to our minds, the one-off cost incurred in making an acquisition is more than offset by the additional earnings that accrue to the Group in perpetuity as a result. Shareholders can expect to see a similar level of acquisition-related exceptional costs in the years ahead but, by the same token, shareholders can equally expect Earnings Per Share and Cash Flow Per Share growth to exceed organic growth rates. In other words, if the fees are taken into account, so must the additional earnings from the acquisition be taken into account.

(iii) Bond and related structuring costs totalled £7.3 million. There is no way to view the majority of these costs other than, with the benefit of hindsight, a waste of money.

(iv) Due to a High Court ruling in October 2018, all companies with Defined Benefit pension schemes were required to equalise Guaranteed Minimum Pensions for men and women. One of our subsidiaries, Interfloor, has a small pension scheme and this ruling required a one-off, catch-up charge for past service costs of £0.4 million. It will not be repeated.

Offsetting a small portion of these one-off costs was a £1.8 million gain on the sale of Victoria's disused (for about 20 years) sports field.

(Further information is set out in the Financial Review section of this Annual Report).

Net Debt

Victoria finished the year with £339.9 million of net debt. This was as forecast although a little higher than it could have been due to our Brexit planning and the aborted bond process. As stated at the time of our interim results, we decided to temporarily carry a greater quantity of raw materials (around £14 million) to protect our UK production in the event of Brexit disruption. Of course, in the event, Brexit did not happen on 29 March as scheduled but, by the time the delay was announced, we had already stockpiled the raw materials. This position is now being unwound (with the expected positive impact on cash), but, depending on events, may need to be built up again later this year.

There is no such absolute measure as “too much leverage” and we have been surprised by how simplistic (or ‘lazy’, if one was being less kind) some commentators’ thinking is in respect of leverage: A generic multiple of X times EBITDA is “too high” for a business, Y times, is “ok”. That’s a bit like saying everyone who weighs 90kg is fat. That might be true of a 1.6m tall pastry chef, it probably isn’t true of a 1.9m rugby player.

An assessment of leverage must, therefore, at the least, always be qualified by the financial characteristics of the business being assessed (e.g. earnings consistency, cash conversion, and free cash flow), the terms of the debt (e.g. covenant headroom and duration) and the economic outlook. There are companies with net debt/EBITDA ratio of 1x, and they are too highly leveraged. Conversely, there are other companies with net debt/EBITDA of 6x and are appropriately leveraged.

Shareholders have probably noticed that over the last five years our debt/EBITDA ratio has moved up and down between 1.50x and 3.25x. This is intentional and planned. At the point of completing an acquisition we are, subject to careful analysis, usually comfortable taking our debt up to around 3x EBITDA (our internal policy). As noted elsewhere in this Review, the flooring industry is remarkably steady, stable and cash generative.

We then focus on reducing the debt ratio as rapidly as possible before proceeding with the next acquisition; we are not comfortable with just sitting at 3x. Historically we have been able to reduce the ratio rapidly due to our ability to move both the denominator (synergies have quickly lifted the earnings of the acquired business) and numerator (in addition to operational free cash flow, we have invariably been very successful in reducing working capital - primarily by improving stock turn). This policy helps us manage debt risk effectively.

In summary, we view debt as a useful and important part of our capital structure that, carefully used, is of enormous value in executing our strategy. One has to go back more than two hundred years to find interest rates as low as they are today. And Victoria can borrow at these historically low interest rates and use the money to buy some of the finest companies in the flooring industry who will deliver exceptional – and growing – profits into the future as far as we can see. Therefore, while we will always operate within prudent boundaries, we will continue to make use of appropriate levels of debt to execute our wealth creation strategy.

BOARD OF DIRECTORS

Since the year end, long-standing Victoria director Alexander Anton retired due to increasing commitments with his other business interests and Zach Sternberg joined the board.

Mr Sternberg is the co-founder of The Spruce House Partnership, a highly successful private investment partnership based in New York with $3 billion of assets under management. We are delighted to have the benefit of his extensive knowledge of capital markets as well as his perspective as a material shareholder.

Your chairman is not a big fan of large boards for a company with the size and simplicity of Victoria. However, we will, when the right candidate turns up, look to add one more independent (in the sense they must think and speak independently) director to the board. The key attributes we are looking for are practical business experience and knowledge, and a strong sense of their responsibility to help create wealth for shareholders.

DIVIDEND POLICY

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 £105.7 million, representing 110% of underlying EBITDA (even after temporarily increasing raw material levels by £14 million as part of our Brexit planning), and underlying free cash flow (i.e. after interest, tax, replacement capex, and asset disposals) was £50.4 million, representing 52% of underlying EBITDA and 72% of underlying EBIT. Over the last six years we have consistently converted 70-80% of operating profits into free cash flow (after paying tax).

Nevertheless, the Board has consistently stated Victoria has no intention of paying a dividend for the

Chairman and CEO review

foreseeable future as we remain of the view that the most wealth will be created for shareholders by deploying the free cash-flow generated by the Group businesses within the Group. There are two reasons for this:

Firstly, many investors have no requirement for an income and we see no reason to compel them to take a dividend with the resulting obligation to pay tax on the amount. Under current UK tax legislation dividends are effectively subject to double taxation - Victoria pays tax on the profits and then the shareholder pays further tax on receipt of the dividend. Leaving the capital in the company allows it to compound returns on both the value of the dividend and the value of the tax that would have had to be paid by the shareholder.

For example, assuming Victoria was able to consistently achieve a 12% return on capital employed (and we certainly expect to do considerably better than that), after 10 years £100 retained in the company would have grown to £310. If that £100 was instead paid out to a shareholder as a dividend and that shareholder (a) was also able to achieve a 12% return on the net proceeds, and (b) was a higher rate taxpayer, the same £100 will have grown to just £211. (In both cases tax would then need to be paid when the sum was distributed reducing the gains to £275 and £165, respectively). Effectively, by retaining the capital inside the company, the higher rate taxpayer is getting an interest-free ‘loan’ of 47% of his/her capital from the government on which it is possible to achieve an investment return indefinitely.

Secondly, paying out a dividend and then returning to shareholders a few months later to ask for capital to fund an attractive, high quality, earnings-accretive acquisition seems illogical to us. It is doubly illogical when the recipient will have been obliged to pay tax on the dividend received and therefore has to find capital from other sources just to place them back in the same position had the dividend not been paid in the first place.

Therefore, as in previous years, we have resolved not to pay a final dividend for FY2019.

SUMMARY FROM THE CHAIRMAN

I’m sometimes asked why I decided to get involved with Victoria. Fundamentally it was because I could see there was an opportunity to create significant value by selectively consolidating what was (and still is) a highly fragmented, readily understood industry, where scale would deliver significant synergies.

The flooring industry’s consistent organic revenue growth over time, combined with ongoing margin gains from operational improvements and high cash conversion provide Victoria a very solid investment platform with which we will continue to acquire high-quality businesses with readily realisable synergies at very attractive prices. The events of the last 12 months have not changed that view. As a committed shareholder I’m not bothered by whether the industry is cyclical or not, just as long as it is going to generate a lot of cash over the business cycle.

2019 was a year where we invested heavily in growth capex (£20.9 million) and reorganisation (£12.7 million) to deliver accelerated growth, margins, and cash flow in the years ahead. At the time of writing, we are just three months into our new financial year but the numbers being reported by the operating businesses to date evidence the expected outcome is being achieved and I look forward to updating shareholders in due course.

Geoffrey Wilding
Executive Chairman

Philippe Hamers
Chief Executive Officer

10 July 2019

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 3,000 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 promotes close links with each other and with the PLC Board to plan and implement the short and medium-term strategy.

Strategic report

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 and further commented upon in the Chairman and CEO Statement and Financial Review.

	Year ended 30 March 2019 £'m	Year ended 31 March 2018 £'m
Revenue	**574.4**	424.8
Revenue growth at constant currency	**36.9%**	28.1%
Underlying EBITDA	**96.3**	64.7
Underlying EBITDA margin	**16.8%**	15.2%
Underlying operating profit	**70.3**	48.8
Underlying operating margin	**12.2%**	11.5%
EPS (diluted, adjusted)	**35.25p**	30.61p
Operating cash flow before interest, tax and exceptional items	**105.7**	64.3
% conversion against underlying EBITDA	**110%**	99%
Free cash flow before exceptional items	**50.4**	35.0
% conversion against underlying operating profit	**72%**	72%
Adjusted net debt / EBITDA[1]	**3.2x**	2.7x

[1] As measured in line with our bank facility covenants

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 risks in any one region are mitigated by the independence of the UK & Europe Soft Flooring and Ceramic Tiles Divisions, 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 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, cyber security breaches 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

10 July 2019

Financial review

The year ended 30 March 2019 was another significant evolutionary year for Victoria, with the Group making another acquisition in ceramic tiles during Q2 and executing a number of organic commercial initiatives, synergy and cost reduction programmes against the backdrop of more challenging markets. These acquisitive and organic activities have continued to drive significant growth as well as margin development.

Revenue grew by 35% versus the prior year to £574.4m (2018: £424.8m), whilst gross profit grew by 41% to £204.3m (2018: £145.4m). On an unadjusted basis, operating profit was impacted by a number of non-underlying items, contributing to the increase in administrative expenses of £53.1m, including non-cash amortisation of acquired intangible assets (predominantly value recognised on acquisition for customer relationships) of £22.5m and one-off exceptional costs (predominantly redundancy and other reorganisation costs) of £20.4m, resulting in an unadjusted operating profit for the year of £24.0m (2018: £26.4m). In addition to increased interest costs of £5.1m resulting from acquisitions, profit before tax was also impacted by a number of non-cash, non-underlying finance items totalling £14.6m, including fair value adjustments to deferred and contingent consideration of £7.2m and translation differences of £3.6m, resulting in an adjusted loss before tax of £3.7m (2018: profit of £13.4m). Before exceptional and non-underlying items, the Group delivered an underlying operating profit for the year of £70.3m (2018: £48.8m) and an underlying profit before tax of £57.2m (2018: £40.8m). Further details of the exceptional and non-underlying items are provided below in this Financial Review.

ACQUISITION OF SALONI

The acquisition of Ceramica Saloni was completed on 7 August 2018. Saloni is a designer, manufacturer and distributor of branded, mid-high end, ceramic tiles for both walls and floors (www.saloni.com/en).

In the 7½ months since acquisition, Saloni has contributed revenue of £57.5m (€65.2m) and PBT of £5.1m (€5.8m).

As with previous acquisitions, and in particular the more recent ceramics acquisitions of Keraben in Spain and Serra in Italy, Saloni generates a significant return on net operating assets, in line with our acquisition criteria. As a result, consolidation of the investment into the Group accounts gives rise to substantial goodwill of £40.1m and acquired intangible assets of £58.4m, in accordance with IFRS.

Since the acquisition a major project has been undertaken in Spain to deliver cost synergies between Saloni and Keraben (discussed further below).

MARKET ENVIRONMENT AND REVENUE PERFORMANCE

The Group experienced a more challenging trading environment in FY19 compared to the prior year. This was particularly true of the UK and Australia, which are predominantly soft-flooring markets. Based on our specific experience and market interactions, management believe that the markets in these geographies saw declines in the year of 5-10 %. The UK market has been impacted by softer consumer activity resulting from, we believe, Brexit uncertainty. The Australian market has been impacted by tighter mortgage lending caps put in place by the Australian Prudential Regulation Authority in 2017. More recently, in 2019, these caps have been removed and the Reserve Bank interest rate has also been cut.

These conditions in our core soft-flooring markets were characterised by consumers 'trading down' to some extent, looking for slightly cheaper products on average. Our experience has been that high-end product sales have been robust, but within the mid-range consumers have sought prices of up to circa 10% lower than during times of greater confidence. In anticipation of this behaviour, in late FY18, the Group implemented an initiative to review the existing portfolio of soft flooring product ranges and ensure that this is correctly balanced to meet the revised mix in demand. This predominantly required a strong and focused sales effort on the 'correct' products within the existing portfolio, but ultimately also involved the re-engineering of certain products and the introduction of some new lower-priced products and brands.

Management believe that this strategy has proven to be highly successful, in particular when considering the trends in the broader soft flooring market.

As a result, in FY19 the Group

Revenue	2019 £m	2018 £m	LFL growth[1] (constant currency) %
UK & Europe Soft Flooring	280.5	265.0	+7.3%
UK & Europe Ceramic Tiles	193.9	47.0	–1.3%
Australia	100.0	112.8	–6.9%
Total	**574.4**	**424.8**	**+2.0%**

[1] *LFL growth assessed at constant currency, adjusted for the impact of the acquisition of Saloni and the insured business interruption caused by the South Wales factory roof collapse in March 2018 following heavy snow.*

delivered like-for-like growth in revenue of +7.3%[1] in UK & Europe Soft Flooring. The downturn in the Australia market has proven more of a challenge, hence revenue declines in that region have resulted in overall soft flooring like-for-like performance of +3.2%. Whilst Australia has been the most challenging market for the Group in FY19, management take a long-term view on performance and it is important to remember that Australia has delivered several years of consistent growth, and so is being compared to a very strong peak in the prior year.

Like-for-like revenue performance in UK & Europe Ceramic Tiles has remained resilient, with a small decline of -1.3%[1]. Despite the one-off impact at Serra of the significant factory disruption in the first quarter due to installation of a new porcelain production line, following completion of this in June 2018 these new products have seen substantial take-up by customers, resulting in strong overall sales performance.

UNDERLYING MARGIN PERFORMANCE

In terms of margin performance, soft flooring saw a decline of 2.1ppts in gross margin and 2.9ppts in underlying EBITDA margin, driven by:

- Primarily, the market conditions and product mix strategy described above – whilst steps are of course taken to minimise the cost and maximise the margins achieved on products targeted at lower price points, inevitably a lower margin is achieved. This is solely a result of product mix, with no discounting on any given product (other than any ordinary course volume and payment-based incentives);
- Reorganisation projects to drive synergies – two key projects undertaken in the UK to drive future margin improvement (further described below) had a one-off adverse impact. Whilst certain project-related costs have been classed as exceptional items in line with IFRS, there are other factors such as operational disruption that have impacted the underlying result;
- Input prices – whilst no material raw material price pressure has been experienced in carpets, our underlay businesses have seen an adverse impact from inflation during the year in polyurethane trim, the key component of foam underlay. This was mitigated to some extent with our hedging strategy (balancing forward and spot prices), and we are now seeing the input prices declining again.

UK & Europe Ceramic Tiles has delivered consistent like-for-like gross and underlying operating margin performance in FY19, albeit the reported operating margin has seen a reduction due to the acquisition made in the year. Saloni historically achieved an underlying EBITDA margin (before any synergies) of approximately half that of our incumbent ceramics business, and as this has consolidated into the Group results (since the acquisition in August 2018) it has lowered the average margin of the division.

	2019 £m	**2019 Margin %**	2018 £m	2018 Margin %
Gross Profit				
UK & Europe Soft Flooring	**88.9**	**31.7%**	89.5	33.8%
UK & Europe Ceramic Tiles	**87.5**	**45.1%**	21.6	45.9%
Australia	**27.9**	**27.8%**	34.3	30.4%
Total	**204.3**	**35.6%**	145.4	34.2%
Underlying EBITDA				
UK & Europe Soft Flooring	**29.2**	**10.4%**	35.2	13.3%
UK & Europe Ceramic Tiles	**59.2**	**30.5%**	16.2	34.5%
Australia	**9.5**	**9.5%**	14.6	12.9%
Unallocated central expenses	**(1.6)**		(1.3)	
Total	**96.3**	**16.8%**	64.7	15.2%

PRO-FORMA EBITDA AND LIKE-FOR-LIKE TREND

Whilst it is a non-IFRS measure, many analysts often ask about underlying EBITDA performance (earnings before interest, tax, depreciation, amortisation and exceptional items), as well as like-for-like trends (i.e. adjusting for acquisitions).

Underlying EBITDA in FY19 was £96.3m (2018: £64.7m), an increase of 49% over the prior year. This growth was predominantly driven by acquisitions, both the full-year effect of the prior year acquisitions (of Keraben and Serra) and the current year contribution of Saloni. The organic trend in EBITDA is the accumulation of all the factors described above, with revenue performance holding steady despite challenging conditions, and some softening of margin in soft flooring as detailed.

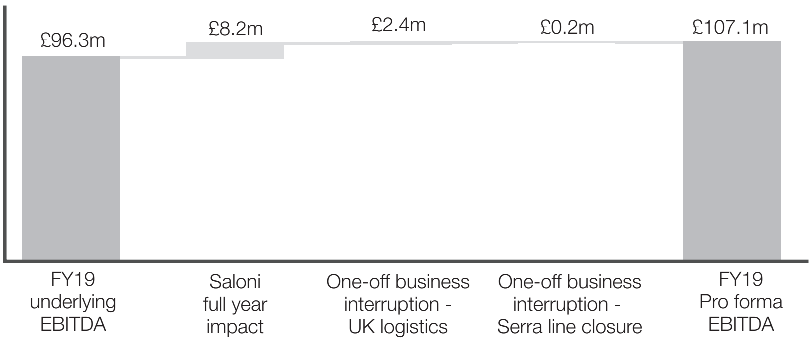
Financial review

EBITDA

	2019 £m	2018 £m	Growth %
Underlying operating profit	70.3	48.8	**44%**
Add back: Depreciation	25.9	16.8	
Add back: Underlying amortisation of IT software	0.1	0.1	
Underlying EBITDA	96.3	64.7	**49%**

The FY19 performance of the Group only incorporates 7 ½ months of Saloni, since its acquisition. Pro-forma adjusted EBITDA, which includes additional EBITDA contribution from Saloni had it been acquired at the start of the year on 1 April 2018, is £107.1m. This figure also includes two smaller adjustments, for the assessed one-off impacts during the year of disruption in Serra (due to the new line installation and resultant reduction in capacity during that process) and in UK logistics (due to the transition to new distribution centres – see further details below). This pro-forma adjusted EBITDA figure is of particular focus for the Group's lenders and is a measure used in assessing our banking covenants.

Adjusted pro forma EBITDA



[2] *Pro-forma adjusted EBITDA does not include an adjustment for business interruption caused by the South Wales factory roof collapse in March 2018 as a successful insurance claim was later made in relation to this event.*

The trend in pro-forma adjusted EBITDA over the last two years (i.e. incorporating the contribution from acquisitions as if they were acquired at the start of FY17) has been stable, growing in FY18 by circa 2.0% before declining in FY19 by circa 1.4%. This decline was entirely driven by a fall in margin, specifically in soft flooring, partially offset by margin growth in ceramic tiles. Group pro-forma EBITDA margin was consistent in FY17 and FY18 at circa 17.8%, and declined in FY19 to circa 17.1% due to the factors set out above.

INVESTMENT IN SYNERGY REORGANISATION PROJECTS, CAPEX AND EXCEPTIONAL COSTS

In addition to the acquisition of Saloni, FY19 has been a substantial year for investment in organic operating activities, in continuation of certain projects undertaken and commenced during the prior year. A total of £33.6m has been invested in organic initiatives.

The Group has undertaken over the last 18 months a number of projects to deliver synergies and cost savings, whilst at the same time expanding our production and distribution capacity. Furthermore, there has been a large project in Spain to deliver synergies between Saloni and Keraben, which commenced immediately upon completion of the acquisition of Saloni. All of these key projects have been previously disclosed and have now been completed (during Q4 of FY19; some running until Q1 of the new financial year):

1. Reorganisation of South Wales carpet factory (UK & Europe Soft Flooring) – following the closure of the Kidderminster carpet factory during the prior year and relocation of certain production assets to the South Wales factory, a substantial follow-on project was undertaken in FY19 to simplify and reorganise the latter, optimise production across the larger platform, and also install a new finishing line with substantial production speed and efficiency benefits over the existing lines.
2. Reorganisation of UK logistics (UK & Europe Soft Flooring) – as discussed in the previous annual report, this project commenced in FY18 and was scheduled to complete in FY19, which has been delivered. This involved the introduction of two new large

distribution centres, one in the South of England (close to London) and one in the Midlands (using our previous factory building in Kidderminster), with a large distribution centre already existing in the North. The primary aim of this project was to underpin and improve service levels for the long-term, with an ancillary benefit of some reduction in logistics cost per item via consolidation of the vehicle fleet.

3. Integration of Saloni with Keraben (UK & Europe Ceramic Tiles) – ahead of completing the acquisition of Saloni, alongside the Group's usual financial, commercial and legal due diligence process, an exercise was undertaken to assess the likely cost synergies that could be delivered from combination of its operations with our existing Spanish ceramics business, Keraben. This was identified to be substantial (totalling circa 30% of Saloni's historical adjusted EBITDA), and formed a key part of our acquisition rationale for that business on top of the fact that it was a growing, highly profitable business in its own right, with a strong brand and reputation for high quality. Implementation of the synergy initiatives commenced immediately on completion of the acquisition and were completed in Q4 FY19 and Q1 of the new year.

4. Reorganisation of Australia underlay manufacturing (Australia, soft flooring) – at the time of acquiring the Australian underlay business, Dunlop Flooring in January 2017, a potential synergy project had already been identified to close an underlay factory and consolidate into another, whilst still being able to maintain overall production capacity. Execution of this project was announced by the Group on 13 June 2018, involving the closure of the Melbourne site and consolidation of production in the Sydney factory. It is currently exactly on plan and expected to complete during Q2 of the current financial year, therefore being the one key project that is still ongoing at this time.

The table below summarises the level of investment that has been made during FY19 in each of these projects. This investment, in terms of accounting treatment, comprises both exceptional reorganisation costs and growth capital expenditure (not including replacement capital expenditure).

Investment in synergy projects

Revenue	**Exceptional reorganisation costs £m**	**Growth Capex £m**	**Total** %
Project 1 – UK manufacturing	4.0	5.3	9.3
Project 2 – UK logistics	1.9	0.3	2.2
Project 3 – Spain integration	2.9	7.4	10.3
Project 4 – Australia manufacturing	2.4	0.9	3.3
Other projects	1.5	7.0	8.5
Total	**12.7**	**20.9**	**33.6**

In addition to the key projects detailed above, there were other, smaller reorganisation and cost reduction projects undertaken within a few of the businesses across the group, incurring exceptional costs totalling £1.5m between them and growth capex of £7.0m.

The £12.7m of exceptional reorganisation costs have been further broken down in the table below, by project and by type of cost. The largest category by type is staff redundancy costs, which across the various projects totalled £5.9m in the year. Also included are asset impairments (where the net book value of assets that became redundant as a result of the project have been written-off) totalling £2.5m, which are a non-cash cost. All of these activities and costs are one-offs and will not repeat in the future.

Revenue	**Redundancy £m**	**Legal & professional £m**	**Asset impairment (non cash) £m**	**Other £m**	**Total** %
Project 1 – UK manufacturing	2.2	0.1	1.3	0.5	4.0
Project 2 – UK logistics	0.1	0.2	–	1.6	1.9
Project 3 – Spain integration	2.2	–	0.7	–	2.9
Project 4 – Australia manufacturing	1.3	0.3	0.5	0.3	2.4
Other projects	0.1	0.9	–	0.5	1.5
Total	**5.9**	**1.5**	**2.5**	**2.9**	**12.7**

Financial review

The £20.9m of growth capital expenditure has been further broken down in the table below. A total of £13.9m was spent within the four key synergy projects described above, of which:

- £5.6m related to the new carpet finishing line in South Wales;
- £6.6m related to a new continuous clay mill and new floor tile production plant in Keraben as part of the integration of Saloni's manufacturing;
- a further £0.9m was spent between Keraben and Saloni on equipment to help optimise the shared manufacturing operation; and
- £0.8m was spent in Dunlop Flooring to implement certain changes to the Sydney underlay manufacturing operation ahead of consolidating the volumes from Melbourne.

Additionally, the £7.0m of growth capex on smaller projects comprises:

- £3.0m related to additional classification and glazing lines at Keraben to increase capacity in these areas (committed prior to the acquisition of Saloni);
- £0.9m related to the final parts of the new Serra porcelain line, a project that continued over the previous year-end and completed in Q1;
- £1.7m related to new investments to accelerate the back-end of the underlay production process in the UK; and
- £1.4m related to other, smaller incremental initiatives.

	Revenue	**Key synergy projects £m**	**Other £m**	**Total** %
Carpet	Additional/upgraded carpet finishing line	5.3	0.9	6.2
	Other (including new tufting, lab and sampling equipment)	0.3	0.4	0.7
Ceramics	Additional floor tile production lines	6.6	3.9	10.5
	Investment to allow different tile sizes	0.9	0.1	1.0
Underlay	Upgraded cutting, wrapping, packaging sorting	0.8	1.7	2.5
Total		**13.9**	**7.0**	**20.9**

It is important to note that these projects are substantially complete and, other than the few items that continued into Q1 of the new financial year noted above, and the smaller Australia project completing by Q2, related expenditure (both exceptional reorganisation cost and growth capex) is not expected to continue in the future.

OTHER EXCEPTIONAL AND NON-UNDERLYING ITEMS

Separate from the synergy project-related exceptional costs detailed above, the group incurred further exceptional costs in the year, predominantly related to legal and advisory fees on the acquisition of Saloni (£1.8m) plus significant advisory and structuring fees on the aborted bond refinancing (£7.3m), net of an exceptional gain on the sale of unused land by PLC (£1.8m). In total these additional one-off items came to a net cost of £7.8m.

Consistent with previous periods, there are also a few non-underlying operational items that are not classed as exceptional as they will continue beyond the end of the year, but are non-underlying due to their nature as being non-cash or acquisition-related:

- Amortisation of acquired intangibles – the amortisation over a finite period of time of the fair value attributed to, primarily, brands and customer relationships on all historical acquisitions under IFRS. The nature of this item was set out in some detail in the previous annual report (FY18). It is important to note that these charges are non-cash items and that the associated intangible assets do not need to be replaced once fully written-down in the accounts;
- Non-cash share incentive plan charge – the charge under IFRS 2 relating to the pre-determined fair value of the senior management share incentive scheme put in place on 10 April 2018. This charge is also non-cash as the scheme cannot be settled in cash;

- Acquisition-related performance plan charge – relates to the expected liability under the acquisition-linked performance plan with the Keraben senior management team, who invested €8.3 million into the plan at the points of acquisition (rolled over from the value of their pre-acquisition stake in Keraben). The value of the plan is linked to the financial results of Keraben over a five year period and can go up or down, depending on performance.

Further details of exceptional and non-underlying items are provided in the Accounting Policies.

OPERATING PROFIT AND PBT

The table below summarises the underlying and reported operating profit of the Group, further to the commentary above on underlying performance and non-underlying items.

	2019 £m	**2019 Margin %**	2018 £m	2018 Margin %
Underlying operating profit	**70.3**	**12.2%**	48.8	11.5%
Reported operating profit (after exceptional items)	**24.0**	**4.2%**	26.4	6.2%
Underlying profit before tax	**57.2**	**10.0%**	40.8	9.6%
Reported (loss) / profit before tax (after exceptional items)	**(3.7)**	**–0.6%**	13.4	3.2%

Reported operating profit (earnings before interest and taxation) declined slightly to £24.0m, having been impacted by higher non-underlying and exceptional items during the year. After removing these items, underlying operating profit was £70.3m, representing a 44% increase over the prior year.

TAXATION

The reported tax charge in the year of £4.2m was distorted by the impact of the exceptional and non-underlying costs, many of which have been treated as non-deductible for tax purposes. On an underlying basis, the tax charge for the year was £13.9m against adjusted profit before tax of £57.2m, implying an underlying effective tax rate of 24.3%.

EARNINGS PER SHARE

As a result of the material exceptional and non-underlying costs in the year as detailed above, the Group delivered a basic loss per share of 6.44p (2018: reported earnings per share of 8.58p). However, adjusted earnings per share (before non-underlying and exceptional items) on a fully-diluted basis increased by 15.2% from 30.61p to 35.25p.

	Year ended 30 March 2019	Year ended 31 March 2018
Basic (loss) / earnings per share	**(6.44p)**	8.58p
Basic adjusted earnings per share	**35.27p**	31.38p
Diluted adjusted earnings per share	**35.25p**	30.61p

Financial review

OPERATING CASH FLOW

Cash flow from operating activities before interest, tax and exceptional items was £105.7m which represents a conversion of 110% of underlying EBITDA. This is a 64% increase on the prior year operating cash flow.

Operating and free cash flow

	Year ended 30 March 2019 £m	Year ended 31 March 2018 £m
Underlying operating profit	70.3	48.8
Add back: underlying depreciation & amortisation	26.0	15.9
Underlying EBITDA	96.3	64.7
Non-cash items	(0.8)	(0.2)
Underlying movement in working capital	10.2	(0.2)
Operating cash flow before interest, tax and exceptional items	105.7	64.3
% conversion against underlying operating profit	150%	132%
% conversion against underlying EBITDA	110%	99%
Interest paid	(16.5)	(6.7)
Corporation tax paid	(16.2)	(10.6)
Capital expenditure – replacement of existing capabilities	(23.5)	(14.1)
Proceeds from fixed asset disposals	0.9	2.1
Free cash flow before exceptional items	50.4	35.0
% conversion against underlying operating profit	72%	72%
% conversion against underlying EBITDA	52%	54%

Pre-exceptional free cash flow of the Group – after interest, tax and net replacement capex – was £50.4m. Compared with underlying operating profit (i.e. post-depreciation), this represents a conversion ratio of 72%, consistent with prior years.

A full reported statement of cash flows, including exceptional and non-underlying items, is provided on page 48.

NET DEBT

As at 30 March 2019 the Group's net debt position was £339.9m. This compares with £258.7m as at the previous year-end, 31 March 2018. The principal reasons for this increase during the year were the acquisition of Saloni and the organic investment in the synergy projects detailed above.

Reconciliation of free cash flow to movement in net debt	Year ended 30 March 2019 £m	Year ended 31 March 2018 £m
Free cash flow before exceptional items (see above)	50.4	35.0
Capital expenditure – growth	(20.9)	(15.2)
Exceptional reorganisation cash cost	(11.5)	(3.4)
Investment in synergy projects	(32.5)	(18.6)
Acquisitions of subsidiaries	(82.6)	(276.5)
Net proceeds of equity raise	59.3	178.1
Total debt acquired or refinanced	(68.0)	(66.0)
Deferred and contingent consideration payments	(8.9)	(15.3)
Exceptional M&A costs	(1.8)	(4.5)
Acquisitions related expenditure	(102.0)	(184.2)
Exceptional bond issue & structuring costs	(7.3)	–
Proceeds from disposal on investment property	2.0	–
Other exceptional cash items	(5.3)	–
Other debt items	(0.6)	(1.2)
Translation differences on foreign currency cash and loans	8.7	(0.1)
Other exceptional items	8.2	(1.3)
Total movement in net debt	(81.2)	(169.1)
Opening net debt	(258.7)	(89.6)
Closing net debt	(339.9)	(258.7)

Applying our banks' adjusted measure of financial leverage, the Group's year-end net debt to EBITDA ratio was 3.2x (2018: 2.7x)[3]. This increase in the year is due to the acquisition of Saloni and the split of debt and equity funding utilised. Current leverage is consistent with our financial strategy to use a sensible but cautious level of debt in the overall funding structure of the Group.

	2019 £m	2018 £m
Net cash and cash equivalents	**60.2**	53.1
Bank loans	**(387.0)**	(298.5)
BGF loan	**(11.6)**	(11.3)
Finance leases and hire purchase arrangements	**(1.6)**	(2.0)
Net debt	**(339.9)**	(258.7)
Adjusted net debt / EBITDA[3]	**3.2x**	2.7x

[3] *Adjusted net debt / pro-forma EBITDA, as measured in line with our bank facility covenants.*

FUNDING

On 7 August 2018, in conjunction with the acquisition of Saloni, the Group signed a €445 million term loan with HSBC and Barclays. This loan was used to provide funding towards the acquisition (alongside new equity funding) and to refinance the entire amount of previously existing senior debt. This facility matures in August 2020 and is secured by way of debenture over the assets of the Group.

More recently, the Group has signed a commitment from Credit Suisse, NatWest, ING, HSBC, Bank of Ireland and BBVA to provide five-year facilities to refinance the above term loan. The Company is currently considering options to replace a proportion of these committed facilities with bonds in the debt capital markets.

The Group is also funded by a revolving credit facility of £60 million for working capital headroom and general corporate purposes. This facility has remained undrawn since it was put in place last year. In addition, the Group has a £10 million unsecured loan from the Business Growth Fund, maturing in 2021.

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 estimated impact of applying IFRS16 has been calculated and is explained in more detail within the Significant accounting policies section of the accounts.

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

GOING CONCERN

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 and CEO Statement, the Strategic Review and this Financial Review. In addition, Note 25 to the Accounts 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 current bank facilities across the Group along with recently arranged new committed facilities (see above for further details) provide sufficient capacity to cover all anticipated capital expenditure and working capital requirements during the year ahead. These facilities are subject to financial covenants measured against Group results on a quarterly basis. All such covenants have been satisfied to date.

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

10 July 2019

Board of Directors

Geoffrey Wilding
Executive Chairman

Geoffrey 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.

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 BGF Head of Investment South, Wales and Quoted, responsible for leading BGF's investment and portfolio teams in London, Bristol, Reading, Cardiff, Milton Keynes, Nottingham and Birmingham, covering London, the South East, the South West, the Midlands, Wales and East Anglia. Gavin is also a member of BGF's national executive leadership team, national investment committee and responsible for managing BGF's UK wide investment activity into public companies, BGF Quoted.

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

Zachary Sternberg
Non-executive Director

Zachary Sternberg is the co-founder of The Spruce House Partnership, a private investment partnership based in New York with $3 billion of assets under management, which seeks to invest alongside and support management teams that are focussed on growing the per share value of their companies over the very long-term. He graduated in accounting from The Wharton School, University of Pennsylvania.

Zachary was appointed to the Board in May 2019 and is a member of the Remuneration and Nomination Committees.

Directors' report

The Directors present their Annual Report and the audited financial statements for the Group for the year ended 30 March 2019.

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 30 March 2019 and a description of the principal risks and uncertainties faced by the Group. The Strategic Report can be found on pages 13 to 15.

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 44 to 94.

	£000
Loss attributable to shareholders	7,900
Total dividend paid in the financial year	–
Retained loss	**7,900**

The Directors do not recommend the payment of a final dividend for the financial year ended 30 March 2019.

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 24.

The Directors of the Company who held office at 30 March 2019 had the following interests in the Ordinary shares of the Company:

	30 March 2019		31 March 2018	
	Beneficial	**Non-Beneficial**	Beneficial	Non-Beneficial
Geoffrey Wilding[(a)]	**22,438,650**	**–**	26,438,650	–
Philippe Hamers	**125,000**	**–**	100,000	–
Michael Scott	**416,726**	**–**	21,250	–
Alexander Anton	**994,025**	**–**	494,025	–
Andrew Harrison	**189,725**	**–**	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 22,438,650 Ordinary Shares and as a result Mr. Wilding is the beneficial owner of this shareholding.

In accordance with the Company's Articles of Association, the Director retiring by rotation at the 2019 Annual General Meeting is Michael Scott. Michael Scott who being eligible, offers himself for re-election pursuant to Article 86.

Also, in accordance with the Company's Articles of Association, Zachary Sternberg who was appointed on 22 May 2019 offers himself for election.

Alexander Anton retired as a director of the Company on 5 June 2019.

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') Head of Investment South, Wales and Quoted. On 30 September 2014 the Company entered into a £10m 2021 unsecured loan facility with the BGF.

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 30 March 2019 and through to the date of this report.

Directors' report

Directors' emoluments

The emoluments of all Directors for the financial year ended 30 March 2019 were:

	Salary/Fees £000	Benefits in kind £000	Share based payment charge £000	Bonus £000	**Total 2019 £000**	Total 2018 £000
Executive						
Geoffrey Wilding	65	–	458	–	**523**	65
Philippe Hamers	573	–	275	–	**848**	580
Michael Scott	124	14	356	–	**494**	366
Non-executive						
Alexander Anton	35	–	–	–	**35**	35
Andrew Harrison	35	–	–	–	**35**	35
Gavin Petken *	35	–	–	–	**35**	35
	867	14	1,089	–	**1,970**	1,116

* 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') Head of Investment South, Wales and Quoted 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 year ended 30 March 2019 amounted to £64,287 (2018: £66,702).

Directors' pension entitlements

No Director who held office during the year ended 30 March 2019 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 it's policy (2018: £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.

Going concern

After making enquiries, having reviewed the Group's budgets, projections and funding requirements, and taking account of reasonable possible changes in trading performance, 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.

The current bank facilities across the Group along with the recently arranged new committed facilities (see Financial Review for further details) provide sufficient capacity to cover all anticipated capital expenditure and working capital requirements during the year ahead. These facilities are subject to financial covenants measured against Group results on a quarterly basis. All such covenants have been satisfied to date.

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 2019 Annual General Meeting to be held on 3 September 2019, 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

10 July 2019

Victoria PLC Corporate governance statement

Introduction

From September 2018 all AIM companies are required to set out details of a recognised corporate governance code that the Board of directors has chosen to apply, how they comply with that code, and where it departs from its chosen corporate governance code an explanation for doing so.

The Group has chosen to adopt the Quoted Companies Alliance ("QCA") Code as our guide and set out below detailed explanations of how we seek to comply with each of the QCA Code's 10 principles.

All members of the Board recognise the importance of good corporate governance in facilitating Victoria to achieve its goals and in our accountability to all our stakeholders.

In the statements that follow, we explain our approach to governance, and how the Board and its committees operate.

1. Establish a strategy and business model which promotes long-term value for shareholders

The strategy and business operations of the Group are set out in the Strategic Report on pages 13 to 15.

Victoria plc has a clear and simple mission statement "To create wealth for our shareholders". The Group's strategy in creating wealth for its shareholders has remained unchanged since the appointment of Geoffrey Wilding as Chairman in October 2012 and continues to be to deliver profitable and sustainable growth, both from acquisitions and organic drivers.

In terms of acquisitions, Victoria has a track record of identifying value-accretive acquisition targets, integrating the acquired companies and achieving synergies. 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 key performance indicators.

Organic growth is fundamentally driven by the five pillars of Victoria's business model:

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 maintain 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 a framework that promotes close links with each other and with the Board to plan and implement the short and medium-term strategy.

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.

2. Seek to understand and meet shareholder needs and expectations

The Group maintains a regular dialogue with both existing and potential new shareholders in order to communicate the Group's strategy and progress and to understand shareholders needs and expectations.

The Company communicates with its shareholders principally via a Regulatory Information Service, its investor website, formal company meetings and investor roadshows. The Company's contact details, telephone, email and correspondence address, are listed on its website for shareholders' use. The Company also provides an email alert service on its website to which shareholders and other interested parties can subscribe, to receive company announcements when they are released.

The Chairman, Chief Executive Officer and Chief Financial Officer meet regularly with investors and analysts to update them on the Group's business and obtain feedback on the market's expectations of the Group.

Private shareholders

The AGM is the main forum for dialogue with retail shareholders and the Board. The Notice of Meeting is sent to shareholders at least 21 days before the meeting. The chairs of the Board and all committees, together with all other directors, routinely attend the AGM and are available to answer questions raised by shareholders. For each vote, the number of proxy votes received for, against and withheld is announced at the meeting.

Institutional shareholders
The Directors actively seek to build a relationship with institutional shareholders. Shareholder relations are managed primarily by the Chairman, Geoff Wilding and the Chief Financial Officer, supported by the Chief Executive Officer, as appropriate. The Chairman, Chief Executive Officer and Chief Financial Officer make presentations to institutional shareholders and analysts each year immediately following the release of the full-year and half-year results.

The Board as a whole is kept informed of the views and concerns of major shareholders by briefings from the Chairman. Any significant investment reports from analysts are also circulated to the Board. The Chairman and Chief Financial Officer are available to meet with major shareholders if required to discuss issues of importance to them.

3. Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Group is aware of its corporate social responsibilities and recognises the importance of maintaining good relationships with all stakeholder groups as this is essential for building a quality long-lasting growth business.

Engaging with our stakeholders strengthens our relationships and helps us make better business decisions to deliver on our commitments. The Board is regularly updated on wider stakeholder engagement feedback to stay abreast of stakeholder insights into the issues that matter most to them and our business, and to enable the Board to understand and consider these issues in decision-making. Aside from our shareholders, suppliers and customers, our employees are one of our most important stakeholder groups and the Board therefore closely monitors and reviews any feedback it receives to ensure alignment of interests.

Victoria is committed to being an equal opportunities employer and 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.

Our customers are of paramount importance and the Group seeks to retain customers and establish long and lasting relationships with them, built on mutual respect and trust. The Group is focused on producing quality flooring products at competitive prices for our customers.

Victoria endeavours to forge strong relationships with suppliers built on honesty, fairness and mutual respect.

We oppose modern slavery in all its forms and will try to prevent it by any means that we can. We expect anyone who has any suspicions of modern slavery in our business or our supply chain to raise their concerns without delay.

We promise that we will keep any information provided completely confidential. In the light of the Modern Slavery Act 2015 we annually review internal measures to ensure we are doing what we can to prevent slavery and human trafficking in our businesses and in our supply chains. Our policy is available on the Victoria plc website: www.victoriaplc.com

4. Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board is responsible for the systems of risk management and internal control and for reviewing their effectiveness. The internal controls are designed to manage rather than eliminate risk and provide reasonable but not absolute assurance against material misstatement or loss. Through the activities of the Audit Committee, the effectiveness of these internal controls is reviewed annually.

A comprehensive budgeting process is completed once a year and is reviewed and approved by the Board. The Group's results, compared with the budget, are reported to the Board on a monthly basis.

Audit, risk and internal financial controls
The Company has an established framework of internal financial controls, the effectiveness of which is regularly reviewed by the Executive Management, the Audit Committee and the Board.

The Board is responsible for reviewing and approving overall Company strategy, approving revenue and capital budgets and plans, and for determining the financial structure of the Company. Monthly results and variances from plans and forecasts are reported to the Board.

The Audit Committee assists the Board in discharging its duties regarding the financial statements, accounting policies and the maintenance of proper internal business, and operational and financial controls, including the review of results of work performed by the Group controls function.

Victoria PLC Corporate governance statement

There are comprehensive procedures for budgeting and planning, for monitoring and reporting to the Board business performance against those budgets and plans, and for forecasting expected performance over the remainder of the financial period. These cover profits, cash flows, capital expenditure and balance sheets. Further details of the Company's approach to risk and risk management are set out in the Strategic Report under the Principal Risks and Uncertainties section.

Standards and policies

The Board is committed to maintaining appropriate standards for all the Company's business activities and ensuring that these standards are set out in written policies. Key examples of such standards and policies include the 'Anti Modern Slavery Policy' and 'Employee Code of Conduct' and our 'Bribery Policy'.

The Group maintains appropriate insurance cover in respect of actions taken against the Directors because of their roles, as well as against material loss or claims against the Group. The insured values and type of cover are comprehensively reviewed on a periodic basis.

5. Maintain the Board as a well-functioning, balanced team led by the Chair

Victoria's Board comprises the Executive Chairman, Geoff Wilding, and two other Executive Directors and 3 Non-executive Directors, including a Senior Independent Non-executive Director.

All of the Directors are subject to election by shareholders at the first Annual General Meeting following their appointment to the Board. In accordance with the Company's Articles of Association Directors are required to seek re-election at least once every three years.

The Board is responsible to the shareholders for the proper management of the Group and meetings are held on a regular basis to set the overall direction and strategy of the Group, to review operational and financial performance and to discuss acquisition prospects. The Board is provided with key information in a timely manner to enable a proper assessment of all matters requiring a decision or insight. All key operational and investment decisions are subject to Board approval.

The Board also has a list of standing agenda items for compliance and regulatory matters, including compliance with the UK Bribery Act, Health and Safety performance, Insurance and any other relevant developments impacting the Group.

The Board is supported by Audit, Remuneration and Nomination Committees which are considered to have the appropriate skills and knowledge to discharge their duties and responsibilities effectively.

The Board currently has one independent non-executive director. This represents a departure from the QCA code guidance for at least two independent non-executive directors.

Whilst the Company acknowledges the guidance to have at least two independent directors, the Chairman does not consider the current departure from the code as limiting the Board's ability to operate as a well-functioning and balanced team. The Company will continue to monitor and assess the appropriateness of the current Board composition and if considered appropriate seek to appoint a second independent non-executive director.

There were 16 Board or Committee meetings held during the year. Directors' attendance at these meetings was as follows:

	Total	Board	Audit Committee	Remuneration Committee	Nominations Committee
Geoffrey Wilding – Chairman	11	11	–	–	–
Philippe Hamers – Chief Executive	11	11	–	–	–
Michael Scott – Finance Director	11	11	–	–	–
Alexander Anton – Non-executive	16	11	2	3	–
Andrew Harrison – Non-executive	15	10	2	3	–
Gavin Petken – Non-executive	16	11	2	3	–

Directors' conflict of interest

The Company has effective procedures in place to monitor and deal with conflicts of interest. The Board is aware of the other commitments and interests of its Directors, and changes to these commitments and interests are reported to and, where appropriate, agreed with the rest of the Board.

6. Ensure that between them, the directors have the necessary up-to-date experience, skills and capabilities

The Directors' biographies are set out on page 24 of the Annual Report.

The Board regularly reviews the composition of the Board to ensure that it has an appropriate mix of skills and experience to support the Group as it develops.

The Chairman, together with the Company Secretary, ensures that the Directors' knowledge is kept up to date on key issues and developments pertaining to the Group, its operational environment and to the Directors' responsibilities as members of the Board.

The Directors have access to the advice and services of the Company Secretary and are empowered to take independent professional advice in the furtherance of their duties at the Company's expense, where necessary.

7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

The effectiveness of the Board's performance as a collective unit is focused on one measure: the delivery on the Company's mission statement "To create wealth for our shareholders".

The Chief Financial Officer is appraised by the Senior Independent Non-executive Director, who is also the Chair of the Audit Committee. He reviews performance annually, taking into account any internal control matters and independent feedback and annual feedback from the external auditors at Audit Committee meetings.

The performance of other board members is currently monitored on an ad-hoc basis. Development or mentoring needs are considered as part of the review process of each board member. The Company seeks continuous improvement as part of its considerations for evaluating the performance of the Board.

8. Promote a corporate culture that is based on ethical values and behaviours

Victoria is committed to good practice and ethical behaviour and we fully recognise our responsibilities to all of our stakeholders as referred to under Principle 3.

The Board firmly believes that sustained success will best be achieved by adhering to our corporate culture of treating all our stakeholders fairly and with respect.

Accordingly, in dealing with each of the Company's principal stakeholders, we encourage our staff to operate in an honest and respectful manner.

The Group is committed to providing a safe environment for its staff and all other parties for which the Group has a legal or moral responsibility in this area.

Victoria has taken steps to try to prevent slavery or human trafficking within its supply chain, as set out in the Company's statement on the Modern Slavery Act disclosed on our 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 Group businesses are committed to full compliance with all relevant health and safety and environmental regulations.

9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Company is confident that its governance structures and processes are appropriate for the current size and complexity of the business. The appropriateness of the Company's governance structures will be reviewed annually in light of further developments of accepted best practice and the development of the Company.

The Board has overall responsibility for promoting the long-term success of the Group. There is a formal schedule of matters reserved for the Board. The Executive Directors have day-to-day responsibility for managing the Group's operational, commercial and financial activities. The Non-executive Directors are responsible for bringing independent and objective judgement to Board decisions. The Board includes a Senior Independent Director position and this serves to provide a sounding board for the Chairman and to act as an intermediary for the other directors where necessary. The Directors' Biographies on page 24 briefly describe individual board members' specific responsibilities.

Victoria PLC Corporate governance statement

There is a clear separation of the roles of the Chairman and Chief Executive Officer. The Chairman is responsible for overseeing the running of the Board, ensuring that no individual or group dominates the Board's decision-making and ensuring the Non-executive Directors are properly briefed on matters. The Chairman has overall responsibility for corporate governance matters in the Group and is a member of the Nominations Committee. The Chief Executive Officer has the responsibility for managing the day-to-day operations of the Company and the Board as a whole is responsible for implementing the Company's strategy. The Company Secretary is responsible for ensuring that Board procedures are followed and applicable rules and regulations are complied with.

The Board has established an Audit Committee, Remuneration Committee and Nominations Committee with formally delegated duties and responsibilities.

The Audit Committee is chaired by Andrew Harrison, who is the Senior Independent Non-executive Director, and meets at least twice a year at appropriate times in the reporting and audit cycle and otherwise as required. The Committee's responsibilities are set out in its terms of reference and include amongst other things, reviewing the adequacy of the Group's accounting and operating controls, reviewing the proposed accounts of the Group prior to publication and recommending the appointment of the auditor and review of the scope and results of its audit. It is also responsible for ensuring that an effective system of internal control is maintained. The terms of reference of the Audit Committee are set out on our website.

The Remuneration Committee is chaired by Andrew Harrison and meets as required, but at least twice a year. The Committee's responsibilities are set out in its terms of reference which are available on our website and include amongst other things, responsibility for determining the remuneration for the Group's Executive Directors and senior management and reviewing the design of share incentive plans and sets performance conditions for approval by the Board.

The Nominations Committee is chaired by Zachary Sternberg and meets as required, but at least twice a year. The Committee's responsibilities are set out in its terms of reference which are available on our website and include amongst other things responsibility for reviewing the size and composition of the Board, succession planning for executive board appointments, reviewing the time commitment of Non-Executive Directors, and making appropriate recommendations to the Board regarding membership of the Audit and Remuneration Committees.

10. Communicate how the Group is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Company reports formally to its shareholders and the market twice each year with the release of its interim and full year results. The full year results are audited by an external firm of auditors.

The Group maintains a regular dialogue with its various stakeholder groups and aims to ensure that all communications concerning the Group's activities are clear, fair and accurate. The Group's website is regularly updated and users can register to receive email alerts when announcements or details of presentations and events are uploaded to the website.

Notices of General Meetings held over the last five years for the Company can be found at www.victoriaplc.com

The results of voting on all resolutions in future general meetings will be posted to the Group's website, including any actions to be taken as a result of resolutions for which votes against have been received from at least 20 per cent of independent shareholders. It should be noted that at the most recent AGM held on 10 September 2018, all resolutions were passed and none of the resolutions received 20% or more of the votes against by independent shareholders.

Employee stakeholders are regularly updated with the development of the Company and its performance.

On behalf of Victoria Plc

Geoffrey Wilding
Executive Chairman

10 July 2019

Victoria PLC 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 and of the profit or loss of the Group and Company 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

10 July 2019

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 'Company') and its subsidiaries (the 'Group') for the 52 week period ended 30 March 2019, 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, the significant accounting policies and notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the 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 Company's affairs as at 30 March 2019 and of the Group's loss for the period then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the 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 Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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 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.

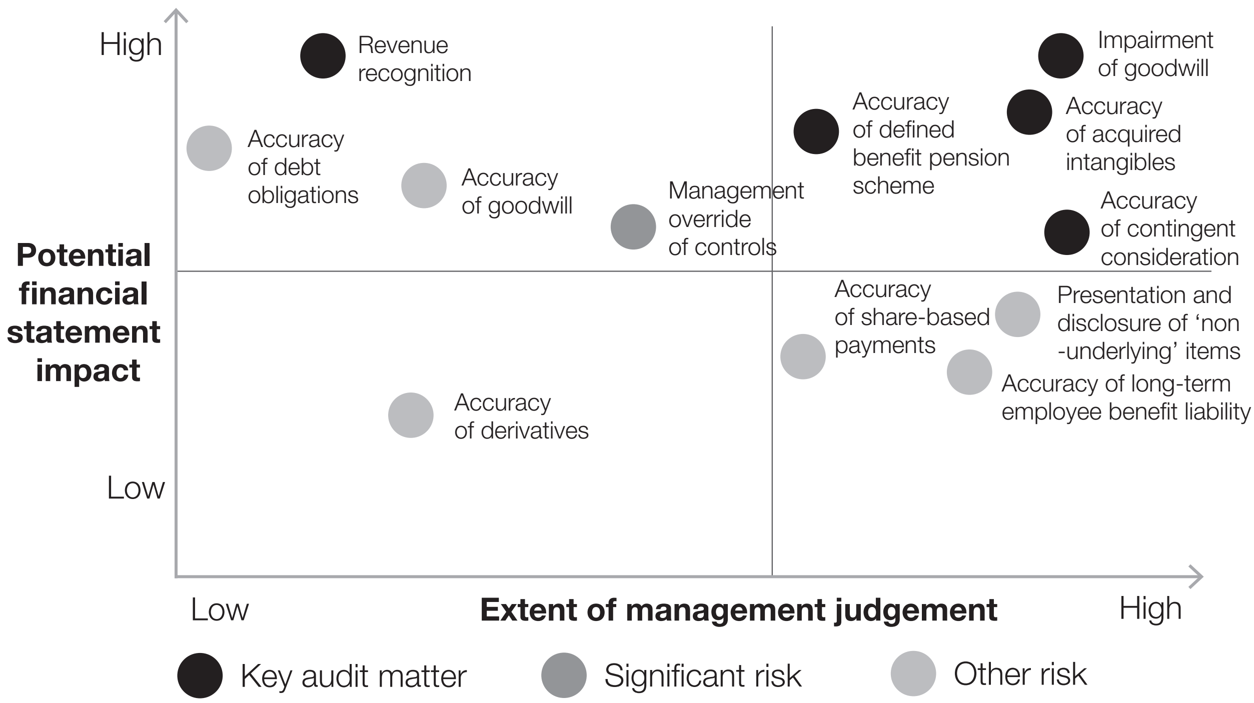
Grant Thornton

Overview of our audit approach

- Overall materiality: £2,613,000, which represents approximately 4.75% of the Group's profit before tax after excluding exceptional items, amortisation of acquired intangibles and other non-underlying finance costs, at the planning stage of the audit;
- Key audit matters were identified as accuracy of acquired intangibles, accuracy of contingent consideration, impairment of goodwill, and accuracy of defined benefit pension scheme for the Group;
- Full scope audit procedures were performed by the Group audit team on significant components in the United Kingdom and by component auditors on significant components in Spain, Italy and Australia. The Group audit team performed targeted procedures on certain components in the Netherlands and the United Kingdom, and performed analytical procedures over non-significant components in the Netherlands, 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 judgement, 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
Accuracy of acquired intangibles During the period the Group acquired the entire share capital of Ceramica Saloni S.A. (Saloni). This acquisition has had a material impact on the financial statements, resulting in the recognition of acquired intangible assets upon consolidation of this entity. 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 £58.4 million were recognised as a result of the acquisition of Saloni. 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 accuracy of intangibles recognised in respect of the current period acquisition 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: • testing whether the Group’s accounting policy for acquired intangibles was in accordance with the financial reporting framework, including IFRS 3 ‘Business Combinations’ and whether the Group had accounted for acquired intangibles in accordance with that accounting policy; • using our auditor’s expert 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 intangible assets is shown on page 53 and related disclosures are included in note 10 to the financial statements. **Key observations** Based on our audit work, we found that the assumptions and judgements used in management’s measurement of acquired intangibles were reasonable and that the associated amounts recognised were materially accurate. We found no material errors in the underlying calculations.

Key Audit Matter – Group	How the matter was addressed in the audit – Group
Accuracy of contingent consideration At 30 March 2019 amounts owing in respect of contingent consideration were £23.9 million. Contingent consideration in respect of acquisitions is measured in accordance with 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. The accuracy 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 periods where relevant. Given the high level of estimation uncertainty in these judgements, we therefore identified accuracy of contingent consideration 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: • testing whether the Group's accounting policy for contingent consideration was in accordance with the financial reporting framework, including IFRS 3, and whether the Group had correctly applied the accounting policy during the period; • testing that the contingent consideration conditions as defined in the respective share purchase agreements from previous acquisitions have been appropriately reflected in management's calculations; and • challenging and sensitising 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 contingent consideration. The Group's accounting policy in respect of contingent consideration is shown on page 56, and related disclosures are included in note 17 to the financial statements. **Key observations** Based on our audit work, we found that the assumptions and estimates used by management in their calculation of contingent consideration were reasonable and did not identify a material misstatement in respect of the amount recorded at 30 March 2019. We found no material errors in the underlying calculations.

Independent auditor's report

to the members of Victoria PLC

Key Audit Matter – Group	How the matter was addressed in the audit – Group
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 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: • testing whether the Group's accounting policy was in accordance with the financial reporting framework, including IAS 36, and whether the policy had been applied in management's assessment of goodwill impairment; • testing the mathematical accuracy of management's model; • testing the key underlying assumptions for the financial period 2020 budget (FY20); • challenging management on its cash flow forecast and the implied growth rates for FY20 and corroborating to relevant evidence such as external market data to support these assumptions; • using our auditor's expert to assess 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 determine there was sufficient headroom in their calculation. The Group's accounting policy on goodwill is shown on page 49 and 50 related disclosures are included in note 9 to the financial statements. **Key observations** Based on our audit work, we found that the assumptions made, and estimates used by management in their assessment of goodwill impairment were balanced and supportive of goodwill not being impaired. We found no material errors in the underlying calculations.

Key Audit Matter – Group	How the matter was addressed in the audit – Group
Accuracy 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 30 March 2019 the defined benefit pension scheme's net liability was £7.8 million. The gross value of pension scheme assets and liabilities which form the net liability amount to £24.7 million and £32.6 million respectively. The valuation of the pension liabilities 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. The impact of the equalisation of Guaranteed Minimum Pensions (GMPs) on the accounting for the defined benefit pension scheme also requires to be considered by management and their expert. We therefore identified accuracy of defined benefit 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: • testing whether the Group's accounting policy was in accordance with the financial reporting framework, including IAS 19, through the following procedures and whether it was correctly applied during the period; • testing the accuracy and appropriateness of the data and inputs used in the period end valuation, utilising the support of an auditor's expert to challenge the assumptions used, including discount rates, growth rates and mortality rates and reviewing the calculation methods employed in the calculation of the pension liability; • using the work of our auditor's expert to assess the accuracy of the GMP impact calculation and the appropriateness of the accounting treatment in the financial statements; and • directly confirming the existence of pension scheme assets with external asset managers. The Group's accounting policy on retirement benefit costs, including defined benefit schemes is shown on page 52 and related disclosures are included in note 20 to the financial statements. **Key observations** Based on our audit work, we found the valuation methodologies, including the inherent actuarial assumptions, to be balanced and consistent with the expectation of our auditor's expert. We found no material errors in calculations or in the accuracy of the defined benefit pension scheme liability at 30 March 2019.

We did not identify any key audit matters relating to the audit of the financial statements of the 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	Company
Financial statements as a whole	£2,613,000, which represents approximately 4.75% of the Group's profit before tax after excluding exceptional items, amortisation of acquired intangibles and other non-underlying finance costs, at the planning stage of the audit. We determined that no revision to materiality was required in the light of the final results. 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. Materiality for the current period is higher than the level that we determined for the period ended 31 March 2018 as a result of the increase in the current period of the Group's profit before tax after excluding exceptional items, amortisation of acquired intangibles and other non-underlying finance costs.	£1,940,000, which is based on 2% of the Company's total assets, restricted to 75% of Group materiality. This benchmark was considered to be the most appropriate as we consider that it reflects the Company's status as a non-trading holding company. Materiality for the current period is higher than the level that we determined for the period ended 31 March 2018 to reflect the Company's increased total assets in the current period and the restriction referred to above.
Performance materiality used to drive the extent of our testing	75% of financial statement materiality.	75% of financial statement materiality.
Specific materiality	We determined a lower level of materiality for Directors' remuneration and related party transactions outside of the normal course of business.	We determined a lower level of materiality for Directors' remuneration and related party transactions outside of the normal course of business.
Communication of misstatements to the audit committee	£130,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£97,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

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 evaluated 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 to determine the planned audit response.

A full-scope audit approach for all components evaluated as significant 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 or the component auditors evaluated the controls over the financial reporting system identified as part of our risk assessment, reviewed the financial statement production process and addressed critical accounting matters. For all significant risks identified we documented our understanding of management's process for evaluating the applicable risk and assessed the design effectiveness of related key controls. We sought, wherever possible, to rely on the effectiveness of the Group's internal controls in order to reduce substantive testing. We then undertook substantive testing on significant transactions and material account balances.

In order to address the described audit risks identified during our planning procedures, the Group audit team performed a full-scope audit of the financial statements of the Company, Victoria PLC (in the United Kingdom), and of other significant component entities in the United Kingdom, and component auditors performed a full-scope audit of the financial statements of other significant components in Spain, Italy and Australia. The operations that were subject to full-scope audit procedures totalled 88.6 percent of consolidated revenues and 94.1 percent of consolidated underlying profit before taxation. Statutory audits of subsidiaries, where required by local laws, were performed at a lower materiality where applicable.

We also determined that targeted procedures were to be carried out by the Group audit team in respect of certain entities based in the Netherlands and United Kingdom where significant assessed risks of material misstatement had been identified.

The remaining operations of the Group were subjected to analytical procedures with a focus on the audit risks identified above and the significance to the Group's balances.

Detailed audit instructions were issued to the component auditors of the reporting components where a full-scope approach had been identified. The instructions highlighted the significant risks to be addressed through the audit procedures and detailed the information that we required to be reported to the Group audit team. The Group audit team conducted a review of the work performed by the component auditors, and communicated with all component auditors throughout the planning, fieldwork and concluding stages of the Group audit.

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 and Accounts, 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 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 Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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 33, 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 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 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.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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

11 July 2019

Consolidated income statement

For the 52 weeks ended 30 March 2019

	Notes	52 weeks ended 30 March 2019 Underlying performance £m	Non-underlying items £m	Reported numbers £m	52 weeks ended 31 March 2018 Underlying performance £m	Non-underlying items £m	Reported numbers £m
Continuing operations							
Revenue	1	**574.4**	**–**	**574.4**	424.8	–	424.8
Cost of sales		**(370.1)**	**–**	**(370.1)**	(279.4)	–	(279.4)
Gross profit		**204.3**	**–**	**204.3**	145.4	–	145.4
Distribution costs		**(71.1)**	**–**	**(71.1)**	(59.4)	–	(59.4)
Administrative expenses		**(66.0)**	**(48.1)**	**(114.1)**	(38.6)	(22.4)	(61.0)
Other operating income		**3.1**	**1.8**	**4.9**	1.4	–	1.4
Operating profit		**70.3**	**(46.3)**	**24.0**	48.8	(22.4)	26.4
Comprising:							
Operating profit before non-underlying and exceptional items		**70.3**	**–**	**70.3**	48.8	–	48.8
Amortisation of acquired intangibles	2	**–**	**(22.5)**	**(22.5)**	–	(11.2)	(11.2)
Other non-underlying items	2	**–**	**(3.4)**	**(3.4)**	–	–	–
Exceptional items	2	**–**	**(20.4)**	**(20.4)**	–	(11.2)	(11.2)
Finance costs	3	**(13.1)**	**(14.6)**	**(27.7)**	(8.0)	(5.0)	(13.0)
Comprising:							
Net interest payable on loans	3	**(11.3)**	**–**	**(11.3)**	(6.6)	–	(6.6)
Amortisation of prepaid finance costs and accrued interest	3	**(1.6)**	**(3.1)**	**(4.7)**	(1.1)	(0.5)	(1.6)
Translation difference on foreign currency loans	3	**–**	**(3.6)**	**(3.6)**	–	(3.5)	(3.5)
Net interest expense on defined benefit pensions	3	**(0.2)**	**–**	**(0.2)**	(0.3)	–	(0.3)
Other non-underlying, non-cash finance costs	3	**–**	**(7.9)**	**(7.9)**	–	(1.0)	(1.0)
(Loss) / profit before tax	4	**57.2**	**(60.9)**	**(3.7)**	40.8	(27.4)	13.4
Taxation	6	**(13.9)**	**9.7**	**(4.2)**	(9.2)	4.4	(4.8)
(Loss) / profit for the period		**43.3**	**(51.2)**	**(7.9)**	31.6	(23.0)	8.6
Earnings / (loss) per share - pence							
basic	7	**35.27**		**(6.44)**	31.38		8.58
diluted	7	**35.25**		**(6.44)**	30.61		8.37

Consolidated statement of comprehensive income

For the 52 weeks ended 30 March 2019

	Note	**52 weeks ended 30 March 2019 £m**	52 weeks ended 31 March 2018 £m
(Loss) / profit for the period		**(7.9)**	8.6
Other comprehensive income / (expense):			
Items that will not be reclassified to profit or loss:			
Actuarial gains on defined benefit pension scheme	20	**1.8**	2.0
Decrease in deferred tax asset relating to pension scheme liability		**(0.3)**	(0.4)
Items that will not be reclassified to profit or loss		**1.5**	1.6
Items that may be reclassified subsequently to profit or loss:			
Retranslation of overseas subsidiaries		**(0.6)**	(2.1)
Items that may be reclassified subsequently to profit or loss		**(0.6)**	(2.1)
Other comprehensive income / (expense)		**0.9**	(0.5)
Total comprehensive (loss) / income for the year attributable to the owners of the parent		**(7.0)**	8.1

Consolidated and Company balance sheets

As at 30 March 2019

		Group		Company	
	Notes	**30 March 2019 £m**	31 March 2018 £m	**30 March 2019 £m**	31 March 2018 £m
Non-current assets					
Goodwill	9	**223.7**	188.1	**–**	–
Intangible assets other than goodwill	10	**241.4**	210.3	**0.3**	0.2
Property, plant and equipment	11	**190.6**	142.9	**–**	–
Investment property	12	**0.2**	0.8	**0.1**	0.2
Investments in subsidiaries	12	**–**	–	**51.4**	49.3
Investments in associates	12	**–**	1.0	**–**	–
Trade and other non-current receivables	14	**–**	–	**577.9**	14.8
Deferred tax assets	19	**5.8**	4.6	**0.2**	0.2
Total non-current assets		**661.7**	547.7	**629.9**	64.7
Current assets					
Inventories	13	**140.5**	100.3	**–**	–
Trade and other receivables	14	**116.0**	88.2	**34.4**	484.0
Cash and cash equivalents	17	**66.4**	54.0	**19.0**	6.2
Total current assets		**322.9**	242.5	**53.4**	490.2
Total assets		**984.6**	790.2	**683.3**	554.9
Current liabilities					
Trade and other current payables	15	**168.6**	121.5	**2.5**	3.1
Current tax liabilities		**–**	1.0	**–**	–
Other financial liabilities	16, 17	**10.4**	3.0	**2.1**	12.9
Total current liabilities		**179.0**	125.5	**4.6**	16.0
Non-current liabilities					
Trade and other non-current payables	15	**19.5**	29.2	**–**	0.4
Other non-current financial liabilities	16	**392.3**	306.1	**388.6**	300.7
Deferred tax liabilities	19	**66.1**	54.7	**–**	–
Retirement benefit obligations	20	**7.8**	9.1	**–**	–
Total non-current liabilities		**485.7**	399.1	**388.6**	301.1
Total liabilities		**664.7**	524.6	**393.2**	317.1
Net assets		**319.9**	265.6	**290.1**	237.8
Equity					
Share capital	21	**6.3**	5.9	**6.3**	5.9
Share premium		**288.7**	229.8	**288.7**	229.8
Retained earnings		**20.6**	26.7	**(6.9)**	1.8
Foreign exchange reserve	22	**2.3**	2.9	**–**	–
Other reserves	22	**2.0**	0.3	**2.0**	0.3
Total equity		**319.9**	265.6	**290.1**	237.8

The loss of the Company for the year determined in accordance with the Companies Act 2006 was £8,954,000 (2018: loss of £5,430,000).

Company Registered Number (England & Wales) 282204.

The financial statements on pages 44 to 94 were approved by the Board of Directors and authorised for issue on 10 July 2019.

They were signed on its behalf by:

Michael Scott
Group Finance Director

Consolidated statement of changes in equity

For the 52 weeks ended 30 March 2019

	Share capital £m	Share premium £m	Retained earnings £m	Foreign exchange reserve £m	Other reserves £m	Total equity £m
At 2 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	–	–	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
Loss for the period to 30 March 2019	–	–	(7.9)	–	–	(7.9)
Other comprehensive profit for the period	–	–	1.5	–	–	1.5
Retranslation of overseas subsidiaries	–	–	–	(0.6)	–	(0.6)
Total comprehensive loss	–	–	(6.4)	(0.6)	–	(7.0)
Issue of share capital	0.4	58.9	–	–	–	59.3
Exercise of share options	–	–	0.3	–	(0.3)	–
Share-based payment charge	–	–	–	–	2.0	2.0
Transactions with owners	0.4	58.9	0.3	–	1.7	61.3
At 30 March 2019	**6.3**	**288.7**	**20.6**	**2.3**	**2.0**	**319.9**

Company statement of changes in equity

For the 52 weeks ended 30 March 2019

	Share capital £m	Share premium £m	Retained earnings £m	Other reserves £m	Total equity £m
At 2 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
Loss for the period to 30 March 2019	–	–	(9.0)	–	(9.0)
Total comprehensive loss	–	–	(9.0)	–	(9.0)
Issue of share capital	0.4	58.9	–	–	59.3
Exercise of share options	–	–	0.3	(0.3)	–
Share-based payment charge	–	–	–	2.0	2.0
Transactions with owners	0.4	58.9	0.3	1.7	61.3
At 30 March 2019	**6.3**	**288.7**	**(6.9)**	**2.0**	**290.1**

Consolidated and Company statements of cash flows

For the 52 weeks ended 30 March 2019

	Note	Group		Company	
		52 weeks ended 30 March 2019 £m	52 weeks ended 31 March 2018 £m	**52 weeks ended 30 March 2019 £m**	52 weeks ended 31 March 2018 £m
Cash flows from operating activities					
Operating profit / (loss)		**24.0**	26.4	**(9.9)**	(4.0)
Adjustments for:					
Depreciation charges		**25.9**	15.8	**0.1**	0.1
Amortisation of intangible assets		**22.8**	11.3	**–**	–
Asset impairment		**0.5**	–	**–**	–
Amortisation of government grants		**(0.7)**	(0.3)	**–**	–
(Profit) / loss on disposal of property, plant and equipment		**(0.1)**	0.1	**–**	–
Profit on disposal of investment property		**(1.8)**	–	**(1.8)**	–
Loss on disposal of associates		**0.7**	–	**–**	–
Share incentive plan charge		**1.9**	0.2	**1.1**	0.2
Acquisition-related performance plan charge		**1.5**	–	**–**	–
Defined benefit pension		**0.3**	(0.2)	**–**	–
Net cash flow from operating activities before movements in working capital		**75.0**	53.3	**(10.5)**	(3.7)
Change in inventories		**(13.8)**	(8.0)	**–**	–
Change in trade and other receivables		**7.1**	2.6	**(0.2)**	0.1
Change in trade and other payables		**16.8**	6.4	**–**	1.2
Cash generated / (used) by operations		**85.1**	54.3	**(10.7)**	(2.4)
Interest paid		**(16.5)**	(6.7)	**(15.6)**	(6.5)
Income taxes paid		**(16.2)**	(10.6)	**–**	(0.2)
Net cash inflow / (outflow) from operating activities		**52.4**	37.0	**(26.3)**	(9.1)
Investing activities					
Purchases of property, plant and equipment		**(43.7)**	(25.9)	**–**	–
Purchases of intangible assets		**(0.7)**	(0.7)	**(0.1)**	(0.3)
Loan to subsidiary companies		**–**	–	**(54.1)**	(288.5)
Proceeds on disposal of property, plant and equipment		**0.9**	2.1	**–**	–
Deferred consideration and earn-out payments		**(8.9)**	(15.3)	**–**	(5.8)
Acquisition of subsidiaries net of cash acquired		**(82.6)**	(276.5)	**–**	–
Proceeds from disposal of investment property		**2.0**	–	**1.9**	–
Net cash used in investing activities		**(133.0)**	(316.3)	**(52.3)**	(294.6)
Financing activities					
Increase in long-terms loans		**43.9**	128.8	**45.2**	129.2
Issue of share capital		**59.3**	178.1	**59.3**	178.1
Repayment of reverse factoring facility acquired with Saloni		**(13.4)**	–	**–**	–
Repayment of obligations under finance leases / hire purchase		**(1.0)**	(0.3)	**–**	–
Net cash generated in financing activities		**88.8**	306.6	**104.5**	307.3
Net increase in cash and cash equivalents		**8.2**	27.3	**25.9**	3.6
Cash and cash equivalents at beginning of period		**53.1**	28.0	**(6.7)**	(10.1)
Effect of foreign exchange rate changes		**(1.1)**	(2.2)	**(0.2)**	(0.2)
Cash and cash equivalents at end of period		**60.2**	53.1	**19.0**	(6.7)
Comprising:					
Cash and cash equivalents	17	**66.4**	54.0	**19.0**	6.2
Bank overdrafts	17	**(6.2)**	(0.9)	**–**	(12.9)
		60.2	53.1	**19.0**	(6.7)

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 IFRS9. 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 13 to 15 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.

Significant accounting policies

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 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 rate 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 and operational characteristics 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) 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. Revenue is recognised at a point in time upon the sale of goods or transfer of risk to the customer in accordance with IFRS15. Revenue from the sale of goods is recognised 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.

The standalone selling price of the product sold to a customer is clearly determined from the contract entered into. The total transaction price is estimated as the amount of consideration to which the group expects to be entitled in exchange for transferring the promised goods after deducting trade discounts and volume rebates.

Trade discounts and volume rebates are estimated based on the terms of the contractually agreed arrangements.

Payment terms are between 30 and 60 days, therefore the impact of the time value of money is minimal.

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 is recognised when the shareholders' rights to receive payment have been established.

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

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

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

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

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

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

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

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

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

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

Retirement benefit costs
(a) Defined contribution schemes

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

Significant accounting policies

(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.

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.

Significant accounting policies

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 IFRS9 '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 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 vesting period, 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.

Acquisition related performance plan charge

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 contractual terms of the B shares, notwithstanding that the incentive structure is linked to the acquisition of Keraben, this is accrued for and held within short-term liabilities. The expected uplift in fair value is 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 income and 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 income and 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.

(b) Non-cash share incentive plan charge

A share-based long-term incentive plan was put in place for senior management in April 2018. This plan is based on share price performance over a five year period, and is redeemable through the issue of Victoria PLC shares only. Given the non-cash nature of this scheme and the fact that any expected share issue is accounted for in the assessment of fully diluted earnings per share, the corresponding IFRS2 charge is treated as a non-underlying cost. See note 5 for further details of the scheme.

(c) Acquisition-related performance plan charge

Charge relating to the accrual of expected liability under the acquisition-linked performance plan with the Keraben senior management team, the liability of this scheme can go up or down based on their performance and customary leaver provisions apply. Given this plan is linked directly to the acquisition, the related charges are treated as non-underlying.

(d) Gain on sale of investment property

The gain on disposal of investment property primarily relates to an area of land in Kidderminster that was being held at cost and was subsequently sold for a profit.

(e) Loss on disposal of associates

Loss on disposal of investments in associates was a result of legal restructuring to simplify the corporate structure of Keraben.

Finance costs

(f) 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 as the previous facility is extinguished and treated as a non-underlying finance cost.

(g)(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.

(g)(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 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.

(h) 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.

(i)(i) 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.

(i)(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.

(j) 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) Assets held at amortised cost

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 as reduced by appropriate allowances for estimated unrecoverable amounts.

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

Significant accounting policies

The Group makes use of a simplified approach to accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are expected shortfalls in contractual cash flows, considering the potential for default at any point during the lifetime of the financial instrument. The Group uses its historical experience, external indicators and forward-looking information to calculate expected credit loss using a provision matrix.

The Group oversees impairment of trade receivables on a collective basis as they possess shared credit risk characteristics and they have been grouped on the number of days overdue. See note 17 for an analysis of how the impairment requirements of IFRS9 have been applied.

Assets held at amortised cost in the Company includes loans issued to other group companies. They are initially recognised at fair value less transaction costs that are directly attributable and subsequently at amortised cost reduced by appropriate allowances for credit losses.

For loans with other group companies that are repayable on demand, expected credit losses are based on the assumption that repayment of the loan is demanded at the reporting date in accordance with IFRS 9.

For other loans with group companies where the credit risk is deemed to be low a 12-month expected credit loss is recognised in accordance with IFRS 9.

(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). 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 category also includes listed corporate bonds which are carried in the Balance Sheet at fair value recognised in the income statement. 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:

- "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 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.

International Financial Reporting Standards (IFRS) adopted for the first time in the year

There were no new standards or amendments to standards adopted for the first time this year that had a material impact on the results for the group. The prior year comparatives have not been restated for any changes in accounting policies that were required due to the adoption of new standards this year. IFRS 15 'Revenue from Contracts with Customers' and the related 'Clarifications to IFRS 15 Revenue from Contracts with Customers' (hereinafter referred to as 'IFRS 15') replace IAS 18 'Revenue', and several revenue-related interpretations this year. The group has adopted IFRS 15 through the "modified retrospective approach" and determined that there was no material impact on the financial statements of the group hence no cumulative catch up adjustment has been booked to the opening balance sheet at 1 April 2018. The group's revenue is derived from the sale of goods which is treated in a consistent manner under IFRS 15 with revenue continuing to be recognised at a point in time when the transfer of risks and rewards occurs.

IFRS 9 replaces IAS 39 'Financial Instruments: Recognition and Measurement'. It makes changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for the impairment of financial assets. When adopting IFRS 9, the group has applied transitional relief and opted not to restate prior periods. There were no material differences arising from the adoption of IFRS 9 in relation to the classification, measurement and impairment of financial assets and there have been no changes to the classification or measurement of financial liabilities as a result of the application of IFRS 9.

Future adoption of International Financial Reporting Standards

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 to the group. Management anticipates that the following pronouncements relevant to the group's operations will be adopted in the group's accounting policies for the first period beginning after the effective date of the pronouncement, once adopted by the EU:

- IFRS 16 Leases (IASB effective 1 January 2019, EU endorsed)
- Amendments to IFRS 9 Prepayment features with negative compensation (IASB effective 1 January 2019, EU endorsed)
- Annual Improvements to IFRS 2014-2016 Cycle relating to IFRS 12 Disclosure of interests in other entities (IASB effective 1 January 2017, not yet EU endorsed)
- Annual improvements to IFRS 2015-2017 Cycle (IASB effective 1 January 2019, not yet EU endorsed)
- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement (IASB effective 1 January 2019, not yet EU endorsed)
- Amendments to IFRS 3 Business Combinations (IASB effective 1 January 2020, not yet EU endorsed)
- Amendments to IAS 28 Long term interests in associates and joint ventures (IASB effective 1 January 2019, not yet EU endorsed)
- Amendments to references to the conceptual framework in IFRS standards (IASB effective 1 January 2020, not yet EU endorsed)

IFRS 16 will replace IAS 17 'Leases' and three related interpretations. It will require leases to be recorded in the balance sheet in the form of a right of use asset and a lease liability. There are two important reliefs provided by IFRS 16 for assets of low value and short-term leases of less than 12 months.

IFRS 16 is effective from periods beginning on or after 1 January 2019. Early adoption is permitted; however, the Group have decided not to early adopt.

The Group has assessed the estimated impact that initial application of IFRS 16 will have on its consolidated financial statements. The actual impact of adopting the standard may change as the new accounting policies are subject to change until the Group presents its first financial statements that include the date of initial application.

Significant accounting policies

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The Group is planning to adopt IFRS 16 on 31 March 2019 using the Standard's modified retrospective approach. Under this approach the cumulative effect of initially applying IFRS 16 is recognised as an adjustment to equity at the date of the initial application. Comparative information is not restated. Management has decided to make use of the practical expedient not to perform a full review of existing leases and apply IFRS 16 only to new or modified contracts. There are recognition exemptions for short term leases and leases of low-value items and the group has decided to make use of these exemptions.

The Group will recognise new assets and liabilities for its operating leases of properties, equipment and vehicles (see note 18). The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right-of use-assets and an interest expense on lease liabilities.

Previously, the Group recognised operating lease expenses on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

Based on the information currently available, the Group estimates that it will recognise additional lease liabilities of approximately £51.7 million and lease assets of approximately £51.6 million as at 31 March 2019 and that IFRS 16 will increase the Group's EBITDA by approximately £9 million and reduce profits before tax by £0.7 million in the year ending 28 March 2020.

No significant impact is expected for the Group's finance leases.

Notes to the accounts

1. Segmental information

The Group is organised into three operating divisions: the sale of soft flooring products in the UK & Europe, ceramic tiles in the UK & Europe and the sale of soft flooring products in Australia. The entities that comprise each division are combined into one reporting segment on the basis that they share economic characteristics. The reportable segments have changed in the current year and the corresponding items of segmental information for the prior year have been restated.

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

Income statement

	52 weeks ended 30 March 2019					52 weeks ended 31 March 2018				
	UK & Europe Soft Flooring £m	**UK & Europe Ceramic Tiles £m**	**Australia £m**	**Unallocated central expenses £m**	**Total £m**	UK & Europe Soft Flooring £m	UK & Europe Ceramic Tiles £m	Australia £m	Unallocated central expenses £m	Total £m
Income statement										
Revenue	**280.5**	**193.9**	**100.0**	**–**	**574.4**	265.0	47.0	112.8	–	424.8
Underlying operating profit	**17.0**	**48.2**	**6.8**	**(1.7)**	**70.3**	24.8	13.7	11.6	(1.3)	48.8
Non-underlying operating items	**(5.1)**	**(17.7)**	**(2.0)**	**(1.1)**	**(25.9)**	(4.8)	(4.6)	(1.8)	–	(11.2)
Exceptional operating items	**(7.4)**	**(4.7)**	**(2.4)**	**(5.9)**	**(20.4)**	(6.7)	–	(0.3)	(4.2)	(11.2)
Operating profit	**4.5**	**25.8**	**2.4**	**(8.7)**	**24.0**	13.3	9.1	9.5	(5.5)	26.4
Underlying net finance costs					**(13.1)**					(8.0)
Non-underlying finance costs					**(14.6)**					(5.0)
(Loss) / profit before tax					**(3.7)**					13.4
Tax					**(4.2)**					(4.8)
(Loss) / profit for the period					**(7.9)**					8.6

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 30 March 2019 £m	52 weeks ended 31 March 2018 £m
Revenue		
UK & other European countries	**280.5**	265.0
Spain	**167.9**	41.3
Italy	**26.0**	5.7
Australia	**100.0**	112.8
	574.4	424.8

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

Notes to the accounts

1. Segmental information (continued)

Balance sheet

	52 weeks ended 30 March 2019					52 weeks ended 31 March 2018				
	UK & Europe Soft Flooring £m	**UK & Europe Ceramic Tiles £m**	**Australia £m**	**Central £m**	**Total £m**	UK & Europe Soft Flooring £m	UK & Europe Ceramic Tiles £m	Australia £m	Central £m	Total £m
Total Assets	**233.1**	**634.6**	**75.0**	**41.9**	**984.6**	228.1	468.9	77.8	15.4	790.2
Total Liabilities	**(94.8)**	**(159.7)**	**(20.8)**	**(389.4)**	**(664.7)**	(88.7)	(115.5)	(25.0)	(295.4)	(524.6)
Net Assets	**138.3**	**474.9**	**54.2**	**(347.5)**	**319.9**	139.4	353.4	52.8	(280.0)	265.6

The Group's non-current assets as at 30 March 2019 were split geographically as follows:

	As at 30 March 2019 £m	As at 31 March 2018 £m
Non-current assets		
UK & other European countries	**129.7**	130.5
Spain	**451.7**	332.2
Italy	**44.7**	49.1
Australia	**35.6**	35.9
	661.7	547.7

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

Other segmental information

	52 weeks ended 30 March 2019					52 weeks ended 31 March 2018				
	UK & Europe Soft Flooring £m	**UK & Europe Ceramic Tiles £m**	**Australia £m**	**Unallocated central liabilities £m**	**Total £m**	UK & Europe Soft Flooring £m	UK & Europe Ceramic Tiles £m	Australia £m	Unallocated central liabilities £m	Total £m
Depreciation and amortisation										
Depreciation	**12.3**	**10.9**	**2.7**	**–**	**25.9**	10.3	2.5	3.0	–	15.8
Amortisation of acquisition intangibles	**4.7**	**16.1**	**1.7**	**–**	**22.5**	4.8	4.6	1.8	–	11.2
Amortisation of other intangibles	**0.2**	**0.2**	**–**	**–**	**0.4**	0.1	–	–	–	0.1
	17.2	**27.2**	**4.4**	**–**	**48.8**	15.2	7.1	4.8	–	27.1

	52 weeks ended 30 March 2019					52 weeks ended 31 March 2018				
	UK & Europe Soft Flooring £m	**UK & Europe Ceramic Tiles £m**	**Australia £m**	**Unallocated central liabilities £m**	**Total £m**	UK & Europe Soft Flooring £m	UK & Europe Ceramic Tiles £m	Australia £m	Unallocated central liabilities £m	Total £m
Investments in fixed assets										
Purchases of property, plant and equipment	**20.1**	**19.5**	**4.5**	**–**	**44.1**	17.3	8.8	2.5	–	28.6
Disposals of property, plant and equipment	**(0.4)**	**(0.1)**	**(0.2)**	**–**	**(0.7)**	(0.5)	(0.4)	(0.3)	–	(1.2)
Purchases of intangible assets	**0.2**	**0.5**	**–**	**0.1**	**0.8**	0.4	–	–	0.3	0.7
Total capital expenditure	**19.9**	**19.9**	**4.3**	**0.1**	**44.2**	17.2	8.4	2.2	0.3	28.1

2. Exceptional and non-underlying items

	2019 £m	2018 £m
Exceptional items		
(a) Acquisition related costs	**(1.8)**	(5.8)
(b) Reorganisation costs	**(12.7)**	(5.4)
(c) Bond issue and related structuring costs	**(7.3)**	–
(d) Pension adjustment	**(0.4)**	–
(e) Gain on sale of investment property	**1.8**	–
	(20.4)	(11.2)

	2019 £m	2018 £m
Non-underlying items		
(f) Acquisition-related performance plan charge	**(1.5)**	–
(g) Non-cash share incentive plan charge	**(1.9)**	–
(h) Amortisation of acquired intangibles	**(22.5)**	(11.2)
	(25.9)	(11.2)

All exceptional items are classified within administrative expenses.

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

(b) Reorganisation costs comprise various fees, redundancy and other one-off costs in relation to a number of synergy projects and performance improvement programmes. The key projects comprise: (1) the integration of the operations and administration of the most recent acquisition, Saloni, with our incumbent Spanish ceramic tiles business, Keraben; (2) the optimisation of the Group's South Wales carpet factory (further to the closure and consolidation of the Kidderminster factory in the prior year), including a substantial increase in speed and capacity of manufacturing; (3) the transfer of our UK logistics operation to two new distribution centres in the South and Midlands to optimise service levels and cost; and (4) the closure of the Group's underlay factory in Melbourne, Australia, and consolidation into the Sydney factory. Further details are provided in the Financial Review section of the annual report.

(c) One-off advisory, legal and structuring costs in relation to the aborted financing exercise during the year.

(d) Guaranteed Minimum Pension one-off equalisation charge on the sole defined benefit pension scheme in the Group (within Interfloor).

(e) Gain on the sale of property held as an investment.

(f) Charge relating to the accrual of expected liability under the acquisition-linked performance plan with the Keraben senior management team as part of the acquisition in the prior year. See Accounting Policies for further details.

(g) Non-cash, IFRS2 share-based payment charge in relation to the long-term management incentive plan that was put into place in April 2018. See Accounting Policies section for further details.

(h) Amortisation of intangible assets, primarily brands and customer relationships, recognised on consolidation as a result of business combinations.

3. Finance costs

	2019 £m	2018 £m
Interest payable on bank loans and overdrafts	**11.0**	5.7
Cash interest payable on BGF loan	**0.6**	0.8
Interest payable on hire purchase and finance leases	**0.1**	0.1
Interest income	**(0.4)**	–
Total interest payable on loans	**11.3**	6.6
Amortisation of prepaid finance costs	**1.5**	1.0
Interest rolled up into BGF loan	**0.1**	0.1
Net interest expense on defined benefit pensions	**0.2**	0.3
Underlying interest costs	**13.1**	8.0
(a) Release of prepaid finance costs	**3.0**	–
(b) BGF loan and option, redemption premium charge	**0.1**	1.2
(c) Unwinding of present value of deferred and contingent consideration liabilities	**2.9**	3.0
(d) Other adjustments to present value of contingent earn-out liabilities	**4.3**	(2.9)
(e) Mark to market adjustments on foreign exchange forward contracts	**0.7**	0.2
(f) Translation difference on foreign currency loans	**3.6**	3.5
	27.7	13.0

(a) Non-cash charge relating to the release of prepaid costs on previous bank facilities, which were extinguished and subsequently refinanced in August 2018.

(b) Non-cash annual cost of the redemption premium in relation to the BGF loan and option. Also included in the prior year is a £0.9m 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%.

(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 in relation to the appropriateness of the discount factor and the unwind of this discount.

(d) Non-cash 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.

(e) Non-cash fair value adjustments on foreign exchange forward contracts. Also included in the prior year is a £0.1m fair value adjustment on corporate bonds assets.

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

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

	2019 £m	2018 £m
After charging / (crediting):		
Net foreign exchange losses	**0.1**	0.2
Depreciation of property, plant and equipment (see Note 11)	**25.9**	15.8
Amortisation of intangible assets (see Note 10)	**22.8**	11.3
Staff costs (see Note 5)	**107.7**	76.7
Cost of inventories recognised as an expense	**282.1**	230.2
Profit / (loss) on sale of fixed assets	**0.1**	(0.1)
Government grants (see Note 24)	**(0.7)**	(0.3)
Operating lease rentals	**9.2**	6.5

Auditor's remuneration	2019 £m	2018 £m
Fees payable to the Company's Auditor in respect of audit services:		
The audit of the Group consolidated accounts	**0.07**	0.08
The audit of the Company's subsidiaries pursuant to legislation	**0.42**	0.30
Total audit fees	**0.49**	0.38
Audit-related assurance services	**0.04**	–
Tax compliance services	**0.08**	0.05
Taxation advisory services	**0.08**	0.07
Services relating to corporate finance transactions (either proposed or entered into) by or on behalf of the Company or any of its associates	**0.16**	0.01
Total non-audit fees	**0.36**	0.13

5. Staff costs

	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
Wages and salaries	**88.2**	65.7	**0.7**	0.6
Social security costs	**13.8**	7.1	**0.1**	0.1
Share-based employee remuneration	**1.9**	0.2	**1.1**	0.2
Other pension costs	**3.8**	3.7	**–**	–
	107.7	76.7	**1.9**	0.9

Directors' remuneration is included as part of the staff costs above. Directors' remuneration is disclosed separately on page 26 of the Directors' Report and forms part of these financial statements.

Average number employed (including executive directors of subsidiaries):

	Group		Company	
	2019	2018	2019	2018
Directors	**56**	50	**6**	6
Sales and marketing	**482**	381	**–**	–
Production, logistics and maintenance	**2,293**	1,893	**–**	–
Finance, IT and administration	**212**	176	**2**	1
	3,043	2,500	**8**	7

5. Staff costs (continued)

Share based payment schemes

B Shares and C Shares 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. On 7 June 2018, Mr Scott exercised his option, exchanging the 5,000 B Shares for 395,476 Ordinary Shares in Victoria Plc. In the year ended 30 March 2019, no further B shares were granted and no B share options remained outstanding.

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 1 July 2019 and 30 June 2020 participants will be able to exchange 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. In the year ended 30 March 2019, none of the C shares were exercisable, no additional C shares were granted and all of the existing 6,420 C shares remained in place.

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%	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 vesting period.

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 & C Shares issued.

I Shares scheme

On 10 April 2018, a new long-term incentive plan was introduced to incentivise senior employees. The plan involves the issue of up to 100,000 ordinary shares in Victoria Midco Holdings Limited.

The Plan will operate for a five year period, with the value of the Incentive Shares linked to cumulative Total Shareholder Return ("TSR") delivered each year above a hurdle, being the current market capitalisation of the Company increased annually by 20% p.a. on a compounding basis (i.e. within each annual period shareholders have to receive a return of 20% before the participants benefit from the Plan).

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 (it is not anticipated that this right will be exercised), 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.

5. Staff costs (continued)

To fair value the share awards, a Monte Carlo model has been applied as this is considered the most appropriate model when TSR performance conditions exist in a share scheme. The key inputs and assumptions applied in this model for the I Shares are set out in the table below:

Inputs and Assumptions	**I Shares**
Grant date	10 April 2018
Victoria Plc share price at grant	£7.31
Expected term	5.4 years
Risk free rate (continuously compounded)	1.10%
Expected dividend yield	0.0%
Expected volatility	26.00%

Based on this model, the aggregate fair value of the I Shares was assessed to be £9,800,000. The fair value of the I shares are charged to the income statement over the vesting period of the scheme, which is expected to be 5.4 years, with a corresponding credit to equity as the charge is non-cash.

The expected volatility assumption has been determined with consideration to the historical share price volatility over a period commensurate with the expected maximum term of the I shares and the historical volatility of industry comparator companies.

In the year ended 30 March 2019, 73,855 I shares were issued. Certain of the Company's directors are participating in the plan, as detailed below.

Name	**I Shares awarded**
Geoffrey Wilding	19,230
Philippe Hamers	11,540
Michael Scott	9,230
Other employees	33,855

In the year ended 30 March 2019, none of the I shares were exercisable and all of the I shares issued in the period remained in place.

6. Taxation

	2019 £m	2018 £m
Current tax		
– Current year UK	**0.1**	2.0
– Current year overseas	**6.7**	5.3
– Adjustments in respect of prior years	**(0.1)**	0.2
	6.7	7.5
Deferred tax (Note 19)		
– Credit recognised in the current year	**(6.0)**	(2.7)
– Adjustments in respect of prior years	**3.3**	–
– Effect of rate change	**0.2**	–
	(2.5)	(2.7)
Total tax	**4.2**	4.8

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.

Notes to the accounts

6. Taxation (continued)

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

	2019		2018	
	£m	**%**	£m	%
(Loss) / profit before tax	**(3.7)**		13.4	
Tax (credit) / charge at the UK corporation tax rate of 19% (2018: 19%)	**(0.7)**	**19.0**	2.5	19.0
Tax effect of items that are not deductible/non taxable in determining taxable profit	**1.3**	**(35.1)**	1.1	7.8
Effect of different tax rates of subsidiaries operating in other jurisdictions	**1.0**	**(27.0)**	1.0	7.8
Deferred consideration fair value remeasurement non taxable	**1.1**	**(29.7)**	–	–
Effect of change in rate	**0.2**	**(5.4)**	–	–
Effect of change in future tax rate enacted on deferred tax recognised on intangible assets	**0.6**	**(16.2)**	(0.1)	(1.0)
Tax losses not recognised as a deferred tax asset	**0.8**	**(21.6)**	0.1	0.7
Adjustments to prior periods	**(0.1)**	**2.5**	0.2	1.3
Tax charge and effective tax rate	**4.2**	**(113.5)**	4.8	35.6

7. Earnings per share

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

	Basic 2019 £m	**Adjusted 2019 £m**	Basic 2018 £m	Adjusted 2018 £m
(Loss) / profit attributable to ordinary equity holders of the parent entity	**(7.9)**	**(7.9)**	8.6	8.6
Exceptional and non-underlying items:				
Amortisation of acquired intangibles	**–**	**22.5**	–	11.2
Acquisition related costs	**–**	**1.8**	–	5.8
Reorganisation costs	**–**	**12.7**	–	5.4
Bond issue and related structuring costs	**–**	**7.3**	–	–
Pension adjustment	**–**	**0.4**	–	–
Gain on sale of investment property	**–**	**(1.8)**	–	–
Acquisition-related performance plan charge	**–**	**1.5**	–	–
Non-cash share incentive plan charge	**–**	**1.9**	–	–
Release of prepaid finance costs	**–**	**3.0**	–	–
BGF loan and option, non-underlying charges	**–**	**0.1**	–	1.2
Unwinding of present value of deferred and contingent consideration	**–**	**2.9**	–	3.0
Other adjustments to present value of contingent earn-out liabilities	**–**	**4.3**	–	(2.9)
Mark to market adjustments on forward foreign exchange contracts	**–**	**0.7**	–	0.2
Translation difference on foreign currency loans	**–**	**3.6**	–	3.5
Tax effect on adjusted items where applicable	**–**	**(9.7)**	–	(4.4)
Earnings for the purpose of basic and adjusted (loss) / earnings per share	**(7.9)**	**43.3**	8.6	31.6

7. Earnings per share (continued)

Weighted average number of shares

	2019 Number of shares (000's)	2018 Number of shares (000's)
Weighted average number of shares for the purpose of basic and adjusted earnings per share	**122,739**	100,701
Effect of dilutive potential ordinary shares:		
BGF share options and growth shares	**64**	2,533
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**122,803**	103,234

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:

	2019 Pence	2018 Pence
Earnings per share		
Basic (loss) / earnings per share	**(6.44)**	8.58
Diluted (loss) / earnings per share	**(6.44)**	8.37
Basic adjusted earnings per share	**35.27**	31.38
Diluted adjusted earnings per share	**35.25**	30.61

8. Rates of exchange

	2019		2018	
	Average	**Year end**	Average	Year end
Australia – A$	**1.8049**	**1.8377**	1.7206	1.8246
Europe – €	**1.1344**	**1.1624**	1.1373	1.1370

9. Goodwill

	Goodwill £m
At 2 April 2017	59.8
Arising on acquisition	130.7
Exchange movements	(2.4)
At 31 March 2018	188.1
At 1 April 2018	188.1
Arising on acquisition	40.1
Exchange movements	(4.5)
At 30 March 2019	**223.7**

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 reporting segment share similar characteristics to each other and to the other businesses within that segment.

9. Goodwill (continued)

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

	Reporting Segment	**2019 £m**	2018 £m
Westex (Carpets) Limited	UK & Europe – Soft Flooring	**2.7**	2.7
Whitestone Weavers Group	UK & Europe – Soft Flooring	**1.4**	1.4
Interfloor Limited	UK & Europe – Soft Flooring	**25.2**	25.2
Quest Flooring Pty Limited	Australia	**7.9**	8.0
Ezi Floor Limited	UK & Europe – Soft Flooring	**7.1**	7.1
Primary Flooring Pty Limited	Australia	**6.3**	6.3
Grass Inc. B.V. & Avalon B.V.	UK & Europe – Soft Flooring	**7.6**	7.8
Keraben Grupo S.A.	UK & Europe – Ceramic Tiles	**112.2**	114.7
Ceramiche Serra S.p.A.	UK & Europe – Ceramic Tiles	**14.6**	14.9
Ceramica Saloni S.A. (note 23)	UK & Europe – Ceramic Tiles	**38.7**	–
		223.7	188.1

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. These assumptions have been sensitised as part of current year testing procedures. The discount rates used of: 11.1% to 12.0% for CGUs within the UK; 12.0% to 12.7% for CGUs within Holland; 12.0% to 13.0% for CGUs within Spain; 12.2% to 13.2% for CGUs within Italy; and 13.6% to 14.6% for CGUs within Australia are estimated using pre-tax weighted-average costs of capital that reflect current market assessments of the time value of money, based on risks specific to the markets in which the businesses operate. The primary reasons for the difference in the rates between the UK, Europe and Australia are the differences in underlying risk-free rates and cost of debt. The calculation uses cash flow projections extrapolated from the budget for the year ending 28 March 2020. At the end of the discrete forecast period, a terminal value is calculated based on terminal growth rate assumptions of: 2.0% to 2.5% for CGUs within the UK; 2.5% to 3.0% for CGUs within Australia; and 2.0% to 2.5% for CGUs within Continental Europe.

Given the sensitivities used in testing, 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 30 March 2019 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 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
	At 1 April 2018	**178.9**	**44.2**	**4.8**	**1.0**	**228.9**
	Additions	**–**	**–**	**–**	**0.7**	**0.7**
	Business combinations	**47.1**	**11.3**	**–**	**0.1**	**58.5**
	Exchange difference	**(4.5)**	**(1.1)**	**(0.1)**	**(0.1)**	**(5.8)**
	At 30 March 2019	**221.5**	**54.4**	**4.7**	**1.7**	**282.3**
Amortisation	At 2 April 2017	6.5	1.0	–	–	7.5
	Charge for the period	9.4	1.4	0.4	0.1	11.3
	Exchange difference	(0.2)	–	–	–	(0.2)
	At 31 March 2018	15.7	2.4	0.4	0.1	18.6
	At 1 April 2018	**15.7**	**2.4**	**0.4**	**0.1**	**18.6**
	Charge for the period	**18.0**	**3.3**	**1.2**	**0.3**	**22.8**
	Exchange difference	**(0.4)**	**(0.1)**	**–**	**–**	**(0.5)**
	At 30 March 2019	**33.3**	**5.6**	**1.6**	**0.4**	**40.9**
Net book value	At 30 March 2019	**188.2**	**48.8**	**3.1**	**1.3**	**241.4**
	At 31 March 2018	163.2	41.8	4.4	0.9	210.3
	At 1 April 2017	55.5	10.8	–	–	66.3

Company		Customer relationships £m	Brand names £m	Other acquired intangibles £m	IT software £m	Group total £m
Cost	At 1 April 2018	**–**	**–**	**–**	**0.3**	**0.3**
	Additions				**0.1**	**0.1**
	At 30 March 2019	**–**	**–**	**–**	**0.4**	**0.4**
Amortisation	At 1 April 2018	**–**	**–**	**–**	**0.1**	**0.1**
	Charge for the period				**0.1**	**0.1**
	At 30 March 2019	**–**	**–**	**–**	**0.1**	**0.1**
Net book value	At 30 March 2019	**–**	**–**	**–**	**0.3**	**0.3**
	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 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
At 1 April 2018	**75.6**	**89.7**	**21.2**	**186.5**
Exchange differences	**(2.3)**	**(3.7)**	**(0.2)**	**(6.2)**
Business combinations	**18.5**	**15.8**	**–**	**34.3**
Additions	**1.7**	**29.1**	**13.3**	**44.1**
Transfers	**0.2**	**(0.3)**	**–**	**–**
Disposals	**–**	**(5.4)**	**(6.5)**	**(11.9)**
At 30 March 2019	**93.7**	**125.2**	**27.8**	**246.7**
Accumulated depreciation				
At 2 April 2017	0.8	31.8	6.1	38.7
Exchange differences	(0.1)	(2.5)	(0.3)	(2.9)
Charge for the period	0.7	6.3	8.8	15.8
Disposals	–	(1.9)	(6.1)	(8.0)
At 31 March 2018	1.4	33.7	8.5	43.6
At 1 April 2018	**1.4**	**33.7**	**8.5**	**43.6**
Exchange differences	**(0.4)**	**(2.2)**	**(0.1)**	**(2.7)**
Charge for the period	**1.9**	**13.3**	**10.7**	**25.9**
Impairment	**0.1**	**0.4**	**–**	**0.5**
Disposals	**–**	**(4.9)**	**(6.3)**	**(11.2)**
At 30 March 2019	**3.0**	**40.3**	**12.8**	**56.1**
Net Book Value				
At 30 March 2019	**90.7**	**84.9**	**15.0**	**190.6**
At 31 March 2018	74.2	56.0	12.7	142.9
At 1 April 2017	13.2	19.4	9.2	41.8

The Company holds no property, plant and equipment.

11. Property, plant and equipment (continued)

Included within fixed assets are the following:

	Plant and machinery Hire purchase £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 30 March 2019	**2.8**	**1.2**	**1.9**	**1.1**	**7.0**
Accumulated depreciation at 30 March 2019	**1.4**	**0.5**	**1.8**	**0.6**	**4.3**
Depreciation charged in year	**0.3**	**0.2**	**0.1**	**0.2**	**0.8**
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

Capital expenditure authorised and committed at the period end:

	2019 £m	2018 £m
Contracts placed	**1.7**	6.1

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

12. Fixed asset investments

		Group		Company	
	Note	**2019 £m**	2018 £m	**2019 £m**	2018 £m
Investment property	(a)	**0.2**	0.8	**0.1**	0.2
Investment in subsidiaries	(b)	**–**	–	**51.4**	49.3
Investment in associates	(c)	**–**	1.0	**–**	–

(a) Investment property held in the Company's opening balance sheet relates to the legacy ownership of two small areas of land in Kidderminster and the surrounding area, held at cost. One of the sites was sold in February 2019 for £2,005,000, resulting in an exceptional gain on sale.

The remainder of investment property in the Group's opening balance sheet relates to properties obtained as part of the acquisition of Keraben, held at their total fair value at the date of acquisition. A number of these properties have been disposed of during the year, and the fair value at 30 March 2019 of the remaining properties is deemed to be materially unchanged.

Notes to the accounts

12. Fixed asset investments (continued)

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

As at 30 March 2019	Country of incorporation and operation	Nature of business	Ownership
Victoria Midco Holdings Limited	England	Holding Company	Direct
Victoria Carpets Limited	England	Carpet distributor	Indirect
Whitestone Carpets Holdings Limited	England	Holding Company	Indirect
View Logistics Limited	England	Carpet distributor	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
Venture Floorcoverings Limited	England	Carpet distributor	Indirect
Globesign Limited	England	Holding Company	Indirect
Westex (Carpets) Limited	England	Carpet manufacturer	Indirect
Interfloor Limited	England	Underlay manufacturer	Indirect
Ezi Floor Limited	England	Underlay manufacturer	Indirect
The Victoria Carpet Company Pty Limited	Australia	Carpet manufacturer	Indirect
Primary Flooring Pty Limited	Australia	Underlay manufacturer	Indirect
Quest Flooring Pty Limited	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
Millennium Weavers N.V	Belgium	Carpet distributor	Indirect
Ceramiche Serra S.p.A	Italy	Ceramic tile manufacturer	Indirect
Kinsan Trade, S.L.	Spain	Holding Company	Indirect
Keraben Grupo S.A.U	Spain	Ceramic tile manufacturer	Indirect
Sandover Investments, S.L.U	Spain	Holding Company	Indirect
Ceramica Saloni, S.A.	Spain	Ceramic tile manufacturer	Indirect
Sanicova, S.L.	Spain	Ceramic tile distributor	Indirect
Saloni Portugal Materiais De Construcao LTDA	Portugal	Ceramic tile distributor	Indirect
Saloni UK Limited	England	Ceramic tile distributor	Indirect
Saloni France S.A.S.	France	Ceramic tile 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	Guatemala	Ceramic tile manufacturing services	Indirect
Kerainvest S.L.	Spain	Non–trading	Indirect

12. Fixed asset investments (continued)

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

As at 30 March 2019	Percentage ownership
Keraben Bolivia, S.R.L.	50%

The aggregate result for the associated undertaking during the period was immaterial.

Due to the immaterial nature of this investment, further detailed disclosures have been omitted.

13. Inventories

Inventories held at year-end	**2019 £m**	2018 £m
Raw materials	**30.5**	22.2
Work-in-progress	**3.8**	3.6
Finished goods	**106.2**	74.5
	140.5	100.3

During the year to 30 March 2019, the total movement in stock provisions resulted in a credit to the income statement of £996,000 (2018: £477,000).

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

Amounts falling due within one year:

	Group		Company	
	2019 £m	2018 £m	**2019 £m**	2018 £m
Trade debtors	**100.9**	79.1	**–**	–
Amounts owed by subsidiaries	**–**	–	**34.3**	484.0
Other debtors	**10.4**	4.1	**–**	–
Prepayments and accrued income	**4.7**	5.0	**0.1**	–
	116.0	88.2	**34.4**	484.0

Amounts falling due after one year:

	Group		Company	
	2019 £m	2018 £m	**2019 £m**	2018 £m
Amounts owed by subsidiaries	**–**	–	**577.9**	14.8
	–	–	**577.9**	14.8

Where intercompany loans have been formally documented, interest is charged on amounts owed by subsidiaries to the Company at market rates. Specific repayment terms attached to all intercompany loans were formally documented during the year and the classification between amounts falling due within one year and more than one year are reflective of these terms.

The Company does not expect credit losses arising from subsidiaries to be a material amount.

Notes to the accounts

14. Trade and other receivables (continued)

The above amounts are stated net of an allowance (net of VAT) of £3,890,000 (2018: £2,014,000) made for estimated irrecoverable amounts from sale of goods. The movement of this allowance account during the year is summarised below:

	2019 £m	2018 £m
Opening balance at 1 April 2018	**2.0**	0.8
Acquisition opening balances	**3.4**	3.1
Increase / (decrease) in provisions	**0.3**	(0.1)
Recovered against provisions	**(1.5)**	(1.7)
Exchange differences	**(0.3)**	(0.1)
Closing balance at 30 March 2019	**3.9**	2.0

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:

	2019 £m	2018 £m
1-30 days overdue	**23.4**	12.2
31-60 days overdue	**6.5**	2.6
> 60 days overdue	**3.5**	2.2
Total	**33.4**	17.0

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

	2019 £m	2018 £m
Current	**–**	0.3
1-30 days overdue	**0.6**	0.1
31-60 days overdue	**0.5**	0.1
> 60 days overdue	**3.4**	1.8
Total	**4.5**	2.3

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.

15. Trade and other payables

Amounts falling due within one year:

	Group		Company	
	2019 £m	2018 £m	2019 £m	2018 £m
Trade creditors	**102.4**	77.1	**–**	–
Amounts due to subsidiaries	**–**	–	**–**	1.1
Deferred and contingent earn-out liabilities	**16.6**	6.1	**–**	–
Other creditors	**28.9**	20.5	**1.0**	–
Accruals	**13.6**	10.5	**1.5**	2.0
Acquisition-related performance plan liability	**7.1**	7.2	**–**	–
Deferred income	**–**	0.1	**–**	–
	168.6	121.5	**2.5**	3.1

15. Trade and other payables (continued)

Amounts falling due after one year:

	Group 2019 £m	Group 2018 £m	Company 2019 £m	Company 2018 £m
Deferred and contingent earn-out liabilities	**12.5**	25.2	**–**	0.4
Deferred income	**2.0**	0.9	**–**	–
Acquisition-related performance plan liability	**1.4**	–	**–**	–
Other creditors	**3.5**	3.1	**–**	–
	19.5	29.2	**–**	0.4

Deferred and contingent earn-out liabilities (Group and Company) are in connection with the acquisitions of 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 £12.5m is split as follows: between one to two years £7.5m and between two to five years £5.0m.

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

Acquisition-related performance plan liability relates to the expected liability under the acquisition-linked performance plan with the Keraben senior management team. As part of the Keraben acquisition terms, the senior management team were required to invest €8.3 million into a performance plan linked to the financial results of the target business over a five year period. The value of this plan can go up or down from the original €8.3 million subscription, depending on performance. Customary leaver provisions apply during the five year period. This investment by management was rolled over from their exit value under a scheme with the previous private equity owners.

16. Other financial liabilities

Amounts falling due within one year:

	Group 2019 £m	Group 2018 £m	Company 2019 £m	Company 2018 £m
Bank overdraft	**6.2**	0.9	**–**	12.9
Bank loans	**1.2**	1.2	**–**	–
BGF loan	**2.1**	–	**2.1**	–
Finance leases & hire purchase agreements	**0.9**	0.9	**–**	–
	10.4	3.0	**2.1**	12.9

Amounts falling due after one year:

	Group 2019 £m	Group 2018 £m	Company 2019 £m	Company 2018 £m
Bank loans (net of prepaid finance costs):				
- due between one and two years	**380.4**	–	**379.2**	–
- due between two and five years	**1.8**	293.7	**–**	289.4
Subordinated loans:				
- due between one and two years	**–**	2.1	**–**	2.1
- due between two and five years	**9.4**	9.2	**9.4**	9.2
Finance leases & hire purchase agreements:				
- due between one and two years	**0.4**	0.7	**–**	–
- due between two and five years	**0.3**	0.4	**–**	–
	392.3	306.1	**388.6**	300.7

Notes to the accounts

16. Other financial liabilities (continued)

Bank loans as at 30 March 2019 predominantly relate to a €445 million term loan provided by HSBC and Barclays. This facility matures in August 2020, and is secured by way of debenture over the assets of the Group. As announced on 30 April 2019, the Group has since signed an irrevocable commitment from Credit Suisse to provide five year debt financing in order to refinance this facility.

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

The Group's net debt position as at 30 March 2019 was £339.9m (2018: £258.7m), before netting off prepaid finance costs. The contractual maturities of financial liabilities and average effective interest rates are set out in Note 25.

17. Financial assets and liabilities

The financial assets of the Group comprised:

	At 30 March 2019				At 31 March 2018			
	Amortised cost £m	**Financial assets held at fair value through profit and loss £m**	**Assets not within the scope of IFRS 9 £m**	**Total £m**	Amortised cost £m	Financial assets held at fair value through profit and loss £m	Assets not within the scope of IFRS 9 £m	Total £m
Cash								
Sterling	**11.8**	**–**	**–**	**11.8**	6.7	–	–	6.7
US Dollars	**1.7**	**–**	**–**	**1.7**	2.7	–	–	2.7
Euros	**47.3**	**–**	**–**	**47.3**	27.7	–	–	27.7
Australian Dollars	**5.3**	**–**	**–**	**5.3**	11.2	–	–	11.2
New Zealand Dollars	**0.3**	**–**	**–**	**0.3**	0.3	–	–	0.3
Investments in listed corporate bonds	**–**	**–**	**–**	**–**	–	5.4	–	5.4
	66.4	**–**	**–**	**66.4**	48.6	5.4	–	54.0
Current assets								
Trade and other receivables	**105.5**	**–**	**10.5**	**116.0**	83.1	–	5.0	88.1
Current inventories	**–**	**–**	**140.5**	**140.5**	–	–	100.3	100.3
Forward foreign exchange contracts	**–**	**–**	**–**	**–**	–	0.1	–	0.1
Current assets	**171.9**	**–**	**151.0**	**322.9**	131.7	5.5	105.3	242.5

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 30 March 2019				At 31 March 2018			
	Other financial liabilities at amortised cost £m	Financial liabilities held at fair value through profit and loss £m	Liabilities not within the scope of IFRS 9 £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 IFRS 9 £m	Total £m
Overdraft								
Sterling	**1.1**	**–**	**–**	**1.1**	0.9	–	–	0.9
US Dollars	**0.1**	**–**	**–**	**0.1**	–	–	–	–
Euro	**5.0**	**–**	**–**	**5.0**	–	–	–	–
	6.2	**–**	**–**	**6.2**	0.9	–	–	0.9
Current liabilities								
Trade and other payables	**139.8**	**12.5**	**8.3**	**160.6**	106.4	1.6	5.9	113.9
Acquisition-related performance plan liability	**7.1**	**–**	**–**	**7.1**	7.2	–	–	7.2
Current tax liabilities	**–**	**–**	**–**	**–**	–	–	1.0	1.0
Forward foreign exchange contracts	**–**	**0.9**	**–**	**0.9**	–	0.4	–	0.4
Finance leases and hire purchase	**0.9**	**–**	**–**	**0.9**	0.9	–	–	0.9
Bank loans	**1.2**	**–**	**–**	**1.2**	1.2	–	–	1.2
BGF loan	**2.1**	**–**	**–**	**2.1**	–	–	–	–
Current liabilities	**157.3**	**13.4**	**8.3**	**179.0**	116.6	2.0	6.9	125.5
Non-current liabilities								
Trade and other payables	**4.6**	**11.4**	**2.0**	**18.1**	7.4	20.9	0.9	29.2
Acquisition-related performance plan liability	**–**	**–**	**1.4**	**1.4**	–	–	–	–
Deferred tax liabilities	**–**	**–**	**66.1**	**66.1**	–	–	54.7	54.7
Retirement benefit obligations	**–**	**–**	**7.8**	**7.8**	–	–	9.1	9.1
Finance leases & hire purchase	**0.7**	**–**	**–**	**0.7**	1.1	–	–	1.1
Bank loans	**382.2**	**–**	**–**	**382.2**	293.7	–	–	293.7
BGF loan	**9.4**	**–**	**–**	**9.4**	11.3	–	–	11.3
Non-current liabilities	**396.9**	**11.4**	**77.4**	**485.7**	313.5	20.9	64.7	399.1
Total liabilities	**554.2**	**24.8**	**85.7**	**664.7**	430.1	22.9	71.6	524.6

Notes to the accounts

17. Financial assets and liabilities (continued)

The financial assets of the Company comprised:

	At 30 March 2019				At 31 March 2018			
	Amortised cost £m	**Financial assets held at fair value through profit and loss £m**	**Assets not within the scope of IFRS 9 £m**	**Total £m**	Amortised cost £m	Financial assets held at fair value through profit and loss £m	Assets not within the scope of IFRS 9 £m	Total £m
Cash								
Sterling	**4.4**	**–**	**–**	**4.4**	–	–	–	–
US Dollars	**1.0**	**–**	**–**	**1.0**	0.9	–	–	0.9
Euros	**13.6**	**–**	**–**	**13.6**	2.8	–	–	2.8
Australian Dollars	**–**	**–**	**–**	**–**	2.5	–	–	2.5
	19.0	**–**	**–**	**19.0**	6.2	–	–	6.2
Current assets								
Trade and other receivables	**34.3**	**–**	**0.1**	**34.4**	484.0	–	–	484.0
Current assets	**53.3**	**–**	**0.1**	**53.4**	490.2	–	–	490.2
Non-current assets								
Amounts owed by subsidiaries	**577.9**	**–**	**–**	**577.9**	14.8	–	–	14.8
Deferred tax assets	**–**	**–**	**0.2**	**0.2**	–	–	0.2	0.2
Non-current assets	**577.9**	**–**	**0.2**	**578.1**	14.8	–	0.2	15.0
Total financial assets	**631.2**	**–**	**0.3**	**631.5**	505.0	–	0.2	505.2

The financial liabilities of the Company comprised:

	At 30 March 2019				At 31 March 2018			
	Other financial liabilities at amortised cost £m	**Financial liabilities held at fair value through profit and loss £m**	**Liabilities not within the scope of IFRS 9 £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 IFRS 9 £m	Total £m
Overdraft								
Sterling	**–**	**–**	**–**	**–**	12.9	–	–	12.9
	–	**–**	**–**	**–**	12.9	–	–	12.9
Current liabilities								
Trade and other current payables	**1.5**	**–**	**–**	**1.5**	3.1	–	–	3.1
Forward foreign exchange contracts	**–**	**1.0**	**–**	**1.0**	–	–	–	–
BGF loan	**2.1**	**–**	**–**	**2.1**	–	–	–	–
Current liabilities	**3.6**	**1.0**	**–**	**4.6**	16.0	–	–	16.0
Non-current liabilities								
Trade and other payables	**–**	**–**	**–**	**–**	–	0.4	–	0.4
Bank loans	**379.2**	**–**	**–**	**379.2**	289.4	–	–	289.4
BGF loan	**9.4**	**–**	**–**	**9.4**	11.3	–	–	11.3
Non-current liabilities	**388.6**	**–**	**–**	**388.6**	300.7	0.4	–	301.1
Total liabilities	**392.2**	**1.0**	**–**	**393.2**	316.7	0.4	–	317.1

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 30 March 2019.

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

– 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 probable alternative assumptions would not result in a significant change to the estimated fair value. Any reasonably probable improvement in business performance is unlikely to give rise to a material change to the fair value of these liabilities. While we don't expect a decline in business performance, this would likely give rise to a significant reduction in the fair values of these liabilities. Details of assumptions used in this review are detailed in Note 9.

There were no transfers between level one, level two and level three in 2019 or 2018.

17. Financial assets and liabilities (continued)

Analysis of net debt

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

	At 31 March 2018 £m	Cash flow £m	Capital expenditure under finance leases / HP £m	Acquisitions £m	Other non-cash changes £m	Exchange movement £m	**At 30 March 2019 £m**
Cash and cash equivalents	54.0	9.9	–	3.6	–	(1.1)	**66.4**
Bank overdraft	(0.9)	(5.3)	–	–	–	–	**(6.2)**
Net cash and cash equivalents	53.1	4.6	–	3.6	–	(1.1)	**60.2**
Finance leases and hire purchase agreements:							
– due in less than one year	(0.9)	0.9	–	(0.2)	(0.7)	–	**(0.9)**
– due in more than one year	(1.1)	–	(0.3)	–	0.7	–	**(0.7)**
Bank loans:							
– due in less than one year	(1.2)	–	–	–	–	–	**(1.2)**
– due in more than one year	(297.3)	(43.9)	–	(54.4)	–	9.8	**(385.8)**
Subordinated loans:							
– due in less than one year	–	–	–	–	(2.1)	–	**(2.1)**
– due in more than one year	(11.3)	–	–	–	1.9	–	**(9.4)**
Reverse factoring facility acquired with Saloni:							
– due in less than one year	–	13.4	–	(13.4)	–	–	**–**
Net debt	(258.7)	(25.0)	(0.3)	(64.4)	(0.2)	8.7	**(339.9)**
Prepaid finance costs	3.6	4.5	–	–	(4.5)	–	**3.6**
Net debt including prepaid finance costs	(255.1)	(20.5)	(0.3)	(64.4)	(4.7)	8.7	**(336.3)**

	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 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 loan 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.

17. Financial assets and liabilities (continued)

Reconciliation of movements in the Company's net debt position

	At 31 March 2018 £m	Cash flow £m	Capital expenditure under finance leases / HP £m	Acquisitions £m	Other non-cash changes £m	Exchange movement £m	**At 30 March 2019 £m**
Cash and cash equivalents	6.2	13.0	–	–	–	(0.2)	**19.0**
Bank overdraft	(12.9)	12.9	–	–	–	–	**–**
Net cash and cash equivalents	(6.7)	25.9	–	–	–	(0.2)	**19.0**
Bank loans:							
– due in less than one year	–	–	–	–	–	–	**–**
– due in more than one year	(293.0)	(45.2)	–	–	(54.4)	9.8	**(382.8)**
Subordinated loans:							
– due in less than one year	–	–	–	–	(2.1)	–	**(2.1)**
– due in more than one year	(11.3)	–	–	–	1.9	–	**(9.4)**
Net debt	(311.0)	(19.3)	–	–	(54.7)	9.6	**(375.3)**
Prepaid finance costs	3.6	4.5	–	–	(4.5)	–	**3.6**
Net debt including prepaid finance costs	(307.4)	(14.8)	–	–	(59.1)	9.6	**(371.7)**

	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)
Bank loans:							
- due in more than one year	(105.8)	(129.2)	–	–	(60.0)	2.0	(293.0)
Subordinated loans:							
- 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 loan are disclosed in the table excluding prepaid finance costs.

Amounts falling due within one year:

	Group		Company	
	2019 £m	2018 £m	**2019 £m**	2018 £m
Deferred earn-out liabilities	**4.1**	4.5	**–**	–
Contingent earn-out liabilities	**12.5**	1.6	**–**	–
	16.6	6.1	**–**	–

Notes to the accounts

17. Financial assets and liabilities (continued)

Amounts falling due after one year:

	Group		Company	
	2019 £m	2018 £m	**2019 £m**	2018 £m
Deferred earn-out liabilities:				
– due between one and two years	**1.1**	4.5	**–**	–
– due between two and five years	**–**	1.1	**–**	–
Contingent earn-out liabilities:				–
– due between one and two years	**6.4**	7.9	**–**	0.4
– due between two and five years	**5.0**	11.7	**–**	–
	12.5	25.2	**–**	0.4

Reconciliation of movement in contingent earn-out liabilities	Group £m	Company £m
Contingent earn-out liabilities as at 1 April 2018	21.2	0.4
Payments made during the period	(3.8)	–
Unwinding of present value	2.7	–
Other fair value adjustments	4.4	(0.4)
Exchange rate difference	(0.6)	–
Contingent earn-out liabilities as at 30 March 2019	**23.9**	**–**

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	
	2019 £m	2018 £m	**2019 £m**	2018 £m
Payments under operating leases recognised in income statement for the year	**9.2**	6.5	**0.5**	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	**2019 £m**	2018 £m	**2019 £m**	2018 £m
Within one year	**9.2**	7.3	**0.5**	0.5
In the second to fifth years inclusive	**27.5**	20.8	**2.2**	2.1
After five years	**19.7**	20.2	**5.4**	5.8
	56.4	48.3	**8.1**	8.4

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 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)
At 1 April 2018	**50.1**	**(0.2)**
Credit to income statement (see Note 6)	**(2.5)**	**–**
Deferred tax in relation to pension scheme	**0.3**	**–**
Deferred tax on intangible assets acquired	**14.6**	**–**
Adjustment for acquisitions in the year	**(0.7)**	**–**
Exchange adjustment	**(1.5)**	**–**
At 30 March 2019	**60.3**	**(0.2)**

The provision for deferred taxation is as follows:

	Group		Company	
	2019 £m	2018 £m	**2019 £m**	2018 £m
Fixed assets	**0.4**	(1.3)	**–**	–
Investment property	**(0.1)**	(0.1)	**(0.1)**	(0.1)
Tax losses	**(1.9)**	(2.6)	**(0.1)**	(0.1)
Deferred tax on intangible assets acquired	**59.0**	51.3	**–**	–
Deferred tax on defined benefit pension	**(1.3)**	(1.7)	**–**	–
Other timing differences	**4.2**	4.5	**–**	–
	60.3	50.1	**(0.2)**	(0.2)

The provision is based on taxation rates of 30% in respect of balances relating to the Australian businesses (2018: 30%), 25% in respect of balances relating to the Dutch businesses (2018: 25%), 25% in respect of balances relating to the Spanish business (2018: 25%), 29% in respect of balances relating to the Belgian business, and 27.9% in respect of balances relating to the Italian business. 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 30 March 2019 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	
	2019 £m	2018 £m	**2019 £m**	2018 £m
Deferred tax liabilities	**66.1**	54.7	**–**	–
Deferred tax assets	**(5.8)**	(4.6)	**(0.2)**	(0.2)
	60.3	50.1	**(0.2)**	(0.2)

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 £3,831,000 (2018: £3,712,000), of which £2,257,000 (2018: £2,126,000) relates to the UK schemes. The total contributions outstanding at year-end were £nil (2018: £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 2018.

The contributions made by the employer over the financial period were £95,000 (2018: £95,000) in respect of the Main Scheme and £126,000 (2018: £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 £136,000 in respect of the Main Scheme and £nil 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 2021.

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

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

Investment risk

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

Interest risk

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

Longevity risk

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

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

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

20. Retirement benefit obligations (continued)

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

	2019 £m	2018 £m
Discount rate	**2.3%**	2.5%
Revaluation rate of deferred pensioners of CPI or 5% p.a. if less	**2.3%**	2.3%
Pension in payment increases of RPI or 5% p.a. if less	**3.1%**	3.1%
Pension in payment increases of CPI or 3% p.a. if less	**2.0%**	2.1%
Inflation (RPI)	**3.3%**	3.3%
Inflation (CPI)	**2.3%**	2.3%

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: 20.8 years (male), 22.7 years (female).

(ii) Future retiree (aged 45) upon reaching 65: 21.9 years (male), 23.9 years (female).

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

	2019 £m	2018 £m
Net interest expense	**0.2**	0.3
Past service cost	**0.4**	–
Components of defined benefit costs recognised in profit or loss	**0.6**	0.3

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. The past service cost relates to a GMP equalisation charge and has been included within exceptional costs in administrative expenses.

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

	2019 £m	2018 £m
The return on plan assets (excluding amounts included in net interest expense)	**1.1**	0.9
Actuarial gains arising from changes in demographic assumptions	**0.2**	0.4
Actuarial (losses) / gains arising from changes in financial assumptions	**(1.1)**	0.4
Actuarial gains arising from experience adjustments	**1.6**	0.3
Remeasurement of the net defined benefit liability	**1.8**	2.0

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:

	2019 £m	2018 £m
Present value of defined benefit obligations	**(32.6)**	(33.4)
Fair value of plan assets	**24.7**	24.3
Net liability arising from defined benefit obligation	**(7.8)**	(9.1)
Deferred tax applied to net obligation	**1.5**	1.7

Notes to the accounts

20. Retirement benefit obligations (continued)

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

	2019 £m	2018 £m
Opening defined benefit obligation	**33.4**	36.5
Interest cost	**0.8**	0.9
Remeasurement (gains)/losses:		
Actuarial losses arising from changes in demographic assumptions	**(0.2)**	(0.4)
Actuarial gains / (losses) arising from changes in financial assumptions	**1.1**	(0.4)
Actuarial losses arising from experience adjustments	**(1.7)**	(0.3)
Benefits paid and expenses	**(1.3)**	(2.9)
Past service costs	**0.4**	–
Closing defined benefit obligation	**32.5**	33.4

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

	2019 £m	2018 £m
Opening fair value of plan assets	**24.3**	25.4
Interest income	**0.6**	0.6
Remeasurement gains:		
The return on plan assets (excluding amounts included in net interest expense)	**1.0**	1.0
Contributions from the employer	**0.2**	0.2
Benefits paid and expenses	**(1.4)**	(2.9)
Closing fair value of plan assets	**24.7**	24.3

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

	2019 £m	2018 £m
Cash and cash equivalents	**0.2**	0.2
Government bonds	**0.4**	1.6
Corporate bonds	**10.0**	8.9
LDI	**4.1**	3.8
UK equities	**0.5**	0.6
Property	**1.5**	1.8
Overseas equities	**8.0**	7.4
Closing fair value of plan assets	**24.7**	24.3

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

The actual return on plan assets was £1,671,000 (2018: £1,551,000).

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 4.6%.

If the rate of inflation increases by 0.25% per annum, the defined benefit obligation would increase by 3.5%.

If the life expectancy increases by one year for both men and women, the defined benefit obligation would increase by 4.0%.

20. Retirement benefit obligations (continued)

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 £136,000 (2018: £221,000) to the defined benefit schemes during the next financial period.

21. Share capital

	2019 £m	2018 £m
Allotted, called up and fully paid		
Ordinary shares	**6.3**	5.9

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.

22. Reserves

(a) Retained earnings

Retained earnings for the Group as at 30 March 2019 were £20,563,000 (2018: £26,659,000).

The loss of the Company for the year determined in accordance with the Companies Act 2006 was £8,954,000 (2018: loss of £5,430,000). 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 30 March 2019 was £2,335,000 (2018: £2,878,000), in respect of foreign exchange differences on consolidation of overseas subsidiaries.

(c) Share premium

The share premium account for the Group as at 30 March 2019 was £288,700,000 (2018: £229,822,000), in respect of premium received on the issuance of equity above the nominal value of the shares issued.

(d) Other reserves

Other reserves for the Group as at 30 March 2019 were £1,951,000 (2018: £336,000) and relate to share-based payment charges (see further details in Note 5).

Notes to the accounts

23. Acquisition of subsidiaries

(a) Ceramica Saloni, S.A.

On 7 August 2018 the Group acquired 100% of the equity of each of Ceramica Saloni, S.A.U. and Sanicova, S.L.U. (together "Saloni").

Saloni operates from a site in Castellon, Spain, close to the Group's existing business, Keraben. Saloni designs, manufactures and distributes branded, mid to high-end ceramic tiles, which are sold domestically and exported internationally. Saloni is a well-invested business, with a new production line installed prior to the acquisition that has significantly increased the company's manufacturing capacity. Even prior to any synergies delivered from the integration of Saloni with Keraben, the acquisition is expected to be materially accretive to earnings per share in the first full year of ownership (after accounting for the impact of the new Ordinary Shares issued by way of placing, as part of the acquisition funding). For the year ended 31 December 2017, Saloni generated audited net revenues of €106.3 million (£94.7 million) and adjusted EBITDA of €15.6 million (£13.9 million). For the twelve months ended 31 May 2018, Saloni generated unaudited adjusted EBITDA of €17.8 million (£15.9 million).

The Group results for the year ended 30 March 2019 include contribution from Saloni of €65.2m (£57.5m[1]) of revenue and €5.8m (£5.1m[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 €43.1m (£38.0m[1]) and €2.9m (£2.6m[1]) respectively.

[1] *Applying the average exchange rate over the financial year of 1.1344.*

Consideration

Initial cash consideration of €96.7m (£86.2m[2]) was paid on completion of the acquisition.

[2] *Applying the GBP to € exchange rate at the date of acquisition of 1.1218.*

Net Assets Acquired

	Amounts recognised at acquisition date £m
Property, plant and equipment	27.8
IT software	0.1
Trade and other receivables	31.1
Inventories	28.4
Trade and other payables	(26.0)
Reverse factoring	(13.4)
Deferred tax assets	2.7
Deferred tax liabilities	(0.5)
Current tax liabilities	(1.8)
Net cash	3.6
Loans	(54.4)
Finance leases and hire purchase	(0.2)
Book value of net liabilities acquired	(2.6)
Fair value adjustment on fixed assets	6.3
Intangible assets arising on acquisition (see Note 10)	58.5
Deferred tax liability on intangible assets acquired	(14.6)
Deferred tax liability on fair value adjustment on fixed assets	(1.5)
Fair value of total identifiable net assets	46.1
Goodwill (see Note 9)	40.1
Total consideration	86.2
Satisfied by:	
Cash	86.2
	86.2

23. Acquisition of subsidiaries (continued)

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

After fair value adjustments, goodwill of £40.1m is created on the consolidation of Saloni, which relates to expected future profits of the business.

Transaction costs amounting to £1.8m relating to the acquisition have been recognised as an expense and included in exceptional administrative expenses in the Group Income Statement.

24. Government grants

	2019 £m	2018 £m
Deferred income at 1 April 2018	**1.0**	0.4
Grant income received in the year	**1.4**	0.2
Amortisation to deferred income by release through cost of production	**(0.7)**	(0.3)
Adjustment for acquisitions in the year	**0.4**	0.7
Exchange adjustment	**–**	–
Deferred income at 30 March 2019	**2.1**	1.0
Presented in:		
Current liabilities	**–**	0.1
Non-current liabilities	**2.1**	0.9
	2.1	1.0

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:

Credit risk

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

Notes to the accounts

25. Financial instruments (continued)

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. Trade receivables consist of a large number of customers spread across geographical locations. A review of aged debt history was carried out to evaluate whether this was indicative of any expected credit exposures. These historical rates of credit losses were then viewed in the context of customer credit worthiness. Trade receivables are written off when there is considered to be little likelihood of recovering the debt. The group's expected credit loss is an immaterial amount. The group continues to monitor its exposure to expected credit losses and further disclosure will be provided in future periods if the assessed expected credit losses are considered significant.

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). Fluctuations in foreign currency exchange rates can have a significant effect on the Group's reported results.

Market risk arises from the Company's use of third party and intercompany loans denominated in foreign currency. Fluctuations in foreign currency exchange rates can have a significant effect on the Company's reported results.

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 £400,000 (2018: increase in post-tax profit of £1,209,000). 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 30 March 2019					As at 31 March 2018				
	Effective Interest Rate %	**Total £m**	**0-1 Years £m**	**1-2 Years £m**	**2-5 Years £m**	Effective Interest Rate %	Total £m	0-1 Years £m	1-2 Years £m	2-5 Years £m
Group										
Cash and cash equivalents	**0.00%**	**66.4**	**66.4**	**–**	**–**	0.00%	54.0	54.0	–	–
Bank loans & overdraft	**3.47%**	**(429.6)**	**(29.1)**	**(398.5)**	**(1.9)**	2.92%	(320.6)	(8.7)	(311.9)	–
BGF loan	**6.00%**	**(13.8)**	**(2.7)**	**(0.6)**	**(10.5)**	7.91%	(13.8)	(0.6)	(2.1)	(11.1)
Finance lease and HP	**5.74%**	**(1.6)**	**(0.9)**	**(0.4)**	**(0.2)**	5.25%	(2.0)	(0.9)	(0.7)	(0.4)
		(378.4)	**33.7**	**(399.6)**	**(12.6)**		(282.4)	43.8	(314.7)	(11.5)
Company										
Cash and cash equivalents	**0.00%**	**19.0**	**19.0**	**–**	**–**	0.00%	6.2	6.2	–	–
Bank loans & overdraft	**3.50%**	**(418.7)**	**(21.5)**	**(397.2)**	**–**	2.96%	(315.0)	(8.7)	(306.3)	–
BGF loan	**6.00%**	**(13.8)**	**(2.7)**	**(0.6)**	**(10.5)**	7.91%	(13.8)	(0.6)	(2.1)	(11.1)
		(413.5)	**(5.2)**	**(397.8)**	**(10.5)**		(322.6)	(3.1)	(308.4)	(11.1)

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 30 March 2019				As at 31 March 2018			
Total undiscounted obligations	**Total £m**	**0-1 Years £m**	**1-2 Years £m**	**2-5 Years £m**	Total £m	0-1 Years £m	1-2 Years £m	2-5 Years £m
Group								
Deferred consideration liabilities	**(5.3)**	**(4.1)**	**(1.2)**	**–**	(10.4)	(4.5)	(4.7)	(1.2)
Contingent earn-out liabilities	**(28.1)**	**(13.4)**	**(8.1)**	**(6.6)**	(28.6)	(1.6)	(8.5)	(18.5)
	(33.4)	**(17.5)**	**(9.3)**	**(6.6)**	(39.0)	(6.1)	(13.2)	(19.7)
Company								
Contingent earn-out liabilities	**–**	**–**	**–**	**–**	(0.7)	–	(0.7)	–
	–	**–**	**–**	**–**	(0.7)	–	(0.7)	–

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 66.7% and 7.6% 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.

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 £171,000 (2018: increased Group post-tax profit by £705,000). A 10% weakening in the exchange rate would, on the same basis, have decreased Group post-tax profit by £140,000 (2018: decreased Group post-tax profit by £577,000).

Notes to the accounts

25. Financial instruments (continued)

The effect of a 10% strengthening of the Australian Dollar against Sterling at year-end rates would have resulted in an increase to equity of £2,087,000 (2018: an increase of £2,235,000). A 10% weakening in the exchange rate would, on the same basis, have decreased equity by £1,707,000 (2018: decrease of £1,828,000).

The effect of a 10% strengthening of the Euro against Sterling over the full year would, all other variables held constant, have resulted in an increase in Group post-tax profit for the year of £1,157,000 (2018: decrease of £309,000). A 10% weakening in the exchange rate would, on the same basis, have decreased Group post-tax profit by £947,000 (2018: increase of £253,000).

The effect of a 10% strengthening of the Euro against Sterling at year-end rates would have resulted in an increase to equity of £1,518,000 (2018: decrease of £280,000). A 10% weakening in the exchange rate would, on the same basis, have decreased equity by £1,242,000 (2018: increase of £229,000).

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

	Liabilities		Assets	
	2019 £m	2018 £m	**2019 £m**	2018 £m
Australian Dollar	**20.8**	24.9	**73.0**	77.8
Euro	**139.9**	131.3	**635.0**	502.1

c) Trading

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken 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 judgments, 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. There are no critical judgements that are deemed to have a significant impact on the financial statements. Information about significant areas of estimation that have the most significant impact on the financial statements are described in the following notes:

Estimates

Impairment of goodwill (note 9)

Determining whether goodwill 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 balances are less than its recoverable amount. The recoverable amount is based on a calculation of expected future cash flows, which include estimates of future performance.   Detail of assumptions used in the review of goodwill, investments and intercompany balances are detailed in Note 9.

Measurement of intangible assets (note 10)

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. The valuation of acquired intangibles is highly sensitive to these key assumptions, hence any change to these assumptions could give rise to a significant increase or decrease in the valuation of the intangible assets acquired. Details of assumptions used in this review are detailed in Note 9.

26. Key sources of estimation uncertainty (continued)

Valuation of deferred and contingent earn-out consideration (note 17)

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.

Defined benefit obligation (note 20)

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.

Due to 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.

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 30 March 2019, the key management personnel, and their immediate relatives, controlled 20.93% 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 30 March 2019 £m	52 weeks ended 31 March 2018 £m
Short-term employee benefits	**4.0**	5.1
Post-employment benefits	**0.2**	0.3
	4.2	5.4

27. Related parties (continued)

Transactions with subsidiary undertakings:	**52 weeks ended 30 March 2019 £m**	52 weeks ended 31 March 2018 £m
Management fees - Victoria Bidco B.V	**0.03**	0.03
Management fees - Victoria Carpets Ltd	**0.01**	–
Management fees - Westex (Carpets) Ltd	**0.03**	0.03
Management fees - Abingdon Flooring Ltd	**0.03**	0.03
Management fees - View Logistics Ltd	**0.03**	0.03
Management fees - Interfloor Group Ltd	**0.03**	0.03
Management fees - Ezi Floor Ltd	**0.03**	0.03
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**	0.03
Interest payable - Victoria Bidco B.V	**3.94**	0.36
Interest payable - Victoria Carpets Ltd	**0.34**	0.32
Interest payable - Globesign Ltd	**0.05**	0.25
Interest payable - Abingdon Flooring Ltd	**0.52**	0.44
Interest payable - Whitestone Carpets Holdings Ltd	**0.87**	0.68
Interest payable - Interfloor Group Ltd	**1.15**	1.49
Interest payable - Interfloor Operations Ltd	**0.59**	0.57
Interest payable - Ezi Floor Ltd	**0.42**	0.31
Interest payable - Primary Flooring Pty Limited	**1.03**	1.20
Interest payable - Keraben Grupo S.A.	**2.21**	0.73
Interest payable - Kinsan Trade, S.L.	**3.75**	1.31
Interest payable - Ceramiche Serra S.p.A	**0.87**	–
Interest payable - Sandover Investments, S.L.U	**0.97**	–
Interest payable - Ceramica Saloni, S.A.	**3.06**	–
Dividend Income - Victoria Midco Holdings Ltd	**1.11**	2.75
Dividend Income - Quest Flooring Pty Ltd	**0.74**	0.76
Amounts due from subsidiary undertakings	**612.2**	497.5
Amounts due to subsidiary undertakings	**–**	1.0

Transactions with the Business Growth Fund
Gavin Petken, a Non-Executive Director of Victoria PLC, is the Business Growth Fund's ("BGF") Head of Investment South, Wales and Quoted. On the 30 September 2014 the Company entered into a £10m unsecured loan facility with BGF, which is repayable in 2021. During the prior year there was a significant modification to the terms of the loan, on which the coupon was reduced from 10% to 6%.

Interest charged to the income statement during the period in relation to the BGF loan was £885,000 (2018: £1,182,000).

28. Post balance sheet events
On 25 June 2019, the Group entered into a commitment from Credit Suisse and a number of other banks to provide five-year debt financing in order to refinance the existing facility, maturing in August 2020. Further details are provided in the Financial Review.

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. 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

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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Public Relations	Buchanan Communications – 107 Cheapside, London, EC2V 6DN

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
FY18	The 52 weeks ended 31 March 2018
FY19	The 52 weeks ended 30 March 2019
GMP	Guaranteed minimum pension
H1	The 26 weeks ended 29 September 2018
H2	The 26 weeks ended 30 March 2019
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
TSR	Total shareholder return

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