VICTORIA PLC

Annual Report and Accounts
for the 52 weeks ended 28 March 2020

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VICTORIA PLC

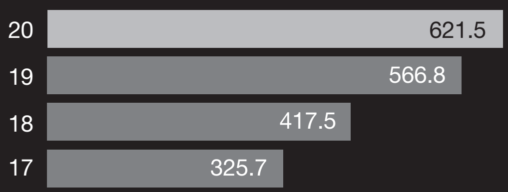
WELCOME TO VICTORIA PLC

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

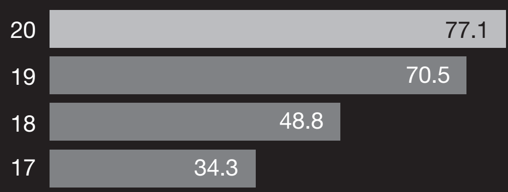
BY APPOINTMENT TO
HER MAJESTY THE QUEEN
CARPET MANUFACTURERS
VICTORIA CARPETS LTD
KIDDERMINSTER

GROUP FINANCIAL AND OPERATIONAL HIGHLIGHTS

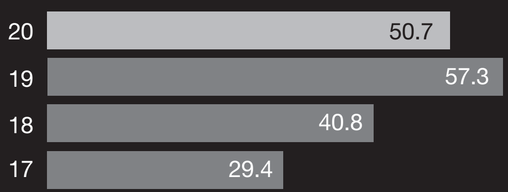
REVENUE FROM CONTINUING OPERATIONS (£m)



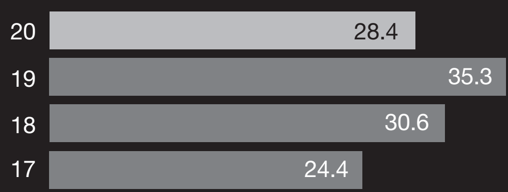
OPERATING PROFIT* (£m)



PRE-TAX PROFIT* (£m)



DILUTED ADJUSTED EARNINGS PER SHARE* (pence)



* Underlying and before exceptional items and Covid-19 related credit loss provision

- Like-for-like organic revenue growth achieved of +0.4% across the Group, despite double-digit revenue declines in March due to Covid-19 lockdowns.
- Underlying EBITDA* on a pre-IFRS 16 basis of £107.2m, representing a record margin of 17.3% and organic margin improvement of 70bps.
- Strong cash generation continues with £39.2m of underlying free cash flow during 2020, which equated to a 51% conversion from underlying operating profit.
- Year-end leverage was 3.0x (FY2019: 3.2x), highlighting that the Group de-levered despite the Covid-19 impact in March.
- The Group refinanced its bank debt with long-dated senior secured notes (“bonds”). These bonds are not due before July 2024 and carry no maintenance financial covenants, placing the Group in a strong financial position.

Read the **Victoria snapshot** on pages 02 and 03

OUR MISSION STATEMENT

TO CREATE WEALTH FOR OUR SHAREHOLDERS

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Read the **Financial review** on pages 16 to 27

Visit our corporate website www.victoriaplc.com

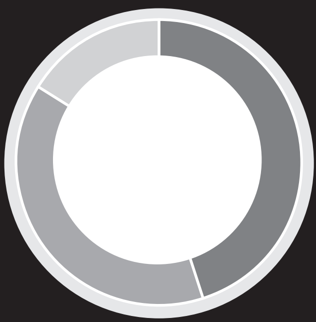
A snapshot of Victoria PLC

OVERVIEW

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

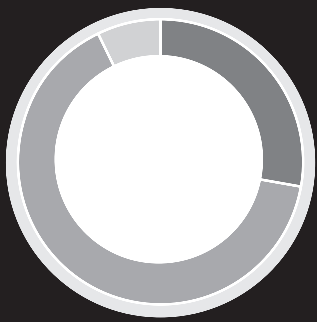
REVENUE^

UK & Europe Soft Flooring	45%
UK & Europe Ceramic Tiles	39%
Australia	16%



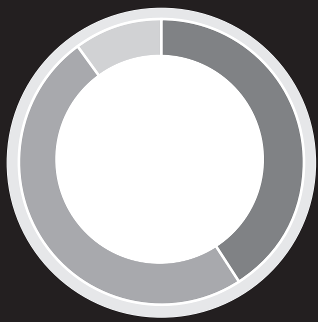
OPERATING PROFIT*^

UK & Europe Soft Flooring	28%
UK & Europe Ceramic Tiles	65%
Australia	7%



EMPLOYEES

UK & Europe Soft Flooring	41%
UK & Europe Ceramic Tiles	49%
Australia	10%



UNITED KINGDOM & EUROPE SOFT FLOORING

REVENUE^	OPERATING PROFIT*^	Employees	m^2 flooring sold^	m^2 underlay sold^
£282.0m	£21.7m	1,410	25.1m	46.1m

UNITED KINGDOM & EUROPE CERAMICS

REVENUE^	OPERATING PROFIT*^	Employees	m^2 flooring sold^
£243.9m	£51.5m	1,652	35.1m

AUSTRALIA

REVENUE^	OPERATING PROFIT*^	Employees	m^2 flooring sold^	m^2 underlay sold^
£95.6m	£5.8m	348	7.9m	15.9m

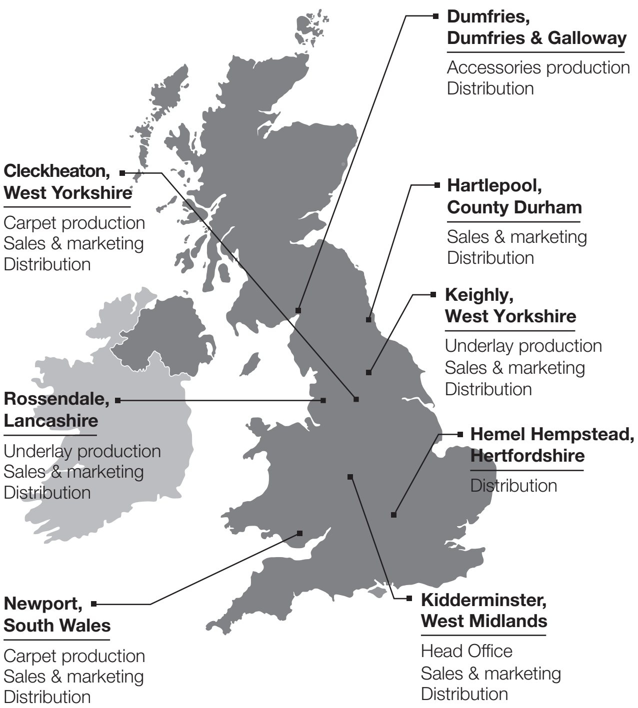
** Underlying and before exceptional items and Covid-19 related credit loss provision, and before unallocated central expenses*

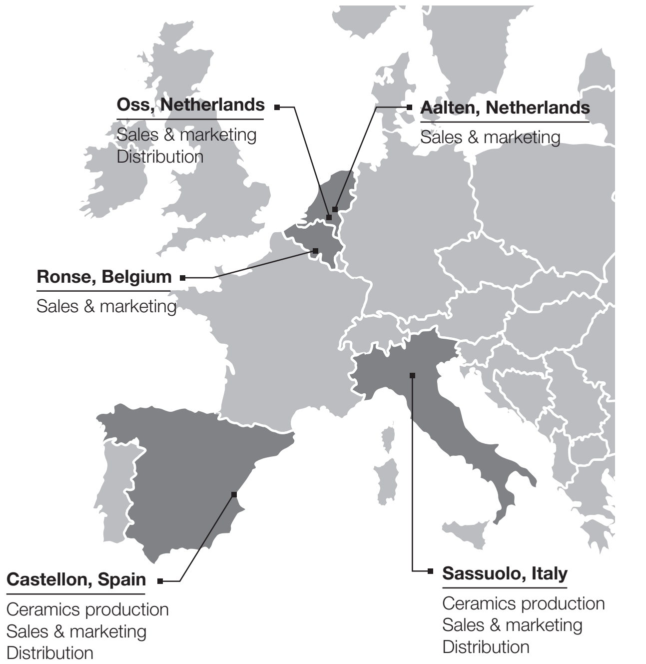
^ From continuing operations

LOCATION OF OPERATIONS

The Group has operations in the UK, Europe and Australia, employing approximately 3,400 people at more than 20 sites.

UNITED KINGDOM AND EUROPE





AUSTRALIA

EBITDA BY GEOGRAPHY

UK	30%
Spain	23%
France	11%
Australia	7%
Rest of Europe	15%
Other	14%

** Based on underlying EBITDA split by selling destination*

Chairman and CEO review

OVERVIEW AND COVID-19

There is an old Yiddish adage which, loosely translated, says "If you want to make God laugh, tell him your plans". It is safe to say that when Victoria developed its business plan for 2020/21 at the start of this year, we did not factor in the complete economic shutdown in most of the various countries in which we operate. So, although most of the resulting financial impact on Victoria occurred post-balance date, due to its materiality we will begin this year's Review with some commentary on the effect of Covid-19 and the ensuing government action has had on our company.

We are pleased to confirm that Victoria is weathering the massive disruption of the last four months in a strong financial and market position, due to a number of prompt and decisive management actions, together with some inherent advantageous characteristics of the Company as a whole. Victoria has more than adequate financial liquidity, and revenues and earnings recovered rapidly once we were able to restart operations. The key reasons for this positive outcome are summarised below:

- The operational management teams in the businesses reacted quickly and decisively when the various lockdowns were announced. Many of our managers have been through a number of recessions over their long careers and although the circumstances were obviously different, their experience mattered as they adapted positively to rapidly changing conditions.
- From the moment the factories were shut down, the operational managers started planning on how they would restart. This advance planning ensured we were able to react instantly to the end of lockdown and rapidly recover revenues and win market share whilst tightly managing costs.

- The benefit of the geographic diversification of both our manufacturing plants and customers was readily apparent, as different countries began and ended their lockdowns at different times, spreading the impact over time.
- Victoria's low operational gearing has been a clear advantage. We have highlighted in previous annual reports that Victoria benefits from low operational gearing, with just c. 10% of our total cost base being fixed. As revenues declined, costs fell simultaneously. Interestingly, many companies in cyclical sectors have coped with the crisis better than businesses more used to – and geared up for – consistent revenues. Although the cyclicality in flooring manufacturing and distribution is less pronounced than what one might expect – especially in the mid-high end refurbishment market that Victoria focuses on – the operational flexibility that management have developed has helped Victoria during the lockdown.
- Victoria's raw material suppliers are diversified and tend to be local to the factories they supply. Therefore, we have experienced no supply or pricing disruption.
- The Group has a highly diversified and credit-worthy customer base, although the Board has conservatively increased the provision for credit losses (i.e. bad debts) by £2.8 million. Together with careful management by the finance team, Victoria's cash position remained robust throughout the crisis and Victoria has not accessed any government credit-line schemes and does not have any need to raise capital for normal operating activities.
- Bond refinancing. As discussed last year, Victoria is comfortable using appropriate levels of debt to improve growth rates and returns to shareholders. However, we are prudent in our approach and last year refinanced our bank debt with long-dated senior secured notes ("bonds"). These bonds are not due before July 2024 and, in themselves, carry no maintenance financial covenants, and provide an expandable capital structure appropriate for our acquisitive strategy.

Nevertheless, in a Group normally generating average monthly revenues of c. £50 million and EBITDA of c. £10 million, and with March usually being one of the best trading months of the year, the impact of the lockdown was to turn what was potentially a very good year into only a good year.

FY2020 OPERATIONAL REVIEW

Turning commentary now to operational matters through FY2020. In summary, we are confident that as a result of our actions the Group has stronger operations, more efficient production facilities, better market positioning and – notwithstanding the short term impact of Covid-19 – higher margins, and greater organic growth than two years ago, when the share price was more than three times what it is today. The impact of some of these gains can be seen in the table below.

We will set out the good progress that has been made in each division of the Group in the balance of this Review, but firstly we will highlight a few key events during the financial year.

- **Successful bond issue.** In two steps (July 2019 and January 2020), Victoria issued a total of €500 million Senior Secured Notes ("bonds"), which completely refinanced the Company's previous bank loans with long-dated, flexible bonds. Both issues were heavily oversubscribed, and the January issue was sold at a 5% premium to the face value, reflecting the strength of Victoria's financial position.

Year	Underlying EBITDA per share[1,2] £	Underlying EBITDA margin[1] %	Diluted adjusted EPS[2] pence	Underlying operating cash flow per share[2,3] £	EBITDA by geography[1] UK %	Aus %	Eur %
FY15	0.27	12.5%	10.47	0.30	79.5%	20.5%	–
FY16	0.39	12.6%	16.32	0.40	79.3%	20.7%	–
FY17	0.50	13.8%	24.42	0.48	75.1%	23.6%	1.3%
FY18	0.64	15.2%	30.61	0.64	48.3%	22.0%	29.7%
FY19	0.79	16.8%	35.25	0.86	25.8%	9.7%	64.5%
FY20	0.86	17.3%	28.42	0.78	26.9%	7.5%	65.6%

[1] *In this report, underlying EBITDA in FY20 is stated before the impact of IFRS 16 and increase in credit loss provision at the year-end, following the Covid-19 pandemic.*

[2] *Number of shares based on diluted, weighted-average calculation consistent with diluted EPS, FY15 adjusted for 5-for-1 share split; FY16 and FY20 figures for continuing operations.*

[3] *Underlying operating cash flow equal to underlying EBITDA less non-cash items plus movement in working capital.*

Chairman and CEO review

- **Margin uplift.** Following the decision in late 2018 to accept a temporary reduction to operating margins in the UK to drive top-line growth during 2019, we are pleased to confirm that as planned margins increased by 170bps in FY2020 alongside revenues increasing to £282 million (FY2019: £273m) against a backdrop of marked general softness in the market – and despite the lockdown in March, which severely limited revenues, impacting margins and earnings in what is normally a very good trading month.
- **Acquisition.** The successful integration of Saloni into our Spanish ceramics business was followed by the acquisition of Ceramica Ibero in August 2019. Work on fully integrating its production facilities, with the resulting synergy benefits, is expected to be completed this year and Victoria's shareholders will benefit from the successful integration.

UK & Europe Soft Flooring – 45% of revenue

For much of FY2020, trading conditions in the UK remained challenging with mid-single digit percentage decline in the residential flooring market across both soft and hard flooring product categories. This is not something to be overly concerned about as flooring is a cyclical business and carpet sales increase or decrease each year due to any number of factors. Following the December 2019 UK election, we saw the return of a stronger carpet market (which remains steady at about two-thirds of residential flooring sold) until the Covid-19 lockdown in March.

Nonetheless, we are pleased to advise that, despite the tough market and the dramatic fall in sales in March following the lockdown, Victoria's revenues grew to £282 million (FY2019: £273m) alongside a 170bps margin gain – as anticipated in the report to shareholders last year. All of the UK businesses performed satisfactorily in achieving this outcome, but some are worthy of particular comment.

A core element of our UK growth strategy, made possible due to the scale of our business, is our logistics operation, Alliance Flooring Distribution. 18 months ago, we made the decision to invest heavily in logistics, accepting the consequential temporary loss of some margin, in the belief that our customers – flooring retailers – would highly value reliable on-time delivery of carpet, cut precisely to size for a specific consumer order. This has meant that they can hold less inventory, freeing up cash from their working capital, and devote more space in their stores to point of sale rather than using it to warehouse product, and reduce waste, improving their margins. (Carpet is produced in rolls 25m long. However, houses rarely need exactly a full roll and retailers would invariably be left with a typical leftover 2-3m "short end", which would be thrown away. In contrast, given our high volume of orders and sophisticated cutting planning software, our wastage is much lower).

And this is exactly how it has turned out.

In addition to the above like-for-like margin gains this year, we have at the same time materially improved our competitive position as evidenced by our robust organic sales performance in an otherwise declining market in the last two years (at first due to the uncertainty caused by Brexit and latterly Covid-19). Quite simply we have benefitted from a greater share of wallet from existing retailers alongside new retailers deciding to buy from the Victoria Group due to our service proposition.

However, as discussed in previous shareholder communications, the early stages of this logistics transformation were not, to put it mildly, as flawlessly executed as they might have been. To fix the problems, we promoted one of our existing managers, Phil Yates, into the role of Head of Logistics about 18 months ago. As any tradesman hired to fix a botched DIY job will tell you, it is easier if they had done the job from the beginning. However, Phil set-to it with enthusiasm and the effect has been remarkable. The cost of delivering an order has been reduced significantly and on-time deliveries, which fell to less than 50% at one point of the transformation in 2018, have recovered to over 90% – directly, and positively impacting sales. Even our managers, who are invariably more demanding and critical than our customers, are singing Phil's praises.

Furthermore, efficiency gains have meant that despite revenue growth we now have 15-20% spare capacity (depending on the time of year) in our logistics operation, permitting continued organic growth without extra capex or one-off costs. Our logistics turnaround has been a fantastic achievement and yet we are confident Phil will deliver further improvements this year.

Interfloor produces premium quality underlay that improves the longevity, underfoot 'feel', and sound insulation of carpet and LVT. John Cooper has successfully led this business for Victoria since it was acquired in September 2015 but in FY2020, he achieved something quite extraordinary.

While FY2020 revenues were down nearly 7% on last year's £73 million due to the March lockdown, and the business faced some raw material cost headwinds for much of the year, operating profits were up by c. 23% due to John's relentless focus on productivity.

Importantly, this was achieved without any material increase in capital employed in the business, meaning Interfloor has now returned over £45 million of underlying operating profit – two-thirds of its purchase price – to Victoria in four and a half years. It is because of the enthusiasm, knowledge, and execution ability of operational managers like John that Victoria will continue to succeed and out-compete other flooring manufacturers.

Following a record year in FY2019, Dave Droomers led GrassInc to another record year – despite the lockdown. Focussing on the rapidly growing domestic and commercial landscaping sector, GrassInc 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.

On the subject of management retention, we are pleased to be able to confirm that, even after the conclusion of their earn-outs, Victoria has lost no managers other than to retirement and, in one sad case, missing following a boating trip. Victoria's culture, where managers still feel – and are – running their own business, enables us to retain the services of some extraordinarily talented individuals.

In summary, the FY2020 gains in our UK & Europe Soft Flooring division (which would have been even greater but for the lockdowns in March, which is usually a good trading month) have been pleasing. However, what is even more pleasing is that – beyond the impact of lockdowns – we can see opportunities to improve further earnings and cash flow during the current financial year, which will be underpinned by UK government actions to improve the housing market, including the recently announced reduction in stamp duty: moving house is a key driver of spending on flooring.

UK & Europe Ceramic Tiles – 39% of revenue

March is typically one of the strongest (and frequently the strongest) months of the year for ceramic tile sales and the early March lockdown of our manufacturing plants alongside nominal government support in Italy and Spain significantly impacted sales and earnings. Nevertheless, excluding the contribution of Ibero, which was acquired in August 2019, EBITDA from our Ceramic Tiles division increased by 9.7% on a constant currency basis in FY2020.

Despite the disappointing finish to the year due to the lockdowns, solid progress was made by our operational management team.

In the interim financial report, we stated that one of our key objectives in the remainder of FY2020 was to find a cost-effective solution to Serra's needs for additional production capacity to avoid constraining its considerable growth opportunities. We are pleased to advise this was achieved in late February using a legal structure unique to Italy, which enabled us to lease the operations of a nearby business, complete with its plant, equipment and brands, from a virtually defunct company called Ceramiche Ascot. This agreement is a 7-year lease with a free option to acquire once the lease rentals are paid. Since the end of lockdown, revenues at our Italian operation have recovered very quickly (nearly 100% of output is exported globally) and the management team is taking full advantage of the additional capacity this lease arrangement has provided.

In Spain, the integration of Saloni, acquired in 2018 is now complete and the management has turned its attention to integrating Ibero, which was acquired in August 2019. Ibero's low initial EBITDA margin (c. 10%) at acquisition had the effect of reducing our average ceramics margin by about 70bps, although this will normalise as a result of the integration project, which will increase Ibero's earnings.

We are also pleased to advise that, with the exception of Saloni, which has a greater focus on commercial contract work than the rest of our ceramic tile business, revenues have also recovered quickly in this division with the ending of the various European lockdowns.

Finally, we thought it might be helpful for shareholders to understand a little more about the competitive landscape in which our ceramics businesses operate as we are sometimes asked about the threat of product from low-cost countries such as Turkey and China. While we are not complacent about any competition, there are a number of factors that materially mitigate the threat:

- Firstly, the advantage of operating in a typically low-cost region is not as great as one might think. The raw materials used in the production of a ceramic tile are largely international commodities with scale having the greatest impact on the price paid. Furthermore, our factories are extremely well-invested and automated, with the resulting efficiency minimising the price advantage of cheap labour.

Chairman and CEO review

- Secondly, whatever small cost advantage that might exist is invariably offset by the cost of transporting the extremely heavy and bulky product to northern and eastern European markets.
- Most importantly, mainstream ceramic tiles retail for €5 to €50 per square metre. This wide price range shows that tiles are not a commodity product, where price is the sole determinant of demand, but rather that key drivers are brand, provenance, style, and quality – where our businesses have a sustainable competitive advantage over those based in low-cost regions.

Australia – 16% of revenue

Challenging market conditions continued in Australia for much of FY2020. After nearly 20 years of consistent growth, the last two years have seen sub-par performance. Our local management team has taken a number of actions to mitigate the impact on our business, including, introducing new product lines and efficiency initiatives (most notably, the reorganisation of our underlay manufacturing onto a single site in Sydney, as previously disclosed, which was completed in Q3).

As mentioned in the Interim Report, an election in May 2019 saw a refreshed government, which acted to restore consumer confidence and activity in the residential property market. These actions have begun to beneficially impact trading conditions and, with the exception of March and April, which were somewhat subdued to the initial impact of Covid-19, we have seen stronger performance since December 2019. Whilst sales in H1 declined by c. 5% year-on-year, they rebounded in H2 with growth of c. +4% (both on a constant currency basis).

We are fortunate to have a high-quality management team in Australia, overseen by an experienced local board of directors, and notwithstanding the uncertainty brought by Covid-19, we are expecting an improved performance from our Australian business in the current financial year.

ACQUISITIONS

Although some small bolt-on acquisitions were completed in FY2020 to fill a gap in our product range, provide additional capacity, or grow our distribution base, Victoria made no strategic acquisitions, primarily because we were unable to identify opportunities that met our key "value for money" requirement.

However, we have made a considerable and sustained effort over recent years to build relationships with the owners of other flooring companies – especially where there is tangible synergy potential with our existing operations. Many family business owners – even those of size – are intensely private individuals and are very reluctant to run formal sale processes via an investment bank or accounting firm, with the associated disclosure requirements and publicity. The value of these relationships, alongside our strong financial position and reputation for straightforward dealings, is that owners view Victoria as a reliable transaction partner and we often see unique opportunities. However, additionally, the events of the last few months have given rise to new or increased sale imperatives with some business owners, and we expect to see some very interesting and materially value-creating opportunities develop in the future.

We think it is worth highlighting that, apart from the earnings growth that acquisitions deliver to Victoria, our focus on buying well-managed businesses means acquisitions also help us build a high-quality management team. As mentioned earlier in this report Victoria has had no manager resign following the end of their earn-out – despite most managers being financially independent – other than for retirement. Our culture enables us to retain the services of some extraordinarily talented individuals.

FINANCIAL STATEMENTS

We thought it might be helpful to comment briefly on three items in the Financial Statements: Goodwill and Intangible Assets, Non-underlying Costs, and Net Debt. The better shareholders are informed, the greater confidence they can have in the judgements they form about the business.

Goodwill and Intangible Assets

Due to their high return on tangible assets, we have paid significantly more than the net tangible assets for almost all our acquisitions. As required by IFRS, our consolidated balance sheet will show this difference as various categories of intangible assets (brands, customer lists, etc) and goodwill. This amount has become a substantial figure, £191 million. Each year IFRS requires Victoria to amortise a portion of the acquired intangible assets – currently amounting to £25 million per annum – and assess the value of goodwill for impairment using assumptions around future earnings. These non-cash charges appear as a non-underlying 'expense' in the income statement, and are generally not tax deductible.

The various Covid-19 related economic shutdowns across the world this year have impacted the assumptions in assessing goodwill and, although it is very unlikely that the global disruption experienced to date has had any impact on the long term value of the business, the Board has deemed it prudent to reduce the value of goodwill on the consolidated balance sheet by £50 million alongside the annual amortisation of intangible assets. This non-cash accounting adjustment has no impact whatsoever on Victoria's financial strength or our ability to generate strong returns and positive cash flow from the businesses acquired. In fact, provided our managers keep building their businesses, true economic goodwill and the value of our brands and customer relationships will continue to grow – even as accounting value of the latter falls, eventually to zero.

While none of this means that a high proportion of goodwill on a balance sheet is automatically a good thing, Victoria's board does not subscribe to the view of some investors that less goodwill and more tangible assets is better. Here's why:

> Business A generates £1m of profit using tangible assets of £4 million. Business B generates the same £1m of profit using tangible assets of £10 million. Both businesses can be bought for 10x profits, or £10 million. Under IFRS, Business A would be recorded on our consolidated balance sheet with £6 million of intangible assets and goodwill. Business B will have no goodwill and instead will show a 'reassuring' value of £10m of 'solid' tangible assets.
>
> But look what happens over time. We'll assume that in both cases the assets wear out over 10 years and need to be replaced. Both businesses will have generated £10m of total profits over that period but Business A needs only £4 million to replace its assets, leaving £6 million to be distributed to its shareholders. Business B, however, requires the full £10 million to replace its assets, leaving nothing for the shareholders or capital for growth.
>
> Furthermore, growth and inflation accentuate the problem. If, over the 10 years, both businesses double in size, Business B will not only need to find the £10 million to replace its worn-out plant, but also an additional £10 million to fund the growth (compared to only £4 million + £4 million for Business A), hence it finishes the decade in debt whereas Business A will generate surplus free cash.

And yet there are, incredibly, still people who will recommend only investing in Company B.

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. Victoria will only pay an acquisition price that creates wealth for our shareholders.

So, what does this mean in practice for Victoria's shareholders? Below is a table setting out Victoria's Return on Tangible Capital for the last five years. This shows the ability of the company to generate consistent returns in excess of 25% – despite a very substantial increase in the capital base – over the long term, producing cash that we can continue to deploy to grow the value of the company.

Other Exceptional and Non-underlying Costs

Each year we will record some other Exceptional and Non-underlying Costs in our financial statements. Some of these are real cash costs, others are accounting adjustments that have no impact on our current or future cash generation. However, by definition, none of them relate to the underlying trading activities of the business, and many would stop entirely were we to stop making acquisitions.

I have highlighted below a number of key items. (Further detail can be seen in the Financial Review section of this Annual Report.)

The first three are cash costs:

(i) In FY2020 a total of £3.5 million (FY2019: £12.7m) was spent across the Group on one-off, exceptional reorganisation costs (e.g. redundancy payments, closure costs, relocation expenses). Unlike some of the other Exceptional and Non-underlying Costs, this is real cash being spent so it is important to understand that these costs and investments have not been driven by technology or structural change; it is purely to optimise performance and realise operational synergies following an acquisition, and the payback period will be less than two years. These costs largely relate to final stages of the large synergy projects detailed in last years' annual report, that were completed early in FY2020.

In £m	Pro-forma underlying EBIT[1]	Net tangible operating assets[2]	Return on tangible operating assets
FY16	**28.2**	**83.4**	**33.9%**
FY17	**40.3**	**102.6**	**39.3%**
FY18	**76.7**	**228.1**	**33.6%**
FY19	**76.9**	**280.3**	**27.4%**
FY20	**82.0**	**294.4**	**27.9%**

[1] EBIT shown pro-forma for acquisitions in the year, before exceptional and non-underlying items, and before the impact of IFRS16

[2] Net tangible operating assets comprise tangible fixed assets and working capital

Chairman and CEO review

(ii) Exceptional acquisition-related expenses such as due diligence, fees to advisors, legal costs, etc. were £2.2 million in FY2020 (FY2019: £1.8m). Obviously, these would immediately drop to nil if we stopped our acquisition activity. However, the value creation 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 new acquisition-related exceptional costs in the years ahead but, by the same token, shareholders can equally expect the increase in Earnings Per Share and Cash Flow Per Share to exceed organic growth rates. In other words, if the fees are factored in, the additional earnings from acquisitions must also be taken into account.

(iii) At the time of our successful inaugural bond issue in July 2019, we decided to take no chances and undertook the refinancing on an underwritten basis, with a 'backup' facility provided by the issuing banks at a one-off cost of c. £6m, which could be drawn if the bond process did not go to plan. Thankfully this was not required, and clearly issuing the bonds was the right decision – as the Covid-19 crisis has proven.

The balance of the items had no impact on Victoria's FY20 cash position;

(iv) The successful bond refinancing replaced existing bank loans, and therefore the up-front fees prepaid on those loans at the time that they were taken were immediately expensed, rather than amortised over their remaining term as originally intended. This largely non-cash accounting charge was a not inconsiderable £4.4 million.

(v) Due to exchange rate movements, there was a Sterling translation difference in the period on foreign currency debt (essentially the bonds) of £13.0 million.

(vi) The cancellation this year of an old LTIP scheme for certain individuals resulted in a bizarre one-off charge of £5.9 million even though no-one received any benefit, the company incurred no liability or wrote-off any asset, no cash changed hands, and no tax benefit was received.

Furthermore, the business made a small disposal in FY2020, the effect of which is shown as a discontinued operation in the accounts. One of our UK businesses included a sub-scale distribution operation which had little long-term potential for Victoria and so we decided to sell it. Although we were able to sell it for real cash (proceeds of £0.9 million for a business that was break-even at the PBT level), a loss from discontinued operations of £2.0 million was recorded reflecting the difference between the sale price and its accounting net asset value.

Leverage – Perception versus Reality

Victoria finished the year with £365.9 million of net financial debt (before IFRS 16), with leverage reducing to a very comfortable 3.0x underlying EBITDA (albeit the company's bond financing no longer has mandatory maintenance covenants) and we note that, following recent reviews, all three rating agencies maintained Victoria's pre-Covid-19 credit ratings (albeit with a 'negative outlook' due to the economic environment). The Net Debt/EBITDA ratio will, of course, spike higher during FY2021 due to the inclusion of the June quarter, but is expected to then immediately reduce once that quarter is excluded (this time next year)

In the last Annual Report, I commented on the simplistic approach of some investors and commentators with respect to leverage. Rather than analysing the financial characteristics of the business carrying the debt, a lazy 'rule of thumb' is deployed, where a generic multiple of X times EBITDA is "too high" for a business, Y times, is "ok". Earnings consistency, operational leverage, cash conversion, capex requirements, the terms of the debt (e.g. covenant headroom and duration) are all overlooked in favour of applying the rule of thumb.

The essential flaw in this thinking has become abundantly clear in the last four months. More than 50 LSE-listed companies previously regarded as having prudent debt levels (at least, according to the 'rule of thumb') of less than 2x or 2.5x EBITDA have needed to seek debt covenant waivers and raise large amounts of equity at distressed prices. This has done permanent and significant damage to the future returns of all their shareholders, but it has been particularly catastrophic for those shareholders unable or unwilling to invest further capital.

In contrast, Victoria has faced no liquidity pressures whatsoever. In the most severe, deep, unpredicted, and sudden economic downturn in history, we did not need to seek covenant waivers, renegotiate loan terms, seek government loans, or raise additional capital.

In the very firm opinion of the Board, Victoria's debt is appropriate for its business.

DIVIDEND POLICY

We have previously pointed out that 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.

In FY2020, Victoria's underlying pre-tax operating cash flow was £97.6 million, representing 92% of underlying EBITDA, and underlying free cash flow (i.e. after interest, tax, replacement capex, and asset disposals) was £39.2 million, representing 51% of underlying EBIT. Over the last seven years we have consistently converted operating profits into cash (after paying tax), and then reinvested this cash into further acquisitive and organic growth opportunities.

The Board has consistently stated Victoria has no intention of paying a dividend for the 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. The reasons for this were set out in some detail in last year's Annual Report.

Therefore, as in previous years, we have resolved not to pay a final dividend for FY2020.

OUTLOOK

Notwithstanding Sam Goldwyn's admonition, "Forecasts are dangerous – particularly those about the future", we thought we would share our views of the outlook for Victoria.

Most importantly, Victoria has proven its resilience in the last few months: financial liquidity has remained strong, operational management has reacted superbly – both in the lockdown and the re-start phases – and revenues and earnings have recovered very quickly following the end of lockdown. This has placed the company in a strong position to capitalise on the increasing number of opportunities over the balance of the year.

And what do these opportunities look like?

Firstly, government spending stimuli focussed on construction and increasing housing transactions, plus the natural desire of consumers to redecorate their living space after spending three or four months locked down inside it, will, we believe, generate demand for flooring. Certainly, current signs are very encouraging – even in those geographies that have now been out of lockdown for three or more months.

Secondly, the events of the last few months have caused some private company owners to reassess their priorities and we are seeing some interesting, value-creating opportunities to acquire high quality businesses on attractive terms.

It is therefore our view that Victoria will finish this year as a stronger, more competitive business.

SUMMARY FROM THE CHAIRMAN

The executive board of Victoria collectively owns approximately one-fifth of the company. Our reward comes from being owners maximising long term value, not as salaried managers or fee-earning directors.

From time to time this leads to decisions which may or may not find short term favour with the share market but which we are confident will create greater business value in the future. I am certain we are building a stronger business by steadily and consistently increasing cash flow per share and earnings per share. Our return on tangible capital employed – the best measure of our ability to generate cash on the capital invested in the business over a sustained period – is a very good 25%. Furthermore, in a sector with annual revenues in Europe of more than €23 billion, the opportunity to continue to create transformational value by selectively acquiring high quality businesses at fair prices and delivering synergies in what remains a highly fragmented, industry is undiminished. In time, we are confident this value will again be reflected in the company's market capitalisation, although the translation will be erratic and the precise timing cannot be predicted.

Geoffrey Wilding
Executive Chairman

Philippe Hamers
Chief Executive Officer

29 July 2020

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 3,400 people at more than 20 sites.

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

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

BUSINESS MODEL

VICTORIA'S BUSINESS MODEL IS UNDERPINNED BY FIVE INTEGRATED PILLARS:

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

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

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

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

5. **Entrepreneurial leadership**
A flat and transparent management structure, with income statement 'ownership' and linked incentivisation, operating within a framework that promoted close links with each other and with the PLC Board to plan and implement the short and medium-term strategy.

STRATEGY

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

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

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

KEY PERFORMANCE INDICATORS

The KPIs monitored by the Board and the Group's performance against these are set out in the table below and further commented upon in the Chairman and CEO Review and the Financial Review.

	2020 £'m	2019 £'m
Revenue	**621.5**	574.4
% growth at constant currency	**10.2%**	36.9%
Underlying EBITDA post IFRS[1]	**118.1**	n/a
Underlying EBITDA pre IFRS[1]	**107.2**	96.6
% Margin[1]	**17.3%**	16.8%
Underlying operating profit	**77.1**	70.5
% margin	**12.4%**	12.3%
Operating cash flow[2]	**97.6**	105.7
% conversion against underlying EBITDA[1]	**92%**	109%
Free cash flow[3]	**39.2**	50.4
% conversion against underlying operating profit	**51%**	72%
Underlying EBITDA per share[1]	**85.52p**	78.67p
Earnings per share (diluted, adjusted)	**28.42p**	35.25p
Operating cash flow per share[2]	**77.85p**	86.10p
Adjusted net debt / EBITDA[4]	**3.0x**	3.2x

[1] *EBITDA is stated before the increase in credit loss provision*

[2] *Operating cash flow shown before interest, tax and exceptional items*

[3] *Before investment in growth capex, acquisitions and exceptional items*

[4] *Applying our banks' adjusted measure of financial leverage*

SECTION 172(1) STATEMENT

Section 172 of the Companies Act 2006 requires a Director of a company to act in the way they consider, in good faith would be most likely to promote the success of the company for the benefit of the members as a whole. In doing this, section 172 requires a Director to have regard, among other matters, to:

- The likely consequences of any decisions in the long term;
- The interests of the company's employees;
- The need to foster the company's business relationships with suppliers, customers and others;
- The impact of the company's operations on the community and the environment;
- The desirability of the company maintaining a reputation for high standards of business and conduct; and
- The need to act fairly between shareholders of the company.

During the year ended 28 March 2020 the Directors consider they have, individually and collectively, acted in a way that is most likely to promote the success of the Company for the benefit of its shareholders as a whole and have given due consideration to each of the above matters in discharging their duties under section 172. The stakeholders we consider in this regard are our employees, our shareholders, bondholders and other investors, and our customers and suppliers. The board recognises the importance of the relationships with our stakeholders in supporting the delivery of our strategy and operating the business in a sustainable manner.

Strategic report

Directors are briefed on their duties as part of their induction and they can access professional advice on these from an independent advisor throughout the period a director holds office. The directors fulfil their duties partly through a governance framework; the Board has adopted the Quoted Companies Alliance ("QCA") Code and the Group's application of this code is detailed on the Group's website.

The Board recognises the importance of building and maintaining relationships with all of its key stakeholders in order to achieve long-term success.

Further details of our stakeholder engagement are set out below:

Employees

Our employees are integral to the successful delivery on the Group's strategy. Employees knowledge, skills and experience are key to maintaining our strong customer and supplier relationships. As such, the Group is focused on the recruitment, development, retention, and reward of its 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.

Within the bounds of law, regulation and commercial confidentiality, information is shared to all levels of staff about matters that affect the progress of the Group and are of interest and concern to them as employees.

Shareholders and bondholders

The company engages with its shareholders and bondholders 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 investors' use. The Company also provides an email alert service on its website to which investors and other interested parties can subscribe, to receive company announcements when they are released.

The Directors actively seek to build a relationship with institutional shareholders and bondholders. The Chairman, Chief Executive Officer and Chief Financial Officer make presentations to institutional investors and analysts each year immediately following the release of the full-year and half-year results.

The AGM is the main forum for dialogue between retail shareholders and the Board. The Board are available to answer questions raised by shareholders.

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 and bondholders if required to discuss issues of importance to them.

Customers

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.

We meet with our customers regularly to ensure we are offering the right products and level of service and responding to customer feedback to ensure we meet their expectations. Our customer relationships and manufacturing flexibility also aid diversification of our product portfolio. Our close relationships with our customers provide us with valuable feedback, enabling us to adapt quickly to changes in end-consumer preferences.

Suppliers

Victoria endeavours to forge strong relationships with suppliers built on honesty, fairness, and mutual respect. We meet with key suppliers on a regular basis and take reasonable steps to ensure our suppliers comply with our standards, such as those relating to environmental responsibility, modern slavery, data protection, human rights, and ethics.

Community and the environment

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.

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:

Covid-19 – The issues surrounding Covid-19 have the capacity to impact companies' earnings by interrupting supply chains, workforce sustainability, and demand. Unquestionably a decline in demand is the most relevant risk to Victoria.

The Group is well positioned to manage this short-term risk and uncertainty; the key reasons being:

1. Victoria enjoys comparatively low operational gearing across its businesses;

2. The Group's supply chain is highly diversified and invariably localised to the key manufacturing plants. Our access to raw materials remains secure and we will be able to meet demand as it arises;
3. The Group have a highly experienced and motivated operational management team with a track record of successfully navigating through deep economic downturns;
4. The wide geographic spread of both our manufacturing operations and, more importantly, our customers means that the virus's impact on Group revenue (and its subsequent recovery) is likely to occur at varying times and not simultaneously;
5. In FY20 Victoria issued a total of €500 million of Senior Secured Notes ("bonds"). These bonds are not due before July 2024 and, in themselves, carry no maintenance financial covenants;
6. Victoria has a strong balance sheet with sufficient cash on hand to support the business in even the most severe scenarios we have modelled. Victoria has not accessed any government credit-line schemes and does not foresee any current need to raise capital for normal operating activities.

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 specific economic conditions within the geographic areas within which it operates, in particular the Eurozone, the UK and Australia. Economic risks in any one region is mitigated by the independence of the Group's three divisions. 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, a currency in which the Group has no income. 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 Group experiences a natural hedge from multi-currency income as the vast majority of the Group's cost base remains in domestic currency (Euros, Sterling and Australian Dollars).

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

29 July 2020

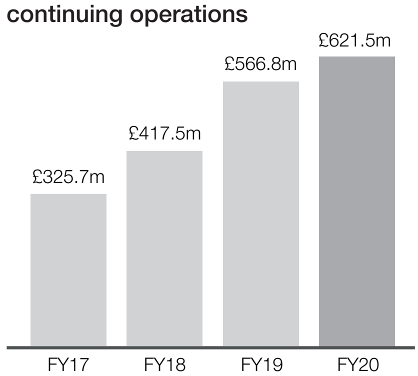
Financial review

HIGHLIGHTS

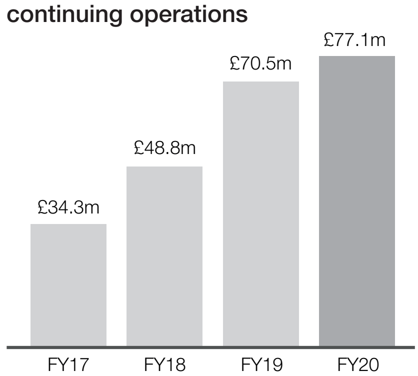
During the year ended 28 March 2020, the Group was largely focused on its organic and financial position, following two previous financial years with significant investment in both the ceramic tile segment and operational restructuring to deliver synergies. Previous operational changes – discussed at length in last year's annual report – were embedded, and the Group's refinancing was completed.

Four corporate acquisitions were made in the year, albeit significantly smaller than in previous years and with operationally driven rationale rather than strategic growth driven (discussed in more detail later). Two were made into the UK & Europe Soft Flooring division and two into the UK & Europe Ceramic Tiles division (one – in Italy – being a business and assets lease arrangement with an option to acquire, which meets the criteria for full consolidation under IFRS 3) . In addition, the Group made a small disposal within the UK & Europe Soft Flooring division, of a regional wholesale operation with total revenues of c. £7 million.

Group revenue from continuing operations



Group underlying EBIT from continuing operations



Note: EBIT figures shown before movement in credit loss provision

The Group's continuing operations delivered consolidated revenues of £621.5 million (FY19: £566.8m) and underlying operating profit of £77.1 million (FY19: £70.5m) (this profit figure is after a Covid-19 related increase in credit loss provision at the year-end of £2.8 million; see further details below). The implied lower underlying operating margin is not reflective of organic performance, rather it is largely due to the full-year effect of the prior-year acquisition of Ceramica Saloni (which was a lower-margin business) and the smaller current-year acquisitions. The Group posted a net, post-exceptional operating loss of £6.5 million (FY19: profit of £23.9m) reflecting, in particular, a goodwill impairment of £50 million, made following the onset of the Covid-19 pandemic.

During the year, the Group successfully approached the debt capital markets for new financing in the form of secured corporate bonds. This debt refinancing exercise, a process initiated during the prior year, was completed in two phases in July 2019 and January 2020.

The Board believes that the bond market provides a good fit for Victoria for various reasons, as previously disclosed: (i) providing long-dated money, (ii) with a fixed coupon, and (iii) a covenant-lite instrument with no maintenance financial covenants, all of which to provide flexibility, resilience and greater certainty during an economic downturn.

The year ended with a significant change in global market environments, with the Covid-19 pandemic and ensuing human and economic crisis. The Group has taken significant steps to protect our people and our businesses. In hindsight, the previous decision to employ a financial structure that provides the Group with maximum financial flexibility was a certainly fortuitous one. Aside from the credit loss provision and goodwill impairment mentioned above, the direct impact of Covid-19 on the underlying results for the year ended March 2020 was of course limited due to timing, albeit unfortunately still a significant hit to performance in the final month.

NEW ACCOUNTING STANDARD

This year the Group adopted IFRS 16 regarding accounting for leases, applying the modified retrospective approach in transitioning from the previous standard. All previously recognised operating leases were fair valued initially as at 31 March 2019. 'Right-of-use' assets and corresponding lease liabilities being recognised on the balance sheet, with no net impact on net assets as at this date. The previous operating lease expense in the income statement has been replaced with two costs: depreciation of the right-of-use assets and a finance expense relating to the unwinding of the present value discount on the lease liabilities.

The impact of adoption on the FY20 accounts is summarised below.

	IFRS 16 impact
Initial asset recognised (as at 31 March 19)	+£56.1m
Initial liability recognised (as at 31 March 19)	+£57.3m
EBITDA	+£10.9m
EBIT	+£1.5m
PBT	-£1.0m

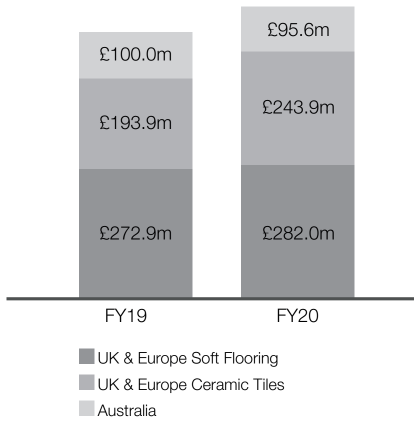
Given the previous linear operating lease charge has been replaced in part with a non-linear charge in the form of the finance expense, which for any given lease will reduce over time as the liability is paid down, it is natural that the initial impact on PBT is negative. The net cash flow impact is of course unchanged, as the commercial lease contracts themselves are unaffected by this accounting adjustment.

DIVISIONAL UNDERLYING PERFORMANCE

Group sales from continuing operations grew in the year by c. +10%, driven in particular by acquisitions. Underlying organic growth was c. +0.4%, however this was adversely impacted by Covid-19 towards the end of the year, with March sales c. -9% down on the prior year on a like-for-like basis.

The majority of the acquisitive growth was in the UK & Europe Ceramic Tiles division, which has therefore become a larger component of the Group, contributing c. 40% of overall Group revenue in the year (and more on a fully pro-forma basis for the aforementioned acquisitions).

Divisional sales performance



Financial review

UK & EUROPE SOFT FLOORING

	2020	2019	Growth
Revenue	**£282.0m**	£272.9m	3.3%
Underlying EBITDA	**£41.3m**	n/a	
Margin %	**14.6%**	n/a	
Underlying EBITDA (pre IFRS 16)	**£34.8m**	£29.5m	17.8%
Margin %	**12.3%**	10.8%	
Underlying EBIT	**£21.7m**	£17.0m	27.4%
Margin %	**7.7%**	6.2%	
Increase in credit loss provision	**£1.7m**	£0.1m	

Note: figures from continuing operations and stated before impact of increase in credit loss provision

Sales from continuing operations in the UK & Europe Soft Flooring division increased by £9.1 million (+3.3%) year-on-year. The majority of this increase relates to contribution from two small acquisitions made in the year, of G Tuft and Estillon. Overall organic sales performance was flat, as sales in March 2020 were materially adversely impacted by Covid-19, seeing a c. -12% like-for-like decline in the month.

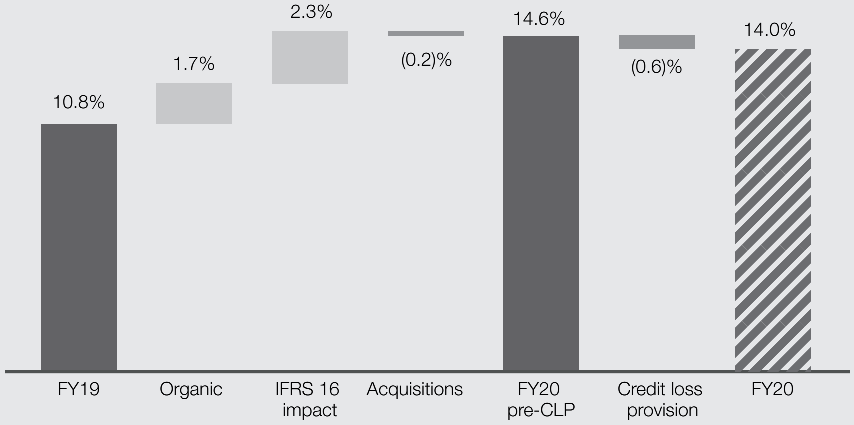
G Tuft is a small carpet commission manufacturing business, which was acquired in May 2019 as an operational and defensive move. Its manufacturing capacity is only approximately one third of our South Wales site following the investments made to the latter in 2018, but nevertheless it has a very well-invested factory. It was an existing and growing supplier to the Group for the outsourced tufting of certain outsourced carpet products, and by the time of acquisition approximately 70% of G Tuft's sales were to Victoria group companies. Hence the Board decided that it was important to acquire the operation as a protective measure. Furthermore, its acquisition has created some further opportunities for synergies with our other carpet factories.

Estillon is a small underlay and flooring accessories distributor based in the Netherlands with annual revenues of c. €10m. It was acquired in November 2019 and has been combined with our UK-based underlay business to leverage cross-selling opportunities for our existing products in Continental Europe.

During the year there was a discontinued operation, relating to the disposal of a small UK distribution business, A&A Carpets, which was no longer a strategic fit for the division. This business previously formed the UK business' North West carpet wholesale operation, with the division now focused on its branded offering in the region. A&A had total annual revenues in FY19 of £7.6 million and PBT of £0.1 million. It was sold in January 2020 for total consideration of £0.9 million. This consideration was at a discount to book value, and the Group recognised a one-off loss from discontinued operations in the year of £2.0 million.

Both G Tuft and Estillon were lower margin businesses than the UK & Europe Soft Flooring division, hence their acquisition has naturally had a relative margin-diluting effect. Furthermore, as a result of Covid-19, there has been an increase in the division's credit-loss provision of £1.7 million, as a prudent measure to account for potential future bad debts in the current economic environment. The impact of this provision and the acquisitions together was a c. 80bps margin dilution.

UK and Europe Soft Flooring EBITDA margin bridge



In like-for-like terms, the division has delivered a 170bps increase in margin over the prior year. This has been driven by the operational efficiency benefits arising from prior year synergy projects, in particular the consolidation and investment in our South Wales carpet factory and new UK distribution network with hubs in the South, Midlands and North. Notwithstanding Covid-19, the Board would expect some further annualised margin improvement to come.

UK & EUROPE CERAMIC TILES

	2020	2019	Growth
Revenue	**£243.9m**	£193.9m	25.7%
Underlying EBITDA	**£68.3m**	n/a	
Margin %	**28.0%**	n/a	
Underlying EBITDA (pre IFRS 16)	**£66.2m**	£59.5m	11.3%
Margin %	**27.1%**	30.7%	
Underlying EBIT	**£51.5m**	£48.3m	6.5%
Margin %	**21.1%**	24.9%	
Increase in credit loss provision	**£1.0m**	£0.1m	

Note: figures from continuing operations stated before impact of increase in credit loss provision

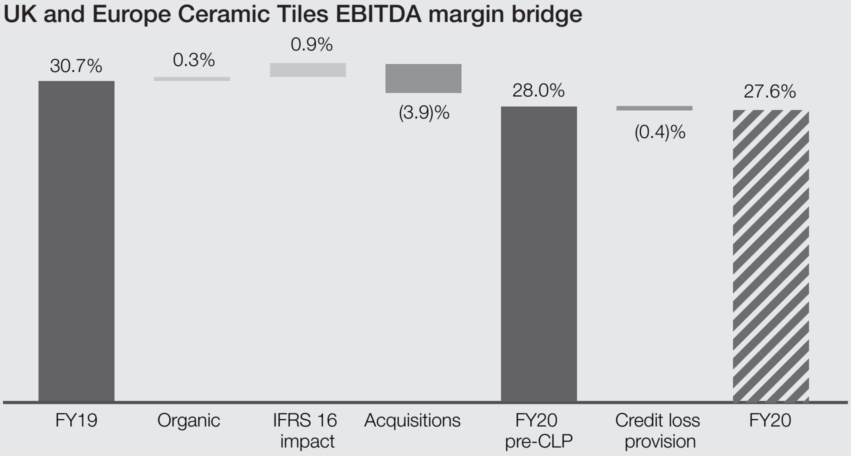
Sales in the UK & Europe Ceramic Tiles division increased by £50.0 million (+25.7%) year-on-year. The majority of this increase relates to the full-year effect of Ceramica Saloni, which was acquired in August 2018 and so only contributed eight months in the prior year. Furthermore, there has been a smaller contribution from two new acquisitions, of Ibero and Ascot. Organic sales growth in the year, excluding the above acquisitions, has been c. +2.3% (at constant currency). This is despite the month of March seeing a c. –9% decline year-on-year due to Covid-19. This growth has been due in particular to strong performance in the European DIY retail segment, which has continued to see very high demand for our products and has also remained more resilient to Covid-19.

Ibero is a high-end ceramic tile manufacturer and distributor located close to the Group's incumbent Spanish businesses, Keraben and Saloni, with annual revenues of c. €30 million. Its product range includes more specialist designs and its addition to our Spanish business helped to fill a small product portfolio gap in a complementary area. Since completion of the acquisition in August 2019, a synergy programme has been developed to integrate the operations of Keraben and Ibero to maximise utilisation of the respective factories. However this plan, originally due to start during Q4 FY20, has been delayed due to Covid-19.

Ascot is a medium-to-high end ceramic tile manufacturer and distributor located close to the Group's incumbent Italian business, Serra. In an arrangement unique to Italian Law, the business and factory of Ascot were leased (by a new, wholly-owned shell company) in February 2020 for seven years at a total cost of €11.5 million, but with a free option to acquire. This arrangement was entered into to help resolve the capacity issues that Serra has been facing, with the business experiencing strong sales growth and higher demand for its products than it is able to satisfy with its own manufacturing facilities. As it is expected that the option to fully acquire the business and assets of Ascot will be exercised, it has been accounted for as a business combination under IFRS 3.

Notwithstanding Covid-19, the Group's various ceramic tile brands continue to see strong positions in their core markets within Europe, which is bolstered by accelerated growth in DIY. Furthermore, additional organic margin improvements are expected as the operational integrations of Ibero and Ascot are completed.

UK and Europe Ceramic Tiles EBITDA margin bridge



Note: Acquisitions impact relates to margin dilution of Saloni, Ibero and Ascot

Saloni, Ibero and Ascot are all historically lower margin businesses than the Group's original ceramic tile businesses, Keraben and Serra, hence these acquisitions have had a relative margin-diluting effect on the division. Furthermore, the UK & Europe Ceramic Tile division has also seen an increase in credit loss provision of £1.0 million following the Covid-19 pandemic. Removing the impact of these three businesses, as well as the credit loss provision, shows a stable underlying margin performance in the incumbent ceramic tile businesses.

Financial review

AUSTRALIA

	2020	2019	Growth
Revenue	**£95.6m**	£100.0m	(4.4)%
Underlying EBITDA	**£10.3m**	n/a	
Margin %	**10.8%**	n/a	
Underlying EBITDA (pre IFRS 16)	**£8.1m**	£9.6m	(15.1)%
Margin %	**8.5%**	9.6%	
Underlying EBIT	**£5.8m**	£6.8m	(15.1)%
Margin %	**6.1%**	6.8%	
Increase in credit loss provision	**£0.1m**	£0.1m	

Note: figures from continuing operations and stated before impact of increase in credit loss provision

The Australia division continued to see challenging market conditions during the first half of FY20, continuing from the prior year, as shown in our interim results with a c. -5% year-on-year decline in revenue at that point. However, this trend reversed during H2 and for the full year the overall decline reduced to c. -1% (at constant currency), with revenue growth of c. +4% in H2.

The revenue decline also in H1 had an adverse impact on margins for the division, resulting from operational leverage effects and a decision to avoid cutting further costs, given our anticipation of a return to growth in H2.

The outlook for the Australia market continues to be positive, with the division having seen the least impact from Covid-19.

GROUP UNDERLYING PERFORMANCE SUMMARY

	2020	2019	Growth
Revenue	**£621.5m**	£566.8m	9.7%
Underlying EBITDA	**£118.1m**	n/a	
Margin %	**19.0%**	n/a	
Underlying EBITDA (pre IFRS 16)	**£107.2m**	£96.6m	11.1%
Margin %	**17.3%**	17.0%	
Underlying EBIT	**£77.1m**	£70.5m	9.4%
Margin %	**12.4%**	12.4%	
Underlying PBT	**£50.7m**	£57.3m	(11.5)%
Margin %	**8.2%**	10.1%	
Note: figures from continuing operations and stated before impact of increase in credit loss provision			
Increase in credit loss provision	**(£2.8m)**	(£0.3m)	
Underlying PBT after credit loss provision	**£48.0m**	£57.1m	

In FY20, the consolidated Group delivered underlying EBITDA of £118.1 million (before an increase in credit loss provision of £2.8 million following the onset of the Covid-19 pandemic), albeit on a pre-IFRS 16 basis this equates to £107.2 million (FY19: £96.6m). On the same basis, underlying EBIT was £77.1 million (FY19: £70.5m). This represents an average organic improvement in operating margin of c. 70bps.

Total underlying interest cost on loans and notes (bonds) in the year was £21.5 million (FY19: £11.5m), increasing as a result of both debt-funded growth (including a full-year of interest costs on funding for the acquisition of Saloni, as well as the smaller acquisitions this year) and the Group's change in capital structure from bank debt to bonds. The new bonds, issued in two tranches, have a coupon of 5.25%, but including the effect of issue premia have a weighted average cost of c. 4.5%. This compares to previous bank debt with an average cost of c. 3%. This is, in effect, the cost of the flexibility and certainty (i.e. lack of maintenance financial covenants) that the new capital structure brings to the Group.

After taking into account the amortisation of prepaid finance costs and the interest cost associated with the IFRS 16 right-of-use lease liability, the Group's underlying PBT was £50.7 million before the increase in credit loss provision, and £48.0 million after.

EXCEPTIONAL AND NON-UNDERLYING ITEMS

Being a Group with an acquisition-led growth strategy, it is very common to have a number of exceptional and non-underlying items in the accounts.

Exceptional items are one-offs that will not continue or repeat in the future, for example the legal and due diligence costs for a business acquisition, as whilst further such costs might arise if new acquisitions are undertaken, they will not arise again on the same business and would disappear if the Group adopted a purely organic strategy.

Following the onset of the Covid-19 pandemic, as at the March 2020 year-end, we have written-off £50 million of goodwill, which represents c. 20% of the pre-impairment balance. This amount is an exceptional cost in the income statement and is clearly a non-cash item.

Other than goodwill impairment, exceptional costs in FY20 were substantially lower than FY19 due to the completion of the 2018-19 operational synergy projects outlined last year.

	2020 £'m	2019 £'m
Exceptional items		
Acquisition and disposal related costs	**(2.2)**	(1.8)
Reorganisation costs	**(3.5)**	(12.7)
Bond issue and related structuring costs	**–**	(7.3)
Negative goodwill arising on acquisition	**5.8**	–
Pension adjustment	**–**	(0.4)
Gain on sale of investment property	**–**	1.8
Total exceptional items before goodwill impairment	**0.1**	(20.4)
Exceptional goodwill impairment	**(50.0)**	–
Total exceptional items	**(49.9)**	(20.4)

Non-underlying items are ones that do continue or repeat, but which are not deemed to fairly represent the underlying business. Typically they are non-cash in nature and / or will only continue for a finite period of time. There were two non-underlying items in the year:

- *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 non-cash as the scheme cannot be settled in cash. During FY20, the Group has been reviewing its LTIP schemes and a number of senior managers exited the 2018 scheme (subsequently entering a new scheme as announced on 26 June 2020; see Note 29 – post balance sheet events). Participants exiting the 2018 scheme requires the Group to recognise an 'accelerated' accounting charge under IFRS 2, whereby the remaining amount of pre-determined fair value not already charged to the income statement in previous periods must be fully charged in the year. This is the reason for the much larger figure in FY20 of £5.9 million (FY19: £1.9m). As a result, going forward the charge in relation to the 2018 scheme will be reduced, albeit replaced with any equivalent charge for new scheme(s).
- *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. It is important to note that these charges are non-cash items and that the associated intangible assets do not need to be replaced on the balance sheet once fully written-down. Therefore, this cost will ultimately disappear from the Group income statement.

	2020 £'m	2019 £'m
Other non-underlying operating items		
Acquisition-related performance plan charge	**–**	(1.5)
Non-cash share incentive plan charge	**(5.9)**	(1.9)
Amortisation of acquired intangibles	**(25.0)**	(22.5)
	(30.9)	(25.9)

Financial review

In addition to the above operating items, there were a number of non-underlying financial items in the year.

	2020 £'m	2019 £'m
Non-underlying financial costs		
Release of prepaid finance costs	**4.4**	3.1
Underwriting fees and costs relating to previous bank facilities	**6.5**	–
Write-down of derivative asset representing value of bond embedded call option	**7.3**	–
Unsecured loan redemption premium credit	**(0.2)**	–
Deferred consideration liabilities, unwinding of present value and other adjustments	**3.4**	7.2
Mark to market adjustments on foreign exchange forward contracts	**(3.2)**	0.7
Non-underlying financial items before translation difference on foreign currency loans	**18.2**	11.0
Translation difference on foreign currency loans	**13.0**	3.6
	31.2	14.6

- *Release of prepaid finance costs* – when any new debt funding is raised, we account for the attributable one-off, up-front costs (e.g. bank or bookrunner fees, legal costs, accounting and rating fees) as a prepayment that is amortised over the expected life of the debt. If that debt is then refinanced earlier than originally expected, any remaining prepayment is 'released' in one go as a financial cost in the income statement. This 'release' is a non-cash item, as the associated costs were already paid at the time of the new funding. In FY20, this happened twice – when refinancing the previous bank loan with the inaugural corporate bond issue in July 2019, and subsequently when refinancing the remaining bank loan with additional bonds in January 2020.
- *Underwriting fees and costs relating to previous bank facilities* – as part of the July 2019 refinancing, an underwritten bank facility was obtained to provide certainty around that process, but ultimately was never used. This item relates to the one-off bank fees associated with the underwrite, plus deferred costs relating to the previous bank facilities. As these fees were not directly attributable to the new corporate bonds, they were taken straight to the income statement as non-underlying finance costs as opposed to being treated as a prepayment (as explained above).
- *Fair value adjustment to notes redemption option* – the corporate bonds issued in FY20 mature in FY25. However, the company can repay early if it pays a redemption premium, the level of which varies over time (a very high cost within the first two years, then comparatively lower and stepping-down for the remaining term). Under IFRS 9, this 'embedded call option' must be separately valued as an asset on the balance sheet. However, due to the significant capital markets downturn following the onset of the Covid-19 pandemic, the effective value of this call option at the year-end was £nil (as the theoretical cost of refinancing the Group's debt at that time had significantly increased), hence the asset was written-off in the income statement as a non-underlying finance cost.
- *Unsecured loan redemption premium credit* – Non-cash credit relating to the £2.1 million redemption premium on the BGF loan and option. During the year it was agreed with the BGF to defer payment from December 2019 to December 2021, resulting in a credit to the income statement.
- *Deferred consideration liabilities, unwinding of present value and other adjustments* – these non-cash costs relate to the revaluation of deferred consideration and contingent earn-outs, either due to the unwinding of the applicable present value discount (on both), or changes in forecast business performance (on contingent earn-outs).
- *Mark to market adjustments on foreign exchange forward contracts* – across the group we analyse our upcoming currency requirements (for raw material purchases) and offset the exchange rate risk via a fixed, diminishing profile of forward contracts out to 12 months. This non-cash cost represents the mark-to-market movement in the value of these contracts as exchange rates fluctuate.
- *Translation difference on foreign currency loans* – this represents the impact of exchange rate movements in the translation of non-Sterling denominated debt into the Group accounts. The key item in this regard is the Euro denominated €500m 2024 corporate bonds.

OPERATING PROFIT AND PBT

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

Operating profit and PBT	2020 £'m	2020 Margin %	2019 £'m	2019 Margin %
Underlying operating profit (before credit loss provision)	**77.1**	**12.4%**	70.5	12.4%
Reported operating (loss) / profit (after exceptional items)	**(6.5)**	**(1.0)%**	23.9	4.2%
Underlying profit before tax (before credit loss provision)	**50.7**	**8.2%**	57.3	10.1%
Reported loss before tax (after exceptional items)	**(64.0)**	**(10.3)%**	(3.8)	(0.7)%

Reported operating profit (earnings before interest and taxation, before movement credit loss provision) declined to a loss of £6.5 million, having been impacted by higher exceptional and non-underlying items during the year, in particular the £50 million impairment of goodwill, material one-off refinancing costs and significant FX movements on foreign currency loans. After removing these items, underlying operating profit (before movement in credit loss provision) was £77.1million, representing a 9% increase over the prior year.

TAXATION

The reported tax charge in the year of £4.2 million 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 £12.4 million against adjusted profit before tax of £48.0 million, implying an underlying effective tax rate of 25.8%.

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 55.97p (2019: 6.44p). However, adjusted earnings per share (before non-underlying and exceptional items) on a fully-diluted basis was 28.42p (2019: 35.25p). The decline compared with the prior year mirrors the decline in underlying PBT noted above, being primarily due to an increase in financing costs and Covid-19 related credit loss provision more than offsetting the 9% increase in underlying operating profit.

Earning per share	2020	2019
Basic loss per share	**(55.97p)**	(6.44p)
Diluted adjusted earnings per share	**28.42p**	35.25p

Financial review

OPERATING CASH FLOW

Cash flow from operating activities before interest, tax and exceptional items was £97.6 million which represents a conversion of 92% of underlying EBITDA (pre-IFRS 16).

Operating and free cash flow	2020 £'m	2019 £'m
Underlying operating profit	**77.1**	70.5
Add back: underlying depreciation & amortisation	**41.0**	26.1
Underlying EBITDA before credit loss provision	**118.1**	96.6
Payments under right-of-use lease obligations	**(11.6)**	–
Non-cash items	**(0.8)**	(0.8)
Underlying movement in working capital	**(8.0)**	9.9
Operating cash flow before interest, tax and exceptional items	**97.6**	105.7
% conversion against underlying operating profit	**127%**	150%
% conversion against underlying EBITDA (pre-IFRS 16)	**92%**	109%
Interest paid	**(25.0)**	(16.5)
Corporation tax paid	**(8.6)**	(16.2)
Capital expenditure – replacement / maintenance of existing capabilities	**(25.4)**	(23.5)
Proceeds from fixed asset disposals	**0.7**	0.9
Free cash flow before exceptional items	**39.2**	50.4
% conversion against underlying operating profit	**51%**	72%
% conversion against underlying EBITDA (pre-IFRS16)	**37%**	52%

Pre-exceptional free cash flow of the Group – after interest, tax and net replacement capex – was £39.2 million. Compared with underlying operating profit (i.e. post-depreciation), this represents a conversion ratio of 51%. The difference in free cash flow conversion versus the prior year is due to timing differences in working capital movements.

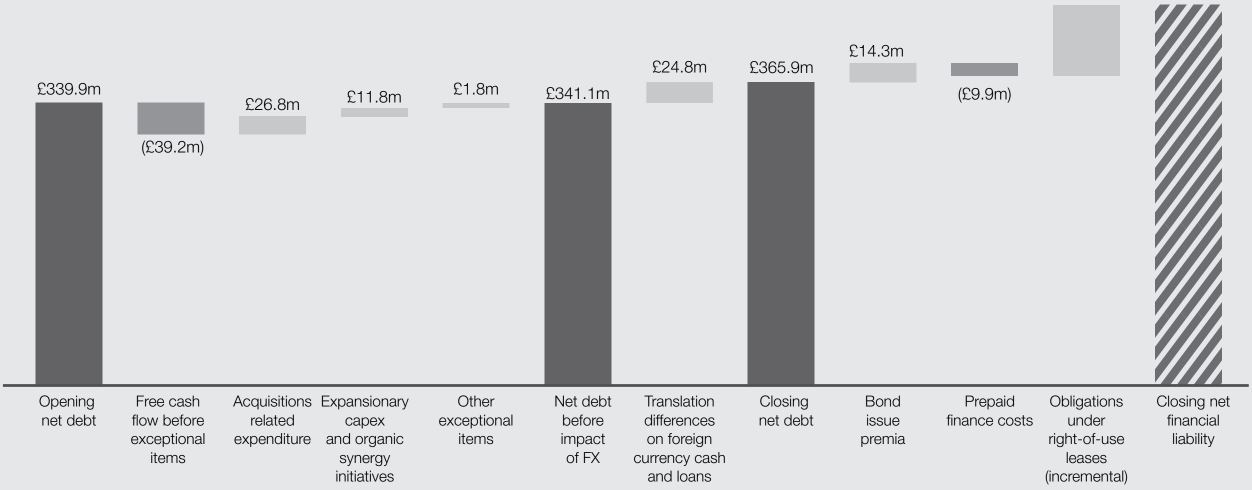
A full reported statement of cash flows, including exceptional and non-underlying items, is provided on page 48.

NET DEBT

As at 28 March 2020, the Group's net debt position was broadly flat compared with the prior year-end on a constant currency basis. Free cash flow of £39.2million was generated in the year, of which £11.8 million was invested in organic growth / synergy initiatives and £26.8million in acquisition-related expenditure (including the four small aforementioned acquisitions). However, there was an adverse translational impact of £24.8 million due to the significant strengthening of the Euro versus Sterling during the final month of the financial year. As a result, as reported in Sterling, year-end net debt was £365.9 million (2019: £339.9m).

Free cash flow to movement in net debt	**2020 £'m**	2019 £'m
Free cash flow before exceptional items (see above)	**39.2**	50.4
Capital expenditure – growth	**(8.4)**	(20.9)
Exceptional reorganisation cash cost	**(3.5)**	(11.5)
Investment in organic growth / synergy projects	**(11.8)**	(32.5)
Acquisitions of subsidiaries	**(11.0)**	(82.6)
Net proceeds of equity raise	**–**	59.3
Total debt acquired or refinanced	**(1.5)**	(68.0)
Deferred and contingent consideration payments	**(12.1)**	(8.9)
Exceptional M&A costs	**(2.2)**	(1.8)
Acquisitions related expenditure	**(26.8)**	(102.0)
Exceptional bond issue & structuring costs	**–**	(7.3)
Proceeds from discontinued operations	**1.0**	–
Proceeds from disposal on investment property	**–**	2.0
Other exceptional cash items	**1.0**	(5.3)
Other debt items	**(2.8)**	(0.6)
Translation differences on foreign currency cash and loans	**(24.8)**	8.7
Other exceptional items	**(27.6)**	8.2
Total movement in net debt	**(26.0)**	(81.2)
Opening net debt	**(339.9)**	(258.7)
Closing net debt	**(365.9)**	(339.9)

BRIDGE OF OPENING TO CLOSING STATUTORY NET DEBT



Financial review

Applying our banks' adjusted measure of financial leverage, the Group's year end net debt to EBITDA ratio was 3.0x (2019: 3.2x). This deleveraging reflects the growth of the business during the year with net debt remaining broadly flat on a constant currency basis.

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.

Net debt	**2020 £'m**	2019 £'m
Net cash and cash equivalents	**174.7**	60.2
Senior secured debt (at par)	**(523.4)**	(386.9)
Unsecured loans	**(15.6)**	(11.6)
Finance leases and hire purchase arrangements (pre IFRS 16)	**(1.6)**	(1.6)
Net debt before obligations under right-of-use leases	**(365.9)**	(339.9)
Adjusted net debt / EBITDA	**3.0x**	3.2x
Bond issue premium – cash	**(7.5)**	–
Bond issue premium – non-cash (related to embedded redemption option)	**(6.8)**	–
Pre paid finance costs	**9.9**	3.6
Obligations under right-of-use leases (incremental)	**(78.2)**	–
Statutory net debt (net of prepaid finance costs)	**(448.5)**	(336.3)

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. With the exception of IFRS 16, as described in this Financial Review, there have been no changes to IFRS standards this year that have a material impact on the Group's results. No forthcoming new IFRS standards are expected to have a material impact on the financial statements of the Group.

GOING CONCERN

The consolidated financial statements for the Group have been prepared on a going concern basis. See page 31 of the Directors Report for further detail.

Michael Scott
Group Finance Director

29 July 2020

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 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 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 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 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 28 March 2020.

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 28 March 2020 and a description of the principal risks and uncertainties faced by the Group. The Strategic Report can be found on pages 12 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 104.

	£m
Loss attributable to shareholders	(70.2)
Total dividend paid in the financial year	–
Retained loss	**(70.2)**

The Directors do not recommend the payment of a final dividend for the financial year ended 28 March 2020.

FINANCIAL RISK MANAGEMENT

Details of the Group's financial risk management policies are set out in Note 26.

DIRECTORS AND THEIR INTERESTS

The current Directors of the Company together with their biographical details are listed on page 28.

The Directors of the Company who held office at 28 March 2020 had the following interests in the Ordinary shares of the Company:

	28 March 2020		30 March 2019	
	Beneficial	**Non-Beneficial**	Beneficial	Non-Beneficial
Geoffrey Wilding (a)	**22,438,650**	**–**	22,438,650	–
Philippe Hamers	**185,000**	**–**	125,000	–
Michael Scott	**416,726**	**–**	416,726	–
Andrew Harrison	**207,725**	**–**	189,725	–
Zachary Sternberg (b)	**18,570,000**	**–**	–	–
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.

(b) Zachary Sternberg has an indirect beneficial ownership in Victoria Plc via the Spruce House Partnership LP shareholding. As at 28 March 2020, The Spruce House Partnership LP shareholding in Victoria Plc was 18,570,000 Ordinary Shares.

In accordance with the Company's Articles of Association, the Directors retiring by rotation at the 2020 Annual General Meeting are Andrew Harrison and Philippe Hamers whom, being eligible, offer themselves for re-election pursuant to Article 86.

Zachary Sternberg was appointed as a director of the Company on 22 May 2019. 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. 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 28 March 2020 and through to the date of this report.

Directors' report

DIRECTORS' EMOLUMENTS

The emoluments of all Directors for the financial year ended 30 March 2020 were:

	Salary/ Fees £000	Benefits in kind £000	Share based payment charge £000	Bonus £000	**Total 2020 £000**	Total 2019 £000
Executive						
Geoffrey Wilding	65	–	2,093	73	**2,232**	523
Philippe Hamers	572	–	1,256	55	**1,883**	848
Michael Scott	132	6	1,084	44	**1,266**	494
Non-executive						
Andrew Harrison	35	–	–	–	**35**	35
Gavin Petken *	35	–	–	–	**35**	35
Zachary Sternberg (from appointment on 22 May 2019)	30	–	–	–	**30**	–
Alexander Anton (until resignation on 5 June 2019)	6	–	–	–	**6**	35
	875	6	4,433	172	**5,486**	1,970

** 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 shown is a supplementary disclosure and 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 28 March 2020 amounted to £84,894 (2019: £64,287).

DIRECTORS' PENSION ENTITLEMENTS

No Director who held office during the year ended 28 March 2020 was a member of a money purchase scheme.

SIGNIFICANT SHAREHOLDERS

As at 28 March 2020, the Company is aware of the following holdings of significant shareholders in the Company (as defined in the AIM rules).

Name	**Holding**	%
Invesco Ltd	**35,067,868**	27.97%
Camden Holdings Ltd (a)	**22,438,650**	17.89%
The Spruce House Partnership LP (b)	**18,570,000**	14.81%
Camelot Capital Partners	**7,694,103**	6.14%
Mubadala Investment Company PJSC	**3,780,611**	3.01%

(a) Geoffrey Wilding (Executive Chairman) and his family are discretionary beneficiaries of The Camden Trust which in turn owns Camden Holdings Limited.

(b) Zachary Sternberg (Non-executive director) has an indirect beneficial ownership in Victoria Plc via the Spruce House Partnership LP shareholding.

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.

Additional information on how the Board engages with its employees and other stakeholders can be found in our S172 statement within the Strategic Report.

POLITICAL DONATIONS

The Company made no political donations during the year in line with its policy (2019: £nil).

FINANCIAL INSTRUMENTS

The Group's financial risk management objectives and policies are set out within Note 26 of the financial statements. Note 26 also details the Group's exposure to foreign exchange, share price, interest, credit, capital and liquidity risks. This note is incorporated by reference and deemed to form part of this report.

TAXATION STATUS

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

CORPORATE GOVERNANCE STATEMENT

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 Board decided to adopt the Quoted Companies Alliance ("QCA") Code as our guide. The Group's application of this code is detailed in the Corporate Governance Statement on the Group's website at www.victoriaplc.com/corporate_governance_statement/. As required under AIM Rule 26, the information in this statement is reviewed annually.

AUDIT QUALITY REVIEW

During the year, an Audit Quality Review Team (AQRT) from the FRC undertook an inspection of Grant Thornton's audit of the Group financial statements for the year ended 30 March 2019. As part of that process, the Audit Committee Chairman spoke with the AQRT to share the Audit Committee's perspective on the quality of Grant Thornton's audit. On completion of the review, the Audit Committee received and considered the AQRT's final report on its inspection and discussed it with the audit partner. The report gave the Committee no concerns over the quality objectivity or independence of the audit.

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 Report and this Financial Review. In addition, Note 26 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.

The Board remains satisfied with the group's funding and liquidity position. The group has not breached any financial covenants during the year ended 28 March-2020 in any period where covenant testing applied.

A detailed "bottom-up" budgeting exercise for FY21, comprising profit and loss and cash flow forecasts, was undertaken and approved by the Board prior to the outbreak of Covid-19. A further detailed "bottom-up" forecasting exercise was completed in May-2020 to take into account sensitivity analysis for the potential impact of Covid-19 across the Group and stress tested to consider a more extreme downside case. This forecast extends to March 2023.

The coronavirus pandemic will have an impact on our business during FY21. As explained in the Strategic Report on page 14, Covid-19 has the capacity to impact earnings by interrupting supply chains, workforce sustainability, and demand; a decline in demand being the most relevant risk to the Group.

In the short term, due to lockdowns across the UK and Europe the business saw a significant reduction in sales versus the prior year in March, April and May. The Group has however experienced a substantial recovery to normal levels of activity and demand in June.

The Group was quick to react to the coronavirus pandemic from an operational standpoint, closing operations where necessary and minimising costs and cash outflows, including stopping all non-essential operating and capital expenditure.

Directors' report

Going forward, the Group recognises the risks of reduced demand and therefore revenues and subsequent impact on operating margins when compared to prior years, from the potential direct and indirect effects on consumer activity continuing for a longer term period.

The Group's cash position as at the year ended 28 March 2020 was £176.8m, compared with £66.4m as at 30 March 2019. The Group's cash and available undrawn credit lines remains in excess of £100m throughout the forecast period to March-23 even under what management considers an extreme downside case.

During the year the Group refinanced it's bank facilities with €500m of Senior Secured Notes ("bonds"), and these bonds are not due before July 2024, and, in themselves, carry no maintenance financial covenants.

The Group also has access to a £75m multi-currency revolving credit facility ('RCF') maturing in 2024, which was fully drawn as at year end. A single leverage financial covenant applies to the RCF facility if it is drawn in excess of 40% at out September and March test dates. Considering the above, in all modelled downside scenarios the Group maintains a significant level of liquidity headroom throughout the forecast period such that there is no relevant period where the covenant test is expected to apply.

The Directors are therefore 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.

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 2020 Annual General Meeting to be held on 10 September 2020, 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.

POST BALANCE SHEET EVENTS

In June 2020 a new long-term management incentive scheme was established for senior management. This has resulted in the grant of nil cost options to the scheme participants, which, when exercised, will convert into 1.25 million ordinary shares (1% of the total Victoria PLC shares at the time of issue). The participants will be able to exercise these options in June 2024 provided they are still employed by the Group at that time. Participants will be entitled to sell 50% of the shares at this time, whilst the remaining shares must be held for a minimum period of 12 months.

The board directors Philippe Hamers (Group Chief Executive) and Michael Scott (Group Finance Director) are participants in the plan and have been granted 245,000 and 200,000 incentive shares respectively.

By Order of the Board

David Cressman
Company Secretary

29 July 2020

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 have elected 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 and 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. 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

29 July 2020

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 28 March 2020, 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 accounts. 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 28 March 2020 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.

THE IMPACT OF MACRO-ECONOMIC UNCERTAINTIES ON OUR AUDIT

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Group’s future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the Group’s future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a Group associated with these particular events.

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.

In our evaluation of the directors' conclusions, we considered the risks associated with the Group's business model, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the Group's resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group will continue in operation.

GRANT THORNTON

OVERVIEW OF OUR AUDIT APPROACH

- Overall materiality: £2,300,000, which represents approximately 4.7% of the Group's profit before tax after excluding exceptional items, amortisation of acquired intangibles, non-cash share incentive plan charge and non-underlying finance costs, at the planning stage of the audit;
- Key audit matters were identified as going concern, acquisition accounting, impairment of goodwill, accuracy of defined benefit pension scheme liabilities and accuracy, completeness and presentation of the application of IFRS 16;
- Full scope audit procedures were performed by the Group audit team on the financial information of significant components in the United Kingdom and by component auditors in respect of significant components in Spain, Italy and Australia. The Group audit team performed specified procedures on certain components in the Netherlands and the United Kingdom, and performed analytical procedures over non-significant components in the Netherlands, Belgium, France, Portugal and the United Kingdom; and
- We issued group instructions to component auditors in respect of their full scope audit of the significant components, except for those significant components audited by the group team.

KEY AUDIT MATTERS

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 matter.

Independent auditor's report

to the members of Victoria PLC

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

GOING CONCERN

As stated in 'the impact of macro-economic uncertainties on our audit' section of our report, Covid-19 is one of the most significant economic events currently faced by the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty. This event could adversely impact the future trading performance of the company and as such increases the extent of judgement and estimation uncertainty associated with management's decision to adopt the going concern basis of accounting in the preparation of the financial statements.

As such we identified going concern as a significant risk, which was one of the most significant assessed risks of material misstatement.

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Our audit work included, but was not restricted to:

- obtaining management's base case forecasts and covenant calculations covering the period to March 2022. We assessed how these forecasts were compiled, including assessing the accuracy of management's forecasts by applying appropriate sensitivities to the underlying assumptions;
- assessing the reliability of management's forecasting by comparing the accuracy of actual financial performance to forecast information obtained in the prior period;
- obtaining management's most severe downside scenario to assess the potential impact of Covid-19. We evaluated the assumptions applied, including the reduction in revenue, the reduction in payroll expenditure and the resulting effect on working capital during the estimated period of Covid-19, for reasonableness and determined whether they had been applied accurately. We also considered whether the assumptions are consistent with our understanding of the business;
- assessing management's determination of the impact of the mitigating factors available to them to restrict the cash impact of the pandemic. This assessment included the corroboration of mitigating actions taken by management to relevant documentation and the review of the application in the revised forecasts for accuracy;
- performing sensitivity analysis on management's most severe downside scenario to determine the reduction in EBITDA that would lead to elimination of the headroom in their original cash flow forecasts and a breach in banking covenants; and
- assessing the adequacy of the going concern disclosures included within the Accounting Policies of the Financial Statements.

KEY OBSERVATIONS

Based on the procedures performed, we have identified no issues regarding management's assessment of the impact of Covid-19 on liquidity requirements, sales volumes, and KPIs. We have nothing to report in addition to that stated in the 'Conclusions relating to going concern' section of our report.

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

Key Audit Matter – Group	How the matter was addressed in the audit – Group

ACQUISITION ACCOUNTING, INCLUDING ACCURACY OF ACQUIRED INTANGIBLES

During the period, the Group acquired the trade and assets of Ceramica Ibero and entered into an arrangement to lease the business of Ceramiche Ascot S.p.A. These business combinations have had a material impact on the financial statements, resulting in the recognition of goodwill and intangible assets upon consolidation of these entities.

Goodwill of £5.5m (negative) and £8.3m and intangible assets of £7.4m and £16.9m were recognised as a result of the business combinations entered into.

The intangible assets are valued using 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.

On initial recognition, the assets and liabilities acquired in a business combination are included in the consolidated balance sheet at their fair values,which are also used as the basis for subsequent measurement in accordance with the group accounting policies. Determining the fair value of certain assets and liabilities requires judgement to be exercised by the Directors.

Due to the significant financial statement impact of the acquisitions, as well as the high level of judgement required in determining the appropriate accounting treatment and high level of estimation in determining the fair value of the consideration and certain assets acquired and liabilities assumed, we therefore identified acquisition accounting, including accuracy of acquired intangibles, as a significant risk, which was one of the most significant assessed risks of material misstatement.

Our audit work included, but was not restricted to:

- documenting our understanding of management's process for evaluating the valuation of goodwill and intangibles and assessing the design effectiveness of relevant controls;
- assessing whether the accounting policies adopted by the directors are in accordance with the requirements of IFRS 3 'Business Combinations' and IAS 38 'Intangible Assets';
- obtaining an understanding of the nature and terms of the acquisitions through review of legal agreements and discussion with management;
- testing whether management's assessment as to whether the lease of the business of Ceramiche Ascot S.p.A transferred control to the Group is in accordance with the financial reporting framework, including IFRS 10, and whether it was correctly applied during the period;
- re-performing management's calculation of the fair value of the consideration, including the estimated value of the deferred and contingent consideration transferred less the net recognised amount of identifiable assets acquired and liabilities assumed, ensuring this is in accordance with the requirements of IFRS 3;
- using our auditor's expert to evaluate and challenge the assumptions used in the valuation of intangible assets acquired through the Ceramica Ibero business combination, including discount rates, growth rates and forecast future trading performance, in the calculation of the fair value of the intangible assets recognised;
- testing the completeness and accuracy of the data used in the intangible asset valuation relating to the Ceramica Ibero acquisition by agreeing this data to pertinent supporting documentation such as long-term growth forecasts;
- testing the completeness and accuracy of the data used in the provisional intangible asset valuation relating to the lease of the business of Ceramiche Ascto S.p.A by agreeing this data to pertinent supporting documentation such as intangible asset valuations carried out on comparable transactions; and
- testing significant fair value adjustments made to the amount of assets and liabilities acquired and assessing the adequacy of disclosures in respect of the acquisition with respect to the requirements of IAS 38 and IFRS 3.
- the Group's accounting policy on business combinations is shown on page 49 and intangible assets is shown on page 53 and related disclosures are included in note 23 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.

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 several key inputs in the value-in-use discounted cash flow models. These include revenue growth, discount rates and long-term growth rates. We therefore identified impairment of goodwill as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • documenting our understanding of management's process for evaluating the impairment of intangible assets and assessing the design effectiveness of related key controls; • testing whether the Group's accounting policy was in accordance with the requirements of IAS 36, and whether the policy had been applied correctly in management's assessment of goodwill impairment; • testing the mathematical accuracy of management's model and management's reconciliation of these forecasts to those used in the going concern assessment; • testing the key underlying assumptions for the financial period 2021 budget (FY21); • challenging management on the COVID-19 impacted revenue and margin assumptions in the cash flow forecast and the implied growth rates for FY21 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; • Testing the accuracy of management's forecasting through a comparison of budget to actual data and historical variance trends and investigating the cash flows for exceptional or unusual items or assumptions; and • testing the sensitivity analysis performed by management in respect of the key assumptions, such as discount and growth rates, to corroborate management's conclusions that there was sufficient headroom in their goodwill impairment assessment for the 'UK and Europe – Soft furnishings', 'Australia' and 'Ceramics Italy' CGUs and in order to challenge the accuracy of management's estimate of the impairment loss on the 'Ceramics Spain' CGU'. The Group's accounting policy on goodwill is shown on page 50 and 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 the goodwill impairment posted by management. 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 LIABILITIES The Group operates a defined benefit pension scheme that provides benefits to a number of current and former employees. At 28 March 2020 the defined benefit pension scheme's net liability was £6.3m. The gross value of the pension scheme liabilities amounted to £28.4m. 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 assumptions can lead to a materially different defined benefit pension scheme liability being recognised within the Group financial statements. We therefore identified accuracy of defined benefit scheme liabilities as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • documenting our understanding of management's process and methodology used for valuing the defined benefit pension scheme, measuring the relevant pension liabilities and assessing the design effectiveness of relevant controls; • testing whether the Group's accounting policy for defined benefit pension schemes was in accordance with the financial reporting framework, including IAS 19, 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 work of an auditor's expert to challenge the assumptions used, including discount rates, growth rates and mortality rates; and • challenging the calculation methods employed in the calculation of the pension liability. 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 28 March 2020.

Independent auditor's report

to the members of Victoria PLC

Key Audit Matter – Group	How the matter was addressed in the audit – Group
ACCURACY, COMPLETENESS AND PRESENTATION OF THE APPLICATION OF IFRS 16 IFRS 16 'Leases' has been adopted in the financial statements for the period ended 28 March 2020, for which the Group has performed an assessment of the impact that the new accounting standard will have on its balance sheet. This is the first year of application of the standard and significant judgements and estimates have been applied in the determination of its impact, specifically in determining the most appropriate discount rate. Management has performed an exercise to summarise all property, equipment and other lease data so that it can be assessed for any IFRS 16 implications. Where the implicit rate of interest in a lease was not readily determinable, the incremental borrowing rate (IBR) method was adopted. Due to both the level of judgement exercised by the directors in determining the IBR, as well as the financial statement impact of transitioning to the new standard, we identified the accuracy, completeness and presentation of the application of IFRS 16 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:** • assessing the design effectiveness of the relevant controls in place throughout the transition process; • using the work of an auditor's expert in assessing the appropriateness of the discount rates applied; • testing the accuracy of a sample of the underlying lease data used in management's calculation by agreeing significant lease terms to original lease agreements or other supporting documentation; • obtaining supporting contractual information for transactions considered to be potentially indicative of unrecorded lease liabilities and testing whether they met the definition of a leasing arrangement under IFRS 16; • re-performing the calculations used in management's lease liability schedules to test the arithmetical accuracy; • testing the reconciliation between the Group's operating lease commitments and the IFRS 16 assessment to evidence completeness; and • assessing the disclosures in the financial statements to determine whether they are appropriate and sufficient for the requirements of the new accounting standard. The Group's accounting policy on IFRS 16 is shown on page 57 and related disclosures are included in note 11 to the financial statements. KEY OBSERVATIONS Based on our audit work, we found the discount rates used by management, including the valuation assumptions, to be balanced and consistent with the expectation of our auditor's expert. We found no material errors in the underlying IFRS 16 calculations

We did not identify any key audit matters relating to the audit of the financial statements of the Company.

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	£2,300,000, which represents approximately 4.7% of the Group's profit before tax after excluding exceptional items, amortisation of acquired intangible, non-cash share incentive plan charge and non-underlying finance costs 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 lower than the level that we determined for the period ended 30 March 2019 as a result of the decrease 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.	£1,610,000, which is based on 0.5% of the Company's total assets, restricted to 70% 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 lower than the level that we determined for the period ended 30 March 2019 to reflect the Company's decreased total assets in the current period.
Performance materiality used to drive the extent of our testing	70% of financial statement materiality.	70% of financial statement materiality.
Specific materiality	We determined a lower level of materiality for certain areas such as non-underlying items, 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	£115k and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£80,500 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, revenue and underlying 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 appropriateness of 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 relevant controls. We sought, wherever possible, to rely on the effectiveness of the Group's internal controls in order to reduce the extent of substantive testing. We then undertook substantive testing on significant transactions and material account balances.

Independent auditor's report

to the members of Victoria PLC

In order to address the audit risks identified during our planning procedures, the Group audit team performed a full scope audit on the financial information 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 on the financial information of other significant components in Spain, Italy and Australia. The operations that were subject to full-scope audit procedures totalled 81% of consolidated revenues and 89% of consolidated underlying profit before taxation.

We also determined that specified 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 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, except for those significant components audited by the group team. 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.

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

Date: 29 July 2020

Consolidated income statement

For the 52 weeks ended 28 March 2020

		52 weeks ended 28 March 2020			52 weeks ended 30 March 2019		
	Notes	**Underlying performance £m**	**Non-underlying items £m**	**Reported numbers £m**	Underlying performance £m	Non-underlying items £m	Reported numbers £m
Continuing operations							
Revenue	1	**621.5**	**–**	**621.5**	566.8	–	566.8
Cost of sales		**(395.1)**	**–**	**(395.1)**	(364.8)	–	(364.8)
Gross profit		**226.4**	**–**	**226.4**	202.0	–	202.0
Distribution costs		**(73.2)**	**–**	**(73.2)**	(69.2)	–	(69.2)
Administrative expenses		**(82.9)**	**(80.8)**	**(163.7)**	(65.7)	(47.4)	(113.1)
Other operating income		**4.0**	**–**	**4.0**	3.1	1.1	4.2
Operating profit / (loss)		**74.3**	**(80.8)**	**(6.5)**	70.2	(46.3)	23.9
Comprising:							
Operating profit before credit loss provision, non-underlying and exceptional items		**77.1**	**–**	**77.1**	70.5	–	70.5
Increase in credit loss provision		**(2.8)**	**–**	**(2.8)**	(0.3)	–	(0.3)
Amortisation of acquired intangibles	2	**–**	**(25.0)**	**(25.0)**	–	(22.5)	(22.5)
Other non-underlying items	2	**–**	**(5.9)**	**(5.9)**	–	(3.4)	(3.4)
Exceptional goodwill impairment	2	**–**	**(50.0)**	**(50.0)**	–	–	–
Other exceptional items	2	**–**	**0.1**	**0.1**	–	(20.4)	(20.4)
Finance costs	3	**(26.3)**	**(31.2)**	**(57.5)**	(13.1)	(14.6)	(27.7)
Comprising:							
Interest on loans and notes		**(21.5)**	**–**	**(21.5)**	(11.5)	–	(11.5)
Amortisation of prepaid finance costs and accrued interest	3	**(2.1)**	**(4.4)**	**(6.5)**	(1.4)	(3.1)	(4.5)
Unwinding of discount on right-of-use lease liabilities	3	**(2.6)**	**–**	**(2.6)**	–	–	–
Fair value adjustment to notes redemption option	3	**–**	**(7.3)**	**(7.3)**	–	–	–
Translation difference on foreign currency loans	3	**–**	**(13.0)**	**(13.0)**	–	(3.6)	(3.6)
Other finance items	3	**(0.1)**	**(6.5)**	**(6.6)**	(0.2)	(7.9)	(8.1)
Profit / (loss) before tax	4	**48.0**	**(112.0)**	**(64.0)**	57.1	(60.9)	(3.8)
Taxation (charge) / credit	6	**(12.4)**	**8.2**	**(4.2)**	(13.9)	9.7	(4.2)
Profit / (loss) for the period from continuing operations		**35.6**	**(103.8)**	**(68.2)**	43.2	(51.2)	(8.0)
(Loss) / profit from discontinued operations	24	**–**	**(2.0)**	**(2.0)**	–	0.1	0.1
Profit / (loss) for the period		**35.6**	**(105.8)**	**(70.2)**	43.2	(51.1)	(7.9)
Earnings / (loss) per share – pence							
basic	7	**28.42**		**(55.97)**	35.27		(6.44)
diluted	7	**28.42**		**(55.97)**	35.25		(6.44)

Consolidated statement of comprehensive income

For the 52 weeks ended 28 March 2020

	Note	**52 weeks ended 28 March 2020 £m**	52 weeks ended 30 March 2019 £m
Loss for the period		**(70.2)**	(7.9)
Other comprehensive income / (expense)			
Items that will not be reclassified to profit or loss:			
Actuarial gain on defined benefit pension scheme	20	**1.4**	1.8
Decrease in deferred tax asset relating to pension scheme liability		**(0.1)**	(0.3)
Items that will not be reclassified to profit or loss		**1.3**	1.5
Items that may be reclassified subsequently to profit or loss:			
Retranslation of overseas subsidiaries		**3.6**	(0.6)
Items that may be reclassified subsequently to profit or loss		**3.6**	(0.6)
Other comprehensive income		**4.9**	0.9
Total comprehensive expense for the period attributable to the owners of the parent		**(65.3)**	(7.0)

Consolidated and Company balance sheets

As at 28 March 2020

	Notes	Group		Company	
		28 March 2020 £m	30 March 2019 £m	**28 March 2020 £m**	30 March 2019 £m
Non-current assets					
Goodwill	9	**191.0**	223.7	**–**	–
Intangible assets other than goodwill	10	**248.9**	241.4	**0.2**	0.3
Property, plant and equipment	11	**211.6**	190.6	**–**	–
Right-of-use lease assets	11	**78.5**	–	**6.0**	–
Investment property	12	**0.2**	0.2	**0.1**	0.1
Investments in subsidiaries	12	**–**	–	**178.0**	51.4
Trade and other non-current receivables	14	**–**	–	**481.3**	577.9
Deferred tax assets	19	**6.4**	5.8	**1.4**	0.2
Total non-current assets		**736.6**	661.7	**667.0**	629.9
Current assets					
Inventories	13	**165.4**	140.5	**–**	–
Trade and other receivables	14	**144.1**	116.0	**35.8**	34.4
Cash and cash equivalents	17	**176.8**	66.4	**115.4**	19.0
Total current assets		**486.3**	322.9	**151.2**	53.4
Total assets		**1,222.9**	984.6	**818.2**	683.3
Current liabilities					
Trade and other current payables	15	**242.0**	168.6	**14.7**	2.5
Current tax liabilities	6	**–**	–	**–**	–
Obligations under right-of-use leases – current	16	**11.8**	–	**0.3**	–
Other financial liabilities	16, 17	**4.9**	10.4	**–**	2.1
Total current liabilities		**258.7**	179.0	**15.0**	4.6
Non-current liabilities					
Trade and other non-current payables	15	**17.5**	19.5	**–**	–
Obligations under right-of-use leases – non-current	16	**68.0**	–	**5.8**	–
Other non-current financial liabilities	16	**540.6**	392.3	**538.7**	388.6
Deferred tax liabilities	19	**71.2**	66.1	**–**	–
Retirement benefit obligations	20	**6.3**	7.8	**–**	–
Total non-current liabilities		**703.6**	485.7	**544.5**	388.6
Total liabilities		**962.3**	664.7	**559.5**	393.2
Net assets		**260.6**	319.9	**258.7**	290.1
Equity					
Share capital	21	**6.3**	6.3	**6.3**	6.3
Share premium	22	**288.7**	288.7	**288.7**	288.7
Retained earnings	22	**(42.9)**	20.6	**(38.9)**	(6.9)
Foreign exchange reserve	22	**5.9**	2.3	**–**	–
Other reserves	22	**2.6**	2.0	**2.6**	2.0
Total equity		**260.6**	319.9	**258.7**	290.1

The loss of the Company for the year determined in accordance with the Companies Act 2006 was £37,345,000 (2019: loss of £8,954,000).

Company Registered Number (England & Wales) 282204.

The financial statements on pages 44 to 104 were approved by the Board of Directors and authorised for issue on 29 July 2020.

They were signed on its behalf by:

Michael Scott

Group Finance Director

Consolidated statement of changes in equity

For the 52 weeks ended 28 March 2020

	Share capital £m	Share premium £m	Retained earnings £m	Foreign exchange reserve £m	Other reserves £m	Total equity £m
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 income 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
Loss for the period to 28 March 2020	–	–	(70.2)	–	–	(70.2)
Other comprehensive income for the period	–	–	1.3	–	–	1.3
Retranslation of overseas subsidiaries	–	–	–	3.6	–	3.6
Total comprehensive loss	–	–	(68.9)	3.6	–	(65.3)
Transfer between reserves	–	–	5.3	–	(5.3)	–
Share-based payment charge	–	–	–	–	5.9	5.9
Transactions with owners	–	–	5.3	–	0.6	5.9
At 28 March 2020	**6.3**	**288.7**	**(42.9)**	**5.9**	**2.6**	**260.6**

Company statement of changes in equity

For the 52 weeks ended 28 March 2020

	Share capital £m	Share premium £m	Retained earnings £m	Other reserves £m	Total equity £m
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
Loss for the period to 28 March 2020	–	–	(37.3)	–	(37.3)
Total comprehensive loss	–	–	(37.3)	–	(37.3)
Transfer between reserves	–	–	5.3	(5.3)	–
Share-based payment charge	–	–	–	5.9	5.9
Transactions with owners	–	–	5.3	0.6	5.9
At 28 March 2020	**6.3**	**288.7**	**(38.9)**	**2.6**	**258.7**

Consolidated and Company statements of cash flows

For the 52 weeks ended 28 March 2020

	Note	Group		Company	
		52 weeks ended 28 March 2020 £m	52 weeks ended 30 March 2019 £m	**52 weeks ended 28 March 2020 £m**	52 weeks ended 30 March 2019 £m
Cash flows from operating activities					
Operating (loss) / profit		**(6.5)**	23.9	**(8.4)**	(9.9)
Adjustments for:					
Depreciation and amortisation of IT software		**40.9**	25.6	**0.5**	0.1
Amortisation of acquired intangibles		**25.0**	22.8	**–**	–
Negative goodwill arising on acquisition		**(5.8)**	–	**–**	–
Goodwill impairment		**50.0**	–	**–**	–
Asset impairment		**–**	0.5	**–**	–
Amortisation of government grants		**(0.5)**	(0.7)	**–**	–
Profit on disposal of property, plant and equipment		**(0.2)**	(0.1)	**–**	–
Profit on disposal of investment property		**–**	(1.8)	**–**	(1.8)
Loss on disposal of associates		**–**	0.7	**–**	–
Share incentive plan charge		**5.9**	1.9	**4.5**	1.1
Acquisition-related performance plan charge		**–**	1.5	**–**	–
Defined benefit pension		**(0.1)**	0.3	**–**	–
Net cash flow from operating activities before movements in working capital, tax and interest payments		**108.7**	74.6	**(3.4)**	(10.5)
Change in inventories		**(4.4)**	(13.8)	**–**	–
Change in trade and other receivables		**(10.8)**	7.1	**–**	(0.2)
Change in trade and other payables		**10.0**	17.0	**0.4**	–
Cash generated by continuing operations before tax and interest payments		**103.5**	84.9	**(3.0)**	(10.7)
Interest paid on loans and notes		**(25.0)**	(16.5)	**(24.4)**	(15.6)
Interest relating to right-of-use lease assets		**(2.6)**	–	**(0.2)**	–
Income taxes paid		**(8.6)**	(16.2)	**–**	–
Net cash flow from discontinued operations		**0.1**	0.2	**–**	–
Net cash inflow from operating activities		**67.4**	52.4	**(27.6)**	(26.3)
Investing activities					
Purchases of property, plant and equipment		**(32.7)**	(43.7)	**–**	–
Purchases of intangible assets		**(1.1)**	(0.7)	**(0.1)**	(0.1)
Loan to subsidiary companies		**–**	–	**11.3**	(54.1)
Proceeds on disposal of property, plant and equipment		**0.7**	0.9	**–**	–
Deferred consideration and earn-out payments		**(12.1)**	(8.9)	**–**	–
Acquisition of subsidiaries net of cash acquired		**(11.0)**	(82.6)	**–**	–
Proceeds from disposal of subsidiaries		**0.9**	–	**–**	–
Proceeds from disposal of investment property		**–**	2.0	**–**	1.9
Net cash used in investing activities		**(55.3)**	(133.0)	**11.2**	(52.3)
Financing activities					
Increase in long-terms loans (net of refinancing costs)		**109.0**	43.9	**111.2**	45.2
Issue of share capital		**–**	59.3	**–**	59.3
Repayment of reverse factoring facility acquired with Saloni		**–**	(13.4)	**–**	–
Repayment of obligations under finance leases / hire purchase		**–**	(1.0)	**–**	–
Payments under right-of-use lease obligations		**(9.0)**	–	**(0.4)**	–
Net cash generated in financing activities		**100.0**	88.8	**110.8**	104.5
Net increase in cash and cash equivalents		**112.1**	8.2	**94.4**	25.9
Cash and cash equivalents at beginning of period		**60.2**	53.1	**19.0**	(6.7)
Effect of foreign exchange rate changes		**2.4**	(1.1)	**2.0**	(0.2)
Cash and cash equivalents at end of period		**174.7**	60.2	**115.4**	19.0
Comprising:					
Cash and cash equivalents	17	**176.8**	66.4	**115.4**	19.0
Bank overdrafts	17	**(2.1)**	(6.2)	**–**	–
		174.7	60.2	**115.4**	19.0

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 12 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.

Discontinued operations

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

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

Profit or loss from discontinued operations, including prior year components, are presented as a single movement in the statement of comprehensive income. This amount, which comprises the post-tax profit or loss of discontinued operations and the post-tax gain or loss resulting from the disposal, is further analysed in Note 24 to the accounts.

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

The group enters into contracts with customers involving one performance obligation being the sale of flooring products. Revenue is measured by reference to the fair value of consideration receivable by the Group for goods supplied, excluding VAT, trade discounts and rebates in accordance with IFRS 15. Revenue from the sale of goods is recognised at a point in time when promised goods have been transferred to a customer at which point the performance obligation is considered to have been satisfied. The customer is considered to obtain control of the promised goods at the point of delivery.

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 which create variability in the transaction price. In determining the variable consideration to be recognised, trade discounts and volume rebates are estimated based on the terms of the contractually agreed arrangements and the amount of consideration to which the group will be entitled in exchange for transferring the promised goods to the customer. Variable consideration is estimated using the 'most likely amount' method.

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

Lease accounting under IFRS16 (applicable after 31 March 2019)

The Group recognises right-of-use assets at cost and lease liabilities at the lease commencement date based on the present value of future lease payments. The right of use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis in line with the Group's accounting policy for property, plant and equipment. The lease liabilities are recognised at amortised cost using the effective interest rate method. The discount rates used reflect the incremental borrowing rate specific to the lease.

Lease accounting under IAS17 (applicable before 31 March 2019)

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.

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.

Significant Accounting Policies

Retirement benefit costs

(a) Defined contribution schemes

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

(b) Defined benefit schemes

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

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

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

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

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.

In respect of IFRS 16 leases, each lease is considered as a single transaction in which the asset and liability are linked so that there is no net temporary difference at inception and subsequently deferred tax is recognised on the net temporary difference arising on settlement of the liability and the amortisation of the right of use asset plus the finance charge on the lease liability.

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.

Significant Accounting Policies

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 warrant was redeemed in November 2017. During the year, payment of the BGF redemption premium was deferred from December 2019 to December 2021.

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

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

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

(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) Amortisation of acquired intangibles

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

FINANCE COSTS

(a) Release of prepaid finance costs

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.

(b) Underwriting fees and costs relating to previous bank facilities

Fees paid in relation to an underwritten bank facility that was obtained to provide certainty around the refinancing process in July-2019 plus deferred costs relating to the previous bank facilities and refinancing process. The nature of these costs are non-recurring and not considered to form part of the underlying performance of the business.

(c) Fair value adjustment to notes redemption option

Any fair value adjustment to embedded derivates is shown as a non-underlying financial item.

(d) Unsecured loan redemption premium credit

During the year, payment of the BGF redemption premium was deferred from December 2019 to December 20021, resulting in a one off income. As such , this has been treated as a non-underlying financial income.

(e) Unwinding of present value of deferred and contingent earn-out liabilities

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. Such adjustments are non-cash in nature and are not considered to form part of the underlying performance of the business.

Deferred consideration in respect of acquisitions is measured under IFRS 3 at amortised cost. Such adjustments are non-cash in nature and are not considered to form part of the underlying performance of the business.

(f) Other adjustments to present value of contingent earn-out liabilities

Any changes to contingent earn-outs arising from actual and forecast business performance are reflected as other adjustments to present value of contingent earn-out liabilities. Such adjustments are non-cash in nature and are not considered to form part of the underlying performance of the business.

(g) Mark-to market adjustments on foreign exchange contracts

The mark to market valuation of forward foreign exchange contracts 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.

Significant Accounting Policies

(h) Translation differences on 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.

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

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.

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 14 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.

(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.

(d) Embedded derivatives

The Group recognises an embedded derivate separate from the host contract where the economic characteristics and risks of the embedded derivative are not closely related to those of the host liability contract and the host financial liability contract itself is not measured at fair value through profit or loss. The embedded derivative is bifurcated and reported at fair value at inception, with gains and losses recognised on financial assets/ liabilities at fair value through profit or loss. The host financial liability contract will continue to be accounted for in accordance with the appropriate accounting standard. The carrying amount of an embedded derivative is reported in the same balance sheet line items as the host financial liability contract.

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, with the exception of the adoption of IFRS 16 'Leases' – this impact is discussed further below:

IFRS16 'LEASES'

The Group adopted IFRS16 on 31 March 2019, applying the Standard's modified retrospective approach and therefore the prior year comparative figures in these financial statements have not been restated as a consequence of adopting IFRS 16 for the first time this period. The Group has also applied the practical expedient in IFRS16 to not reassess whether a contract is, or contains, a lease at the date of initial application.

The Group's results have been impacted by the adoption of IFRS 16, which introduces a single, on-balance sheet lease accounting model for lessees. 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. A lessee now 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.

At the start of the current accounting period, on 31 March 2019, the Group recognised an initial right-of-use asset of £56.1m and liability of £57.3m. The lease liability on transition has been calculated based on the net present value of the future expected capital payments under the group's lease obligations discounted at the group's incremental borrowing rate as at 31 March 2019. The right of use asset has been calculated based on the lease liability adjusted for prepaid and accrued lease payments as at 31 March 2019. The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position at the date of initial application is 3.8%.

Significant accounting policies

As a result of adopting IFRS 16, Group PBT for the period was adversely impacted by £1.0m. Charges relating to operating leases (£10.9m), which previously were recognised on a straight-line basis have been replaced with a depreciation charge (£9.3m) to the right-of-use asset, plus an interest expense (£2.6m) representing the unwinding of discount on the lease liability. The interest follows a logarithmic profile resulting in a higher initial charge, and reduces over the period of the lease. This change in treatment has no impact on the cash flows of the business.

The key effects on the current year's consolidated income statement and balance sheet can be summarised as follows:

	2020 on a consistent basis with 2019 £m	Effect of IFRS 16 £m	**As reported this year £m**
Income statement			
Underlying EBITDA	107.2	10.9	**118.1**
Underlying depreciation and amortisation of IT software	(31.7)	(9.3)	**(41.0)**
Exceptional and non-underlying items in operating profit	(83.6)	–	**(83.6)**
Operating profit	(8.0)	1.5	**(6.5)**
Net finance costs	(55.0)	(2.5)	**(57.6)**
Profit before tax	(63.0)	(1.0)	**(64.0)**
Taxation	(4.2)	–	**(4.2)**
Profit for the period	(67.2)	(1.0)	**(68.2)**
Balance Sheet			
Non-current assets	659.4	77.2	**736.6**
Current assets	486.3	–	**486.3**
Total assets	1,145.7	77.2	**1,222.9**
Current liabilities	(249.3)	(9.4)	**(258.7)**
Non-current liabilities	(634.8)	(68.8)	**(703.6)**
Total liabilities	(884.2)	(78.1)	**(962.3)**
Net assets	261.6	(1.0)	**260.6**
Translation reserve	6.5	(0.6)	**5.9**
Share capital and other reserves	255.1	(0.4)	**254.6**
Total equity	261.6	(1.0)	**260.6**

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.

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. These standards are not expected to have a material impact on the results for the Group.

Notes to the accounts

1. SEGMENTAL INFORMATION

The Group is organised into three operating divisions: the sale of soft flooring products in UK & Europe; ceramic tiles in 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.

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

Income statement

	52 weeks ended 28 March 2020					52 weeks ended 30 March 2019				
	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
Revenue	**282.0**	**243.9**	**95.6**	**–**	**621.5**	272.9	193.9	100.0	–	566.8
Underlying operating profit before movement in credit loss provision	**21.7**	**51.5**	**5.8**	**(1.9)**	**77.1**	17.0	48.3	6.9	(1.7)	70.5
Movement in credit loss provision	**(1.7)**	**(1.0)**	**(0.1)**	**–**	**(2.8)**	(0.1)	(0.1)	(0.1)	–	(0.3)
Non-underlying operating items	**(3.8)**	**(18.8)**	**(1.7)**	**(6.6)**	**(30.9)**	(5.1)	(17.7)	(2.0)	(1.1)	(25.9)
Exceptional goodwill impairment	**–**	**(50.0)**	**–**	**–**	**(50.0)**	–	–	–	–	–
Other exceptional operating items	**(1.0)**	**3.7**	**(0.7)**	**(1.9)**	**0.1**	(7.4)	(4.7)	(2.4)	(5.9)	(20.4)
Operating (loss) / profit	**15.2**	**(14.6)**	**3.3**	**(10.4)**	**(6.5)**	4.4	25.8	2.4	(8.7)	23.9
Underlying net finance costs					**(26.3)**					(13.1)
Translation difference on foreign currency loans					**(13.0)**					(3.6)
Fair value adjustment to notes redemption option					**(7.3)**					–
Other non-underlying finance costs					**(10.9)**					(11.0)
Loss before tax					**(64.0)**					(3.8)
Tax					**(4.2)**					(4.2)
(Loss) / profit from discontinued operations					**(2.0)**					0.1
Loss for the period					**(70.2)**					(7.9)

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.

Notes to the accounts

1. SEGMENTAL INFORMATION (CONTINUED)

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

	52 weeks ended 28 March 2020 £m	52 weeks ended 30 March 2019 £m
Revenue		
UK & other European countries	**282.0**	272.9
Spain	**209.3**	167.9
Italy	**34.6**	26.0
Australia	**95.6**	100.0
	621.5	566.8

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

Balance sheet

	As at 28 March 2020					As at 30 March 2019				
	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	**274.8**	**717.0**	**78.2**	**152.9**	**1,222.9**	233.1	634.6	75.0	41.9	984.6
Total Liabilities	**(124.3)**	**(255.2)**	**(26.3)**	**(556.5)**	**(962.3)**	(94.8)	(159.7)	(20.8)	(389.4)	(664.7)
Net Assets	**150.5**	**461.8**	**51.9**	**(403.6)**	**260.6**	138.3	474.9	54.2	(347.5)	319.9

The Group's non-current assets as at 28 March 2020 were split geographically as follows:

	As at 28 March 2020 £m	As at 30 March 2019 £m
Non-current assets		
UK & other European countries	**178.4**	129.7
Spain	**432.6**	451.7
Italy	**86.1**	44.7
Australia	**39.5**	35.6
	736.6	661.7

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

1. SEGMENTAL INFORMATION (CONTINUED)

Other segmental information

	52 weeks ended 28 March 2020					52 weeks ended 30 March 2019				
	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
Depreciation and amortisation of IT software (including depreciation of right-of-use lease assets)	**19.6**	**16.8**	**4.5**	**–**	**40.9**	12.5	11.1	2.7	–	26.3
Amortisation of acquired intangibles	**4.7**	**18.6**	**1.7**	**–**	**25.0**	4.7	16.1	1.7	–	22.5
	24.3	**35.4**	**6.2**	**–**	**65.9**	17.2	27.2	4.4	–	48.8

	52 weeks ended 28 March 2020					52 weeks ended 30 March 2019				
	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
Capex – PPE (incl. finance lease / HP)	**13.1**	**16.9**	**2.7**	**–**	**32.7**	20.1	19.5	4.5	–	44.1
Disposals of property, plant and equipment	**(0.5)**	**(0.1)**	**(0.1)**	**–**	**(0.7)**	(0.4)	(0.1)	(0.2)	–	(0.7)
Capex – intangibles (incl. finance lease / HP)	**0.3**	**0.7**	**–**	**0.1**	**1.1**	0.2	0.5	–	0.1	0.8
Total capital expenditure (cash-flow)	**12.9**	**17.5**	**2.6**	**0.1**	**33.1**	19.9	19.9	4.3	0.1	44.2

Notes to the accounts

2. EXCEPTIONAL AND NON-UNDERLYING ITEMS

	2020 £m	2019 £m
Exceptional items		
(a) Acquisition and disposal related costs	**(2.2)**	(1.8)
(b) Reorganisation costs	**(3.5)**	(12.7)
(c) Bond issue and related structuring costs	**–**	(7.3)
(d) Negative goodwill arising on acquisition	**5.8**	–
(e) Pension adjustment	**–**	(0.4)
(f) Gain on sale of investment property	**–**	1.8
Total exceptional items before goodwill impairment	**0.1**	(20.4)
(g) Exceptional goodwill impairment	**(50.0)**	–
Total exceptional items	**(49.9)**	(20.4)
Non-underlying items		
(h) Acquisition-related performance plan charge	**–**	(1.5)
(i) Non-cash share incentive plan charge	**(5.9)**	(1.9)
(j) Amortisation of acquired intangibles	**(25.0)**	(22.5)
	(30.9)	(25.9)

All exceptional items are classified within administrative expenses.

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

(b) Various fees, redundancy and other one-off costs in relation to synergy projects and performance improvement programmes from the previous period that were completed in the year.

(c) One-off advisory, legal and structuring costs incurred in the prior year.

(d) Negative goodwill arising on consolidation of subsidiaries acquired during the period, achieved through favourable bilateral negotiations.

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

(f) Gain on the sale of property held as an investment in the prior year.

(g) One-off goodwill impairment charge, see note 9 for further details.

(h) Charge relating to the accrual of expected liability under the acquisition-linked performance plan with the Keraben senior management team in the prior year.

(i) Non-cash, IFRS2 share-based payment charge in relation to the long-term management incentive plan that was put into place in April 2018. During the year some of the participants exited the scheme, resulting in a one-off accelerated charge.

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

3. FINANCE COSTS

	2020 £m	2019 £m
Underlying finance items		
Interest on bank facilities and notes	**20.7**	11.0
Interest on unsecured loans	**0.8**	0.8
Interest payable on Hire Purchase and Finance Leases	**–**	0.1
Interest income	**–**	(0.4)
Total interest on loans and notes	**21.5**	11.5
Amortisation of prepaid finance costs on loans and notes	**2.1**	1.4
Unwinding of discount on right-of-use lease liabilities	**2.6**	–
Net interest expense on defined benefit pensions	**0.1**	0.2
	26.3	13.1
Non-underlying finance items		
(a) Release of prepaid finance costs	**4.4**	3.1
(b) Underwriting fees and costs relating to previous bank facilities	**6.5**	–
(c) Fair value adjustment to notes redemption option	**7.3**	–
(d) Unsecured loan redemption premium credit	**(0.2)**	–
(e) Unwinding of present value of deferred and contingent earn-out liabilities	**2.6**	2.9
(f) Other adjustments to present value of contingent earn-out liabilities	**0.8**	4.3
(g) Mark to market adjustments on foreign exchange forward contracts	**(3.2)**	0.7
Non-underlying interest costs before translation difference on foreign currency loans	**18.2**	11.0
(h) Translation difference on foreign currency loans	**13.0**	3.6
	31.2	14.6

(a) Non-cash charge relating to the release of prepaid costs on previous bank facilities.

(b) Fees paid in relation to an underwritten bank facility that was obtained to provide certainty around the recent refinancing process plus deferred costs relating to the previous bank facilities and refinancing process.

(c) Fair value adjustment to embedded derivative representing the early redemption option within the terms of the €500m senior secured notes. See note 16 for further details.

(d) Unsecured loan redemption premium credit – Non-cash credit relating to the £2.1 million redemption premium on the BGF loan and option. During the year it was agreed with the BGF to defer payment from December 2019 to December 2021, resulting in a credit to the income statement.

(e) Non-cash costs relating to the revaluation of deferred consideration and contingent earn-outs relating to historical business acquisitions. 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.

(f) 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 on historical business acquisitions.

(g) Non-cash fair value adjustments on foreign exchange forward contracts.

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

See financial review for further details of these items.

Notes to the accounts

4. PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

	2020 £m	2019 £m
After charging / (crediting):		
Net foreign exchange losses	**0.6**	0.1
Depreciation of property, plant and equipment (see Note 11)	**30.3**	25.8
Depreciation of right-of-use lease assets (see Note 11)	**10.2**	–
Amortisation of intangible assets (see Note 10)	**25.5**	22.8
Staff costs (see Note 5)	**123.2**	107.7
Cost of inventories recognised as an expense	**341.2**	282.1
Profit on sale of fixed assets	**0.2**	0.1
Government grants (see Note 25)	**(0.5)**	(0.7)
Operating lease rentals	**0.9**	9.2

Auditor's remuneration	**2020 £m**	2019 £m
Fees payable to the Company's Auditor in respect of audit services:		
The audit of the Group consolidated accounts	**0.12**	0.07
The audit of the Company's subsidiaries pursuant to legislation	**0.49**	0.42
Total audit fees	**0.61**	0.49
Audit-related assurance services	**0.04**	0.04
Tax compliance services	**0.08**	0.08
Taxation advisory services	**0.07**	0.08
Services relating to corporate finance transactions (either proposed or entered into) by or on behalf of the Company or any of its associates	**0.22**	0.16
Total non-audit fees	**0.41**	0.36

5. STAFF COSTS

	Group		Company	
	2020 £m	2019 £m	**2020 £m**	2019 £m
Wages and salaries	**96.7**	88.2	**0.8**	0.7
Social security costs	**16.7**	13.8	**0.1**	0.1
Share-based employee remuneration (including accelerated IFRS 2 charge)	**5.9**	1.9	**5.9**	1.1
Other pension costs	**3.9**	3.8	**–**	–
	123.2	107.7	**6.8**	1.9

Directors' remuneration is included as part of the staff costs above. Directors' remuneration is disclosed separately on page 30 of the Directors' Report and forms part of these financial statements.

5. STAFF COSTS (CONTINUED)

Average number employed (including executive directors of subsidiaries):

	Group		Company	
	2020	2019	**2020**	2019
Directors	**67**	56	**6**	6
Sales and marketing	**513**	482	**–**	–
Production, logistics and maintenance	**2,566**	2,293	**–**	–
Finance, IT and administration	**264**	212	**3**	2
	3,410	3,043	**9**	8

Share-based payment schemes

C Shares scheme

On 8 June 2017, the Group Finance Director, Michael Scott, was awarded 5,350 C shares and certain other employees 1,070 C shares in connection with a share-based incentive plan. The C shares were exercisable between 1 July 2019 and 30 June 2020 at an exercise price of £6.75. None of the C shares were exercised in the year ended 28 March 2020 or in the period to 30 June 2020, at which point the C shares lapsed.

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.

On 10 April 2018, the Group issued 73,855 I shares ('I1 Shares'). On 1 April 2019, a further 4,350 I shares were issued ('I2 Shares').

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 I1 and I2 Shares respectively are set out in the table below:

Inputs and Assumptions	I1 Shares	I2 Shares
Grant date	10 April 2018	1 April 2019
Victoria PLC share price at grant	£7.31	£4.52
Expected term	5.4 years	4.4 years
Risk free rate (continuously compounded)	1.10%	0.80%
Expected dividend yield	0.0%	0.0%
Expected volatility	26.00%	30.00%

Based on this model, the aggregate fair value of the I1 and I2 Shares was assessed to be £9.8m and £0.4m respectively. 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 for the I1 shares and 4.4 years for the I2 shares, with a corresponding credit to equity as the charge is non-cash.

Notes to the accounts

5. STAFF COSTS (CONTINUED)

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.

During the year ended 28 March 2020, a number of the participants exited the scheme, including certain of the Company's directors who were awarded I1 Shares. The I1 shares cancelled during the period are detailed in the table below:

Name	I1 Shares At 30-Mar-19	I1 Shares cancelled	I1 Shares forfeited	**I1 Shares At 28-Mar-20**
Geoffrey Wilding	19,230	19,230	–	**–**
Philippe Hamers	11,540	11,540	–	**–**
Michael Scott	9,230	9,230	–	**–**
Other employees	33,855	10,775	7,690	**15,390**
	73,855	50,775	7,690	**15,390**

In the year ended 28 March 2020, none of the I1 shares were exercisable. Of the 73,855 I1 shares issued, 50,775 have been cancelled and 7,690 shares forfeited in respect of a leaver, with 15,390 I1 shares remaining as at 28 March 2020. For the participants exiting the share scheme in the period, the remaining share based payment charge allocated to those participants has been accelerated and charged in full to the income statement in the year. For the participant who left the Group in the year, this has been accounted for as a forfeiture of the shares and therefore the cumulative share based payment charge recognised up to the point of leaving has been reversed and credited to the income statement in the year.

In the year ended 28 March 2020, none of the I2 shares were exercisable and all of the I2 shares issued remained in place as at 28 March 2020.

6. TAXATION

	2020 £m	2019 £m
Current tax charge / (credit)		
– Current year UK	**–**	0.1
– Current year overseas	**8.7**	6.7
– Adjustments in respect of prior years	**–**	(0.1)
	8.7	6.7
Deferred tax		
– Credit recognised in the current year	**(4.9)**	(2.7)
– Adjustments in respect of prior years	**(0.1)**	–
– Effect of rate change	**0.5**	0.2
	(4.5)	(2.5)
Total tax	**4.2**	4.2

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

6. TAXATION (CONTINUED)

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

	2020		2019	
	£m	**%**	£m	%
Loss before tax from continuing operations	**(64.0)**		(3.8)	
Tax credit at the UK corporation tax rate of 19% (2019: 19%)	**(12.2)**	**19.0**	(0.7)	19.0
Tax effect of items that are not deductible / non-taxable in determining taxable profit	**13.6**	**(21.2)**	1.3	(35.1)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**2.9**	**(4.5)**	1.0	(27.0)
Deferred consideration fair value remeasurement non taxable	**0.2**	**(0.3)**	1.1	(29.7)
Effect of change in rate	**0.6**	**(0.9)**	0.2	(5.4)
Effect of change in future tax rate enacted on deferred tax recognised on intangible assets	**(0.8)**	**1.2**	0.6	(16.2)
Tax losses not recognised as a deferred tax asset	**–**	**–**	0.8	(21.6)
Adjustments to prior periods	**(0.1)**	**0.1**	(0.1)	2.5
Tax charge and effective tax rate	**4.2**	**(6.6)**	4.2	(113.5)

7. EARNINGS PER SHARE

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

	Basic 2020 £m	**Adjusted 2020 £m**	Basic 2019 £m	Adjusted 2019 £m
Loss attributable to ordinary equity holders of the parent entity	**(68.2)**	**(68.2)**	(8.0)	(8.0)
Exceptional and non-underlying items:				
Amortisation of acquired intangibles	**–**	**25.0**	–	22.5
Other non-underlying items	**–**	**5.9**	–	3.4
Exceptional goodwill impairment	**–**	**50.0**	–	–
Other exceptional items	**–**	**(0.1)**	–	20.4
Release of prepaid finance costs	**–**	**4.4**	–	3.1
Fair value adjustment to notes redemption option	**–**	**7.3**	–	–
Translation difference on foreign currency loans	**–**	**13.0**	–	3.6
Other non-underlying finance items	**–**	**6.5**	–	7.9
Tax effect on adjusted items where applicable	**–**	**(8.2)**	–	(9.7)
(Loss) / earnings for the purpose of basic and adjusted earnings per share	**(68.2)**	**35.6**	(8.0)	43.2
Loss attributable to ordinary equity holders of the parent entity from discontinued operations	**(2.0)**	**–**	0.1	–
(Loss) / earnings for the purpose of basic and adjusted loss / earnings per share	**(70.2)**	**35.6**	(7.9)	43.2

Notes to the accounts

7. EARNINGS PER SHARE (CONTINUED)

Weighted average number of shares

	2020 Number of shares (000's)	2019 Number of shares (000's)
Weighted average number of shares for the purpose of basic and adjusted earnings per share		
Effect of dilutive potential ordinary shares:	**125,398**	122,739
Share options	**–**	64
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**125,398**	122,803

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 / loss per share are as follows:

	2020 Pence	2019 Pence
Earnings / loss per share from continuing operations		
Basic loss per share	**(54.38)**	(6.44)
Diluted loss per share	**(54.38)**	(6.44)
Basic adjusted earnings per share	**28.42**	35.27
Diluted adjusted earnings per share	**28.42**	35.25
Loss per share from discontinued operations		
Basic loss per share	**(1.60)**	–
Diluted loss per share	**(1.60)**	–
Earnings / loss per share		
Basic loss per share	**(55.97)**	(6.44)
Diluted loss per share	**(55.97)**	(6.44)
Basic adjusted earnings per share	**28.42**	35.27
Diluted adjusted earnings per share	**28.42**	35.25

8. RATES OF EXCHANGE

	2020		2019	
	Average	**Year end**	Average	Year end
Australia – A$	**1.8685**	**2.0202**	1.8049	1.8377
Europe – €	**1.1442**	**1.1152**	1.1344	1.1624

9. GOODWILL

	£m
Cost	
At 1 April 2018	188.1
Arising on acquisition	40.1
Exchange movements	(4.5)
At 30 March 2019	223.7
At 31 March 2019	223.7
Arising on acquisition	11.0
Exchange movements	6.3
At 28 March 2020	**241.0**
Accumulated impairment	
At 30 March 2019	–
Exceptional impairment in the year	(50.0)
At 28 March 2020	**(50.0)**
Net Book Value	
At 28 March 2020	**191.0**
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 reported segment share similar characteristics to each other and to the other businesses within that segment.

Previously CGUs were determined to be individual acquisitions which had been made historically, however in the current year these were reassessed in light of an increasing amount of integration, both in terms of operations and management. Consequently, the cash flows of each individual business are no longer distinguishable and as a result, the CGUs assessed in 2020 are aligned to the group reporting divisions, with the exception of the 'UK & Europe – Ceramic Tiles division'. This division is split between a CGU representing the Spanish operations and a CGU representing the Italian operations, which are distinct from one another in terms of geography and, to an extent, management.

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

Cash Generating Units	**2020 £m**	2019 £m
UK & Europe – Soft Flooring	**47.0**	44.0
UK & Europe – Ceramic Tiles (Spain)	**107.4**	151.0
UK & Europe – Ceramic Tiles (Italy)	**23.7**	14.5
Australia	**12.9**	14.2
	191.0	223.7

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

9. GOODWILL (CONTINUED)

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: 12% for the 'UK & Europe – Soft Flooring' CGU; 13.5% for the Spanish part of the 'UK & Europe – Ceramic Tiles' CGU; 13.25% for the Italian part of the 'UK & Europe – Ceramic Tiles' CGU; and 13.9% for the 'Australia' CGU 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 rates between the divisions are the differences in underlying risk-free rates and cost of debt across the different geographies. The calculation uses cash flow projections extrapolated from the budget for the year ending March 2021. At the end of the discrete forecast period, a terminal value is calculated based on terminal growth rate assumptions of: 2.25% for the 'UK & Europe – Soft Flooring' CGU; 1.3% for the Spanish part of the 'UK & Europe – Ceramic Tiles' CGU; 1.75% for the Italian part of the 'UK & Europe – Ceramic Tiles' CGU; and 2.75% for the 'Australia' CGU.

Primarily as a result of the Covid-19 pandemic and the associated uncertainties, we have reduced our forecast assumptions and the recoverable amount of all of the CGUs were reduced. As a consequence, the 'UK & Europe – Ceramic Tiles (Spain) CGU was assessed to have a recoverable amount of £478.3m, being its value in use. In calculating the value in use, a discount rate of 13.5% and a terminal growth rate of 1.3% were applied. As the value in use was lower than the carrying value of its assets, an impairment to goodwill of £50.0m was recognised, and charged through the income statement during the period. If a discount rate of 0.5% higher had been used, the resulting impairment implied would have been greater by £19.9m; whereas if a discount rate of 0.5% lower had been used, the resulting impairment implied would have been lower by £21.6m.

No reasonably possible changes in assumptions in the value in use calculations for the other CGUs would generate an impairment.

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 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
At 31 March 2019	**221.5**	**54.4**	**4.7**	**1.7**	**282.3**
Additions	**–**	**–**	**–**	**1.1**	**1.1**
Business combinations	**20.1**	**4.1**	**–**	**0.2**	**24.4**
Exchange difference	**6.1**	**1.8**	**0.1**	**0.1**	**8.1**
At 28 March 2020	**247.7**	**60.3**	**4.8**	**3.1**	**315.9**
Amortisation					
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
At 31 March 2019	**33.3**	**5.6**	**1.6**	**0.4**	**40.9**
Charge for the period	**19.1**	**4.7**	**1.2**	**0.5**	**25.5**
Exchange difference	**0.4**	**0.1**	**–**	**0.1**	**0.6**
At 28 March 2020	**52.8**	**10.4**	**2.8**	**1.0**	**67.0**
Net book value					
At 28 March 2020	**194.9**	**49.9**	**2.0**	**2.1**	**248.9**
At 30 March 2019	188.2	48.8	3.1	1.3	241.4
At 1 April 2018	163.2	41.9	4.4	0.9	210.4

Company	Customer relationships £m	Brand names £m	Other acquired intangibles £m	IT software £m	Company Total £m
Cost					
At 31 March 2019	**–**	**–**	**–**	**0.4**	**0.4**
Additions	**–**	**–**	**–**	**–**	**–**
At 28 March 2020	**–**	**–**	**–**	**0.4**	**0.4**
Amortisation					
At 31 March 2019	**–**	**–**	**–**	**0.1**	**0.1**
Charge for the period	**–**	**–**	**–**	**0.1**	**0.1**
At 28 March 2020	**–**	**–**	**–**	**0.2**	**0.2**
Net book value					
At 28 March 2020	**–**	**–**	**–**	**0.2**	**0.2**
At 30 March 2019	–	–	–	0.3	0.3
At 1 April 2018	–	–	–	0.2	0.2

Notes to the accounts

11. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land and buildings £m	Plant and machinery £m	Fixtures, vehicles and equipment £m	Total £m
Cost				
At 1 April 2018	75.6	89.7	21.2	186.5
Additions	1.7	29.1	13.3	44.1
Transfers	0.2	(0.3)	–	–
Disposals	–	(5.4)	(6.5)	(11.9)
Business combinations	18.5	15.8	–	34.3
Exchange differences	(2.3)	(3.7)	(0.2)	(6.2)
At 30 March 2019	93.7	125.2	27.8	246.7
At 31 March 2019	**93.7**	**125.2**	**27.8**	**246.7**
Additions	**0.8**	**18.5**	**11.4**	**30.7**
Transfer of assets reclassified to right-of-use leases	**–**	**(4.7)**	**(1.2)**	**(5.9)**
Disposals	**(0.1)**	**(6.1)**	**(11.5)**	**(17.7)**
Business combinations	**0.1**	**17.2**	**1.0**	**18.3**
Divestments	**–**	**(0.5)**	**(1.2)**	**(1.7)**
Exchange differences	**3.5**	**2.4**	**(0.3)**	**5.6**
At 28 March 2020	**98.0**	**152.0**	**26.0**	**276.0**
Accumulated depreciation				
At 1 April 2018	1.4	33.7	8.5	43.6
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)
Exchange differences	(0.4)	(2.2)	(0.1)	(2.7)
At 30 March 2019	3.0	40.3	12.8	56.1
At 31 March 2019	**3.0**	**40.3**	**12.8**	**56.1**
Charge for the period	**2.2**	**16.5**	**11.6**	**30.3**
Transfer of assets reclassified to right-of-use leases	**–**	**(3.3)**	**(0.5)**	**(3.8)**
Disposals	**–**	**(5.6)**	**(11.5)**	**(17.1)**
Divestments	**–**	**(0.4)**	**(1.0)**	**(1.4)**
Exchange differences	**0.3**	**–**	**–**	**0.3**
At 28 March 2020	**5.5**	**47.5**	**11.4**	**64.4**
Net Book Value				
At 28 March 2020	**92.5**	**104.5**	**14.6**	**211.6**
At 30 March 2019	90.7	84.9	15.0	190.6
At 31 March 2018	74.2	56.0	12.7	142.9

The Company holds no property, plant and equipment.

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

RIGHT OF USE ASSETS

Group	Land and buildings £m	Plant and machinery £m	Fixtures, vehicles and equipment £m	Total £m
Cost				
At 31 March 2019 being date of adoption of IFRS 16	**48.2**	**0.1**	**7.8**	**56.1**
Transfer of assets previously classed as finance leases	**–**	**1.4**	**0.7**	**2.1**
Business combinations	**16.6**	**1.1**	**0.3**	**18.0**
Additions	**8.2**	**0.2**	**4.6**	**13.0**
Exchange differences	**(0.7)**	**–**	**–**	**(0.7)**
At 28 March 2020	**72.3**	**2.8**	**13.4**	**88.5**
Accumulated depreciation				
At 31 March 2019 being date of adoption of IFRS 16	**–**	**–**	**–**	**–**
Charge for the period	**6.5**	**0.7**	**3.0**	**10.2**
Exchange differences	**(0.1)**	**–**	**(0.1)**	**(0.2)**
At 28 March 2020	**6.4**	**0.7**	**2.9**	**10.0**
Net Book Value				
At 28 March 2020	**65.9**	**2.1**	**10.5**	**78.5**
At 31 March 2019 being date of adoption of IFRS 16	48.2	1.5	8.5	58.2

The group took advantage of the exemptions available not to capitalise short-term leases with a duration of less than 12 months or low value leases with a total cash outflow of less than £5,000. These leases have therefore been treated as off-balance sheet operating leases. The expense in the year relating to operating leases has been disclosed in note 4.

The related right-of-use lease liabilities and maturity analysis are presented in note 16.

Interest expense on right-of-use lease liabilities is disclosed in note 3.

The total cash outflow for right-of-use leases is disclosed in the consolidated cash flow statement.

Company	Land and buildings £m	Plant and machinery £m	Fixtures, vehicles and equipment £m	Total £m
Cost				
At 31 March 2019 being date of adoption of IFRS 16	**6.4**	**–**	**–**	**6.4**
At 28 March 2020	**6.4**	**–**	**–**	**6.4**
Accumulated depreciation				
At 31 March 2019 being date of adoption of IFRS 16	**–**	**–**	**–**	**–**
Charge for the period	**0.4**	**–**	**–**	**0.4**
At 28 March 2020	**0.4**	**–**	**–**	**0.4**
Net Book Value				
At 28 March 2020	**6.0**	**–**	**–**	**6.0**
At 31 March 2019 being date of adoption of IFRS 16	6.4	–	–	6.4

Capital expenditure authorised and committed at the period end:

	2020 £m	2019 £m
Contracts placed	**0.5**	1.7

Notes to the accounts

12. FIXED ASSET INVESTMENTS

		Group		Company	
	Note	**2020 £m**	2019 £m	**2020 £m**	2019 £m
Investment property	(a)	**0.2**	0.2	**0.1**	0.1
Investment in subsidiaries	(b)	**–**	–	**178.0**	51.4
Investment in associates	(c)	**–**	–	**–**	–

(a) Investment property held in the Company's prior year 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 in the prior year.

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, and the fair value at 28 March 2020 of the remaining properties is deemed to be materially unchanged from prior year.

(b) Victoria PLC owns directly or indirectly the whole of the allotted ordinary share capital of the following subsidiary companies. The increase in the year represents: a capital contribution in Victoria Midco Holdings Limited (£123.4m); a capital increase in Millennium Weavers NV (£1.7m); and the allocation of share-based payment charges to the relevant subsidiaries (£1.5m).

12. FIXED ASSET INVESTMENTS (CONTINUED)

As at 28 March 2020	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
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 Ltd	Australia	Carpet manufacturer	Indirect
Victoria Bidco BV	The Netherlands	Holding Company	Indirect
Avalon BV	The Netherlands	Artificial grass distributor	Indirect
GrassInc BV	The Netherlands	Artificial grass distributor	Indirect
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
G-Tuft Limited	England	Carpet manufacturer	Indirect
G-Tuft (2015) Limited	England	Non-trading	Indirect
G-Tuft (Holdings) Limited	England	Holding Company	Indirect
Iberoceramica S.L.U.	Spain	Ceramic tile manufacturer	Indirect
Estillon B.V	The Netherlands	Underlay manufacturer	Indirect
Estillon SARL	France	Underlay distributor	Indirect
Estillon GMBH	Germany	Underlay distributor	Indirect
Ascot Gruppo Ceramiche SRL	Italy	Ceramic tile manufacturer	Indirect

Notes to the accounts

12. FIXED ASSET INVESTMENTS (CONTINUED)

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

As at 28 March 2020	Percentage ownership
Keraben Bolivia, S.R.L.	50%
Easylay Systems Limited	20%

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

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

13. INVENTORIES

Inventories held at year-end	**2020 £m**	2019 £m
Raw materials	**34.9**	30.5
Work-in-progress	**4.0**	3.8
Finished goods	**126.5**	106.2
	165.4	140.5

During the year to 28 March 2020, the total movement in stock provisions resulted in a charge to the income statement of £570,000 (2019 credit: £996,000).

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	
	2020 £m	2019 £m	**2020 £m**	2019 £m
Trade debtors	**123.6**	100.9	**–**	–
Amounts owed by subsidiaries	**–**	–	**33.3**	34.3
Other debtors	**16.6**	10.4	**2.4**	–
Prepayments and accrued income	**3.9**	4.7	**0.1**	0.1
	144.1	116.0	**35.8**	34.4

Amounts falling due after one year:

	Group		Company	
	2020 £m	2019 £m	**2020 £m**	2019 £m
Amounts owed by subsidiaries	**–**	–	**481.3**	577.9
	–	–	**481.3**	577.9

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.

Current trade debtors not considered to be overdue represent amounts due from customers that are not overdue in accordance with the specific credit terms agreed with those customers. The expected credit loss arising on current debtors not overdue is considered to be immaterial.

14. TRADE AND OTHER RECEIVABLES (CONTINUED)

The above amounts are stated net of an allowance (net of VAT) of £6,649,000 (2019: £3,890,000) made for doubtful debts and expected credit losses. The movement of this allowance account during the year is summarised below:

	2020 £m	2019 £m
Opening balance at 31 March 2019	3.9	2.0
Acquisition opening balances	–	3.4
Increase in provisions	2.7	0.3
Recovered against provisions	(0.1)	(1.5)
Exchange differences	0.1	(0.3)
Closing balance at 28 March 2020	6.6	3.9

In light of Covid 19, the Group reassessed its potential future credit risk across its key customer categories as at 28 March 2020. This resulted in an increase in credit loss provision of £2.8m (2019: £0.3m). An analysis of the age of trade receivables can be seen in the table below:

	2020 £m	2019 £m
Current	74.3	67.0
1-30 days overdue	33.1	24.0
31-60 days overdue	9.9	7.0
> 60 days overdue	12.8	6.8
Total	130.1	104.8

The main factors in assessing the appropriate allowance for doubtful debt and credit losses are the age of the balances held and the profile of the customers. Furthermore, specific trade receivables are written-off when there is considered to be little likelihood of recovering the debt. The Directors consider that the carrying amount of all receivables, including those impaired, approximates to their fair value. Further information concerning credit risk, along with an analysis of liquidity and market risks is provided in Note 26.

15. TRADE AND OTHER PAYABLES

Amounts falling due within one year:

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
Trade creditors	152.3	102.4	–	–
Amounts due to subsidiaries	–	–	5.5	–
Deferred and contingent earn-out liabilities	31.9	16.6	–	–
Other creditors	33.3	28.9	3.9	1.0
Accruals	17.0	13.6	5.3	1.5
Acquisition-related performance plan liability	7.4	7.1	–	–
Deferred income	0.1	–	–	–
	242.0	168.6	14.7	2.5

Amounts falling due after one year:

	Group		Company	
	2020 £m	2019 £m	2020 £m	2019 £m
Deferred and contingent earn-out liabilities	7.1	12.5	–	–
Deferred income	2.1	2.0	–	–
Acquisition-related performance plan liability	1.5	1.4	–	–
Other creditors	6.8	3.5	–	–
	17.5	19.5	–	–

Notes to the accounts

15. TRADE AND OTHER PAYABLES (CONTINUED)

Deferred and contingent earn-out liabilities (Group and Company) are in connection with the acquisitions of Ezi Floor Limited, Grass Inc B.V., Ceramiche Serra S.p.A, Estillon B.V, Iberoceramica S.L.U. & Ascot Gruppo Ceramiche SRL. 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 £7.1m is split as follows: between one to two years £6.2m and between two to five years £0.9m.

Deferred income relates to government grants as shown in Note 25.

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 €8.3m 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 €8.3m 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		Company	
	2020 £m	2019 £m	**2020 £m**	2019 £m
Bank overdrafts	**2.1**	6.2	**–**	–
Unsecured loans	**2.8**	3.3	**–**	2.1
Finance leases and hire purchase agreements	**–**	0.9	**–**	–
Obligations under right-of-use leases	**11.8**	–	**0.3**	–
	16.7	10.4	**0.3**	2.1

Amounts falling due after one year:

	Group		Company	
	2020 £m	2019 £m	**2020 £m**	2019 £m
Senior secured debt (net of prepaid finance costs):				
– due between one and two years	**–**	380.4	**–**	379.2
– due between two and five years	**527.8**	1.8	**527.1**	–
Unsecured loans:				
– due between one and two years	**12.8**	–	**11.6**	–
– due between two and five years	**–**	9.4	**–**	9.4
Finance leases and hire purchase agreements:				
– due between one and two years	**–**	0.4	**–**	–
– due between two and five years	**–**	0.3	**–**	–
Obligations under right-of-use leases:				
– due between one and two years	**12.4**	–	**0.4**	–
– due between two and five years	**24.5**	–	**1.6**	–
– due over five years	**31.1**	–	**3.8**	–
	608.6	392.3	**544.5**	388.6

Senior debt as at 28 March 2020 relates to €500m of 2024 senior secured notes, on which a coupon of 5.25% is paid bi-annually. The notes were issued in two tranches during the year, with the first tranche (€330m) issued at par and the second (€170m) at a 5% premium. As such, on issuance of the second tranche the Company received incremental proceeds of €8.5m, which was recognised within the opening value of the liability, and is reduced to €nil at maturity when only the par value (€170m) is repayable. As at 28 March 2020 this premium is recognised on the balance sheet at £7.5m. The fair value of the liability as at 28 March was €388.6m, which has been determined based on a quoted price in an active market.

16. OTHER FINANCIAL LIABILITIES (CONTINUED)

Attached to the notes is an early repayment option, which has been identified as an embedded derivative asset, separately valued from the host contract. Changes in the Group's credit rating and market pricing of the notes would have an impact on the value of the option for early repayment. The redemption price of the repayment option is the par value of the notes plus any accrued interest, plus the following premia: within the first two years 2.625% plus a make-whole of the fair value of interest that would otherwise have been payable in that period; in the third year 2.625%; in the fourth year 1.3125%; in the fifth year 0%.

This option has been valued based on the contractual redemption terms and measuring the Group's forward assessment of the notes' market value based on an option pricing model. The value of the derivative asset at inception of the first and second tranches of the notes was £2.0m and £5.0m, respectively. The value of the liability recognised for the notes was increased by a corresponding amount, which is then reduced to par (€500m) at maturity in 2024 using a effective interest rate method.

As a result, as at 28 March 2020 there is a total liability recognised of £452.9m in relation to notes with a par value of £448.4m (€500m) repayable in 2024, which includes an additional liability of £6.8m arising as a result of the embedded derivative recognition and £7.5m relating to the premium on the second tranche. The value of the derivative asset at the year end was £nil, and therefore an associated non-cash charge was recognised through the income statement for the period of £7.3m.

Additionally, the Group has a variable rate £75m multi-currency revolving credit facility maturing in 2024, which at the year end was drawn in full. The prior year €445m term loan provided by Barclays & HSBC was refinanced in the current year with the senior notes.

The unsecured loans relate to a loan of £1.5m owed to the vendors of the G-tuft business, and the debt component of the BGF loan on which the coupon is 6%. During the year, payment of the BGF redemption premium was deferred from December 2019 to December 2021, resulting in a non-underlying financial income of £0.2m (see Note 3).

The Group's net debt position as at 28 March 2020 was £378.6m (2019: £339.9m), before inclusion of right-of-use lease liabilities and netting off prepaid finance costs. This figure includes the above £6.8m in relation to the early repayment option on the notes and £7.5m relating to the 5% issue premium on the second tranche of the notes. The contractual maturities of financial liabilities and average effective interest rates are set out in Note 26.

17. FINANCIAL ASSETS AND LIABILITIES

The financial assets of the Group comprised:

	At 28 March 2020				At 30 March 2019			
Group	**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	**51.9**	**–**	**–**	**51.9**	11.8	–	–	11.8
US Dollars	**1.8**	**–**	**–**	**1.8**	1.7	–	–	1.7
Euros	**109.1**	**–**	**–**	**109.1**	47.3	–	–	47.3
Australian Dollars	**13.5**	**–**	**–**	**13.5**	5.3	–	–	5.3
New Zealand Dollars	**0.5**	**–**	**–**	**0.5**	0.3	–	–	0.3
	176.8	**–**	**–**	**176.8**	66.4	–	–	66.4
Current assets								
Trade and other receivables	**137.8**	**–**	**3.9**	**141.7**	105.5	–	10.5	116.0
Current inventories	**–**	**–**	**165.4**	**165.4**	–	–	140.5	140.5
Forward foreign exchange contracts	**–**	**2.4**	**–**	**2.4**	–	–	–	–
Current assets	**314.6**	**2.4**	**169.3**	**486.3**	171.9	–	151.0	322.9

Notes to the accounts

17. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

The financial liabilities of the Group comprised:

	At 28 March 2020				At 30 March 2019			
Group	**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	**2.0**	**–**	**–**	**2.0**	1.1	–	–	1.1
US Dollars	**–**	**–**	**–**	**–**	0.1	–	–	0.1
Euro	**0.1**	**–**	**–**	**0.1**	5.0	–	–	5.0
	2.1	**–**	**–**	**2.1**	6.2	–	–	6.2
Current liabilities								
Trade and other payables	**202.2**	**22.5**	**9.9**	**234.6**	139.8	12.5	8.3	160.6
Acquisition-related performance plan liability	**7.4**	**–**	**–**	**7.4**	7.1	–	–	7.1
Current tax liabilities	**–**	**–**	**–**	**–**	–	–	–	–
Forward foreign exchange contracts	**–**	**–**	**–**	**–**	–	0.9	–	0.9
Finance leases and hire purchase	**–**	**–**	**–**	**–**	0.9	–	–	0.9
Obligations under right-of-use leases	**11.8**	**–**	**–**	**11.8**	–	–	–	–
Unsecured loans	**2.8**	**–**	**–**	**2.8**	3.3	–	–	3.3
Current liabilities	**226.3**	**22.5**	**9.9**	**258.7**	157.3	13.4	8.3	179.0
Non-current liabilities								
Trade and other payables	**7.2**	**6.7**	**2.1**	**16.0**	4.6	11.4	2.0	18.1
Acquisition-related performance plan liability	**–**	**–**	**1.5**	**1.5**	–	–	1.4	1.4
Deferred tax liabilities	**–**	**–**	**71.2**	**71.2**	–	–	66.1	66.1
Retirement benefit obligations	**–**	**–**	**6.3**	**6.3**	–	–	7.8	7.8
Finance leases & hire purchase	**–**	**–**	**–**	**–**	0.7	–	–	0.7
Obligations under right-of-use leases	**68.0**	**–**	**–**	**68.0**	–	–	–	–
Senior secured debt	**527.8**	**–**	**–**	**527.8**	382.2	–	–	382.2
Unsecured loans	**12.8**	**–**	**–**	**12.8**	9.4	–	–	9.4
Non-current liabilities	**615.8**	**6.7**	**81.1**	**703.6**	396.9	11.4	77.4	485.7
Total liabilities	**842.1**	**29.2**	**91.0**	**962.3**	554.2	24.8	85.7	664.7

17. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

The financial assets of the Company comprised:

	At 28 March 2020				At 30 March 2019			
Company	**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	**41.5**	**–**	**–**	**41.5**	4.4	–	–	4.4
US Dollars	**0.2**	**–**	**–**	**0.2**	1.0	–	–	1.0
Euros	**68.1**	**–**	**–**	**68.1**	13.6	–	–	13.6
Australian Dollars	**5.6**	**–**	**–**	**5.6**	–	–	–	–
	115.4	**–**	**–**	**115.4**	19.0	–	–	19.0
Current assets								
Trade and other receivables	**33.3**	**–**	**0.1**	**33.4**	34.3	–	0.1	34.4
Forward foreign exchange contracts	**–**	**2.4**	**–**	**2.4**	–	–	–	–
Current assets	**148.7**	**2.4**	**0.1**	**151.2**	53.3	–	0.1	53.4
Non-current assets								
Amounts owed by subsidiaries	**481.3**	**–**	**–**	**481.3**	577.9	–	–	577.9
Deferred tax assets	**–**	**–**	**1.4**	**1.4**	–	–	0.2	0.2
Non-current assets	**481.3**	**–**	**1.4**	**482.7**	577.9	–	0.2	578.1
Total financial assets	**630.0**	**2.4**	**1.5**	**633.9**	631.2	–	0.3	631.5

The financial liabilities of the Company comprised:

	At 28 March 2020				At 30 March 2019			
Company	**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
Current liabilities								
Trade and other payables	**14.7**	**–**	**–**	**14.7**	1.5	–	–	1.5
Current tax liabilities	**–**	**–**	**–**	**–**	–	–	–	–
Forward foreign exchange contracts	**–**	**–**	**–**	**–**	–	1.0	–	1.0
Obligations under right-of-use leases	**0.3**	**–**	**–**	**0.3**	–	–	–	–
Unsecured loans	**–**	**–**	**–**	**–**	2.1	–	–	2.1
Current liabilities	**15.0**	**–**	**–**	**15.0**	3.6	1.0	–	4.6
Non-current liabilities								
Obligations under right-of-use leases	**5.8**	**–**	**–**	**5.8**	–	–	–	–
Senior secured debt	**527.1**	**–**	**–**	**527.1**	379.2	–	–	379.2
Unsecured loans	**11.6**	**–**	**–**	**11.6**	9.4	–	–	9.4
Non-current liabilities	**544.5**	**–**	**–**	**544.5**	388.6	–	–	388.6
Total liabilities	**559.5**	**–**	**–**	**559.5**	392.2	1.0	–	393.2

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 28 March 2020.

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 in the estimated fair value.

There were no transfers between level one, level two and level three in 2020 or 2019.

17. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Analysis of net debt

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

Group	At 31 March 2019 £m	Cash flow £m	Capital expenditure £m	Acquisitions £m	Other non-cash changes £m	Exchange movement £m	**At 28 March 2020 £m**
Cash and cash equivalents	66.4	106.9	–	1.1	–	2.4	**176.8**
Bank overdraft	(6.2)	4.1	–	–	–	–	**(2.1)**
Net cash and cash equivalents	60.2	111.0	–	1.1	–	2.4	**174.7**
Finance leases and hire purchase agreements:							
– due in less than one year	(0.9)	–	–	–	0.9	–	**–**
– due in more than one year	(0.7)	–	–	–	0.7	–	**–**
Senior secured debt:							
– due in less than one year	(1.2)	–	–	–	1.2	–	**–**
– due in more than one year	(385.8)	(118.0)	–	–	(6.7)	(27.2)	**(537.7)**
Unsecured loans:							
– due in less than one year	(2.1)	1.1	–	(1.5)	(0.3)	–	**(2.8)**
– due in more than one year	(9.4)	–	–	–	(3.4)	–	**(12.8)**
Obligations under right-of-use leases:							
– due in less than one year	–	9.0	(1.9)	(1.8)	(17.1)	–	**(11.8)**
– due in more than one year	–	–	(10.8)	(15.9)	(42.0)	0.7	**(68.0)**
Prepaid finance costs	3.6	9.0	–	–	(2.7)	–	**9.9**
Net debt including right-of-use lease liabilities, issue premia and prepaid finance costs	(336.3)	12.1	(12.7)	(18.1)	(69.4)	(24.1)	**(448.5)**

The cashflows therein included represent the physical cash inflow received by the Group as a result of the refinancing exercises in the period, the majority of which was directly paid by the new debt holders to the existing debt holders and therefore did not represent a cash inflow for the company.

Group	At 31 March 2018 £m	Cash flow £m	Capital expenditure £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)
Senior secured debt:							
– 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)
Unsecured 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)

Notes to the accounts

17. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Senior secured debt and unsecured loans are disclosed in the table excluding prepaid finance costs.

The Group's policy on Derivatives and Other Financial Instruments is set out in Note 26.

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

Company	At 31 March 2019 £m	Cash flow £m	Capital expenditure £m	Acquisitions £m	Other non-cash changes £m	Exchange movement £m	**At 28 March 2020 £m**
Cash and cash equivalents	19.0	94.4	–	–	–	2.0	**115.4**
Bank overdraft	–	–	–	–	–	–	**–**
Net cash and cash equivalents	19.0	94.4	–	–	–	2.0	**115.4**
Senior secured debt:							
– due in more than one year	(382.8)	(120.2)	–	–	(6.8)	(27.2)	**(537.0)**
Unsecured loans:							
– due in less than one year	(2.1)	–	–	–	2.1	–	**–**
– due in more than one year	(9.4)	–	–	–	(2.1)	–	**(11.6)**
Obligations under right-of-use leases:							
– due in less than one year	–	0.4	–	–	(0.7)	–	**(0.3)**
– due in more than one year	–	–	–	–	(5.8)	–	**(5.8)**
Prepaid finance costs	3.6	9.0	–	–	(2.7)	–	**9.9**
Net debt including right-of-use lease liabilities, issue premia and prepaid finance costs	(371.8)	(16.4)	–	–	(16.0)	(25.2)	**(429.4)**

The cashflows therein included represent the physical cash inflow received by the Company as a result of the refinancing exercises in the period, the majority of which was directly paid by the new debt holders to the existing debt holders and therefore did not represent a cash inflow for the company.

Company	At 31 March 2018 £m	Cash flow £m	Capital expenditure £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
Senior secured debt:							
– due in more than one year	(293.0)	(45.2)	–	–	(54.4)	9.8	(382.8)
Unsecured 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	(371.8)

Senior secured debt and unsecured loans are disclosed in the table excluding prepaid finance costs.

17. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Amounts falling due within one year:

	Group		Company	
	2020 £m	2019 £m	**2020 £m**	2019 £m
Deferred earn-out liabilities	**9.4**	4.1	**–**	–
Contingent earn-out liabilities	**22.5**	12.5	**–**	–
	31.9	16.6	**–**	–

Amounts falling due after one year:

	Group		Company	
	2020 £m	2019 £m	**2020 £m**	2019 £m
Deferred earn-out liabilities:				
– due between one and two years	**0.1**	1.1	**–**	–
– due between two and five years	**0.3**	–	**–**	–
Contingent earn-out liabilities:				
– due between one and two years	**6.1**	6.4	**–**	–
– due between two and five years	**0.6**	5.0	**–**	–
	7.1	12.5	**–**	–

Reconciliation of movement in contingent earn-out liabilities	Group £m	Company £m
Contingent earn-out liabilities as at 31 March 2019	23.9	–
Payments made during the period	(5.7)	(0.1)
Unwinding of present value	2.5	–
Other fair value adjustments	0.8	0.1
Business acquisitions	6.9	–
Exchange rate difference	0.8	–
Contingent earn-out liabilities as at 28 March 2020	**29.2**	**–**

Notes to the accounts

18. OPERATING LEASE ARRANGEMENTS

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	**2020 £m**	2019 £m	**2020 £m**	2019 £m
Within one year	**0.3**	9.2	**–**	0.5
In the second to fifth years inclusive	**–**	27.5	**–**	2.2
After five years	**–**	19.7	**–**	5.4
	0.3	56.4	**–**	8.1

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.

Leases with a duration of over 12 months and a total cost of over £5,000 have been included within right-of-use assets in accordance with IFRS 16, see Note 11. The adjustment has been applied from 31 March 2019 using the modified retrospective approach and comparatives have not been restated. The commitment as at 30 March 2019 and the amount capitalised as a lease liability on transition to IFRS 16 can be reconciled as follows:

	Group £m	Company £m
Operating lease commitment as at 30 March 2019	**56.4**	8.1
Effect of discounting using the incremental borrowing rate	**(9.8)**	(2.1)
Effect of different lease conditions under IFRS 16	**10.7**	0.4
Right-of-use lease liability recognised on transition	**57.3**	6.4

19. DEFERRED TAXATION

	Group £m	Company £m
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)
At 31 March 2019	**60.3**	**(0.2)**
(Credit) / charge to income statement (see Note 6)	**(4.5)**	**(1.2)**
Deferred tax in relation to pension scheme	**0.1**	**–**
Deferred tax on intangible assets acquired	**6.5**	**–**
Exchange adjustment	**2.4**	**–**
At 28 March 2020	**64.8**	**(1.4)**

The provision for deferred taxation is as follows:

	Group		Company	
	2020 £m	2019 £m	**2020 £m**	2019 £m
Fixed assets	**1.0**	0.4	**–**	–
Investment property	**(0.1)**	(0.1)	**(0.1)**	(0.1)
Tax losses	**(3.0)**	(1.9)	**(1.3)**	(0.1)
Deferred tax on intangible assets acquired	**61.3**	59.0	**–**	–
Deferred tax on defined benefit pension	**(1.2)**	(1.3)		
Other timing differences	**6.8**	4.2	**–**	–
	64.8	60.3	**(1.4)**	(0.2)

The provision is based on taxation rates of 19% in respect of balances relating to the UK businesses, 30% in respect of balances relating to the Australian businesses, 25% in respect of balances relating to the Dutch businesses, 25% in respect of balances relating to the Spanish business, 29% in respect of balances relating to the Belgian business, and 27.9% in respect of balances relating to the Italian business.

Deferred tax assets and liabilities

The deferred tax balances shown on the balance sheet are:

	Group		Company	
	2020 £m	2019 £m	**2020 £m**	2019 £m
Deferred tax liabilities	**71.2**	66.1	**–**	–
Deferred tax assets	**(6.4)**	(5.8)	**(1.4)**	(0.2)
	64.8	60.3	**(1.4)**	(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 £3,877,000 (2019: £3,831,000), of which £2,245,000 (2019: £2,257,000) relates to the UK schemes. The total contributions outstanding at year-end were £nil (2019: £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 £136,000 (2019: £95,000) in respect of the Main Scheme and £nil (2019: £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.

20. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

Longevity risk

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

The present value of the defined benefit liabilities was measured using the projected unit credit method. The expected rates of return on plan assets are determined by reference to relevant indices. The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

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

	2020	2019
Discount rate	**2.4%**	2.3%
Revaluation rate of deferred pensioners of CPI or 5% p.a. if less	**2.0%**	2.3%
Pension in payment increases of RPI or 5% p.a. if less	**2.9%**	3.1%
Pension in payment increases of CPI or 3% p.a. if less	**1.8%**	2.0%
Inflation (RPI)	**3.0%**	3.3%
Inflation (CPI)	**2.0%**	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: 20.7 years (male), 23.1 years (female).

(ii) Future retiree (aged 45) upon reaching 65: 21.7 years (male), 24.2 years (female).

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

	2020 £m	2019 £m
Net interest expense	**0.1**	0.2
Curtailments / settlements	**(0.1)**	–
Past service cost	**–**	0.5
Components of defined benefit costs recognised in profit or loss	**–**	0.7

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:

	2020 £m	2019 £m
The return on plan assets (excluding amounts included in net interest expense)	**(1.5)**	1.1
Actuarial gains arising from changes in demographic assumptions	**–**	0.2
Actuarial gains / (losses) arising from changes in financial assumptions	**2.9**	(1.1)
Actuarial gains arising from experience adjustments	**–**	1.7
Remeasurement of the net defined benefit liability	**1.4**	1.9

20. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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

	2020 £m	2019 £m
Present value of defined benefit obligations	(28.4)	(32.5)
Fair value of plan assets	22.1	24.7
Net liability arising from defined benefit obligation	(6.3)	(7.8)
Deferred tax applied to net obligation	1.2	1.3

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

	2020 £m	2019 £m
Opening defined benefit obligation	32.6	33.4
Interest cost	0.7	0.8
Remeasurement (gains)/losses:	–	–
Actuarial (gains) arising from changes in demographic assumptions	(0.1)	(0.2)
Actuarial (gains) and losses arising from changes in financial assumptions	(2.9)	1.1
Actuarial (gains) arising from experience adjustments	–	(1.7)
Benefits paid and expenses	(1.8)	(1.4)
(Gains) on Settlements/ curtailments	(0.1)	–
Past service costs	–	0.5
Closing defined benefit obligation	28.4	32.5

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

	2020 £m	2019 £m
Opening fair value of plan assets	24.7	24.3
Interest income	0.6	0.6
Remeasurement gains:		
The return on plan assets (excluding amounts included in net interest expense)	(1.5)	1.1
Contributions from the employer	0.1	0.1
Benefits paid and expenses	(1.8)	(1.4)
Closing fair value of plan assets	22.1	24.7

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

	2020 £m	2019 £m
Cash and cash equivalents	0.3	–
LDI	3.9	4.1
Equities	5.8	7.3
Property	1.3	1.3
Multi-Asset Credit Funds	8.7	9.6
Diversified Growth Funds	2.1	2.4
Closing fair value of plan assets	22.1	24.7

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

20. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

The actual return on plan assets was £973,000 (2019: £1,671,000).

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 0.5% per annum, the defined benefit obligation would increase by 8.8%.

If the rate of inflation increases by 0.5% per annum, the defined benefit obligation would increase by 8.2%.

If the life expectancy increases by one year for both men and women, the defined benefit obligation would increase by 3.9%.

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 (2019: £136,000) to the defined benefit schemes during the next financial period.

21. SHARE CAPITAL

	2020 £m	2019 £m
Allotted, called up and fully paid		
Ordinary shares	**6.3**	6.3

The Company has one class of Ordinary shares which carry 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.

Notes to the accounts

22. RESERVES

(a) Retained earnings

Retained earnings for the Group as at 28 March 2020 were negative £42,900,000 (2019: £20,563,000).

The loss of the Company for the year determined in accordance with the Companies Act 2006 was £37,345,000 (2019: loss of £8,954,000). 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 28 March 2020 was £5,900,000 (2019: £2,335,000), in respect of foreign exchange differences on consolidation of overseas subsidiaries.

(c) Share premium

The share premium account for the Group as at 28 March 2020 was £288,700,000 (2019: £288,700,000), 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 28 March 2020 were £2,600,000 (2019: £1,951,000) and relate to share-based payment charges (see further details in Note 5).

23. ACQUISITION OF SUBSIDIARIES

(a) Iberoceramica S.L.U.

On 6 August 2019 the Group acquired 100% of the equity of Iberoceramica S.L.U.

Operating from a site in Castellon, (near Valencia), Ibero is strategically close to the Group's existing Spanish ceramics manufacturers, Keraben and Saloni. Founded in 1958, it manufactures high quality porcelain ceramic flooring, which is sold both domestically and internationally. It sells to a combination of wholesalers, retail groups, and independent stores throughout Continental Europe, North America, and the Middle East.

The Group results for the 52 weeks ended 28 March 2020 include contribution from Ibero of €15.3m (£13.3m[1]) of revenue and €0.6m (£0.5m[1]) of profit before tax (before amortisation of acquired intangibles and acquisition costs). If the acquisition had been completed on the first day of the financial year Group revenue and profit before tax would have been higher by €11.8m (£10.3m[1]) and €0.3m (£0.3m[1]) respectively.

[1] *Applying the average exchange rate over the financial year of 1.1442.*

Consideration

The consideration for the acquisition comprises:

(i) Initial cash consideration of €9.4m (£8.6m[2])

(ii) Contingent consideration of up to €6.2m (£5.7m[2]) dependent on sales volumes and other performance criteria

[2] *Applying the GBP to € exchange rate at the date of acquisition of 1.0864.*

23. ACQUISITION OF SUBSIDIARIES (CONTINUED)

Net Assets Acquired

	Amounts recognised at acquisition date £m
Property, plant and equipment	8.1
Right of use lease assets	14.2
Trade and other receivables	0.1
Inventories	12.1
Trade and other payables	(0.7)
Obligations under right of use leases	(14.2)
Book value of net assets acquired	19.6
Fair value adjustment on fixed assets	(2.2)
Fair value adjustment on inventories	(3.2)
Intangible assets arising on acquisition (see Note 10)	7.4
Deferred tax liability on intangible assets acquired	(1.8)
Fair value of total identifiable net assets	19.8
Negative goodwill arising on acquisition (see Note 2)	(5.5)
Total consideration	14.3
Satisfied by:	
Cash	8.6
Contingent consideration	5.7
	14.3

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, negative goodwill of £5.5m is created on the consolidation of Ibero, which was taken to the income statement in the period.

Transaction costs amounting to £0.5m relating to the acquisition have been recognised as an expense and included in exceptional administrative expenses in the Group Income Statement.

(b) Ascot Gruppo Ceramiche S.R.L.

On 1 March 2020, Victoria PLC entered into an arrangement to lease the business and manufacturing facilities of Ascot for seven years, with an associated option to purchase the business.

During the course of FY20, the Group explored opportunities to expand the production capacity for its Italian ceramic tiles operations, where demand consistently exceeded the maximum manufacturing output of the existing business Ceramiche Serra.

Operating in Sassuolo, Italy, Ascot is located close to Serra. It manufactures high quality porcelain ceramic flooring, which is sold both domestically and internationally. It sells to a combination of wholesalers, retail groups, and independent stores throughout Continental Europe. With excess capacity and the ability to leverage operational synergies, Ascot provides a solution to the above capacity constraint issue.

Despite the arrangement being structured as a lease with option to purchase, as the Group has full control of the business and assets of Ascot and intends to exercise the option to acquire, the transaction meets the criteria for business combination accounting under IFRS3.

Notes to the accounts

23. ACQUISITION OF SUBSIDIARIES (CONTINUED)

The total consideration is €11.5m (£9.9m), all of which is deferred on completion, with payments being made over the period of the lease up to the point at which the option to acquire is exercised. The option is exercisable at any time for no cost, subject to the full remaining balance of the full €11.5m being paid.

While there is no initial payment, under the agreement, the vendors have some flexibility over the timings of the deferred consideration payments, albeit an adjustment for cost of capital applies if drawn early.

For the year ended 31 December 2018, Ascot reported revenues of €67.1m (£58.6m[1]) and operating profit of €2.3m (£2.0m[1]).

This is clearly a period prior to the signing of the lease arrangement and therefore does not include any of the aforementioned capacity benefits for the Group.

The Group results for the 52 weeks ended 28 March 2020 include contribution from Ascot of €4.8m (£4.2m[1]) of revenue and €0.4m (£0.3m[1]) of profit before tax (before amortisation of acquired intangibles and acquisition costs).

[1] *Applying the average exchange rate over the financial year of 1.1442.*

Consideration

There was no initial cash consideration paid on the date of the transaction.

Net Assets Acquired

	Amounts recognised at acquisition date £m
Property, plant and equipment	8.8
Right of use lease assets	1.3
Trade and other receivables	6.1
Inventories	9.7
Trade and other payables	(35.1)
Obligations under right of use leases	(1.3)
Book value of net assets acquired	(10.5)
Intangible assets arising on acquisition (see Note 10)	16.9
Deferred tax liability on intangible assets acquired	(4.8)
Fair value of total identifiable net assets	1.6
Goodwill (see Note 9)	8.3
Total consideration	9.9
Satisfied by:	
Cash	–
Deferred consideration	9.9
	9.9

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. Intangible assets have been attributed values on a provisional basis, with a full purhcase price allocation exercise to be completed in the next financial year.

After fair value adjustments, goodwill of £8.3m is created on the consolidation of Ascot, which relates to expected future profits of the business.

Transaction costs amounting to £1.0m relating to the acquisition have been recognised as an expense and included in exceptional administrative expenses in the Group Income Statement.

23. ACQUISITION OF SUBSIDIARIES (CONTINUED)

(c) G-tuft Ltd

On 9 May 2019 the Group acquired 100% of the equity of G-tuft (2015) Ltd, a contract carpet manufacturing business based in the UK. The acquisition was strategically defensive, given at the time of acquisition, approximately 70% of G-tuft sales were already to Group businesses. On top of this G-tuft provides the Group with additional unutilised manufacturing capacity.

Cash consideration of £0.6m was paid on completion, with a further £1.0m of deferred consideration paid within the same financial year. Transaction costs amounting toon £0.1m have been recognised as an expense and included in exceptional administrative expenses in the Group Income Statement. No separately identified intangible assets were acquired and negative goodwill of £0.5m was recognised within exceptional income in the Group Income Statement for the period, as a result of the net assets on acquisition exceeding the purchase price.

(d) Estillon BV

On 8 November 2019 the Group acquired 100% of the equity of Estillon BV, a flooring underlay manufacturer and distributer, based in The Netherlands. The acquisition strengthens the Group's position in the European underlay market.

Cash consideration of €3.2m (£2.8m) was paid on completion, and in addiiton there is €1.8m (£1.6m) of contingent earn-out, and €0.7m (£0.6m) of deferred consideration. Transaction costs amounting to £0.1m have been recognised as an expense and included in exceptional administrative expenses in the Group Income Statement. Goodwill of €3.0m (£2.6m) was recognised on consolidation of Estillon (see Note 9) and no separately identified intangible assets were acquired.

Notes to the accounts

24. DISCONTINUED OPERATIONS

On 3 February 2020 the Group disposed of its wholly owned subsidiary, A&A Carpets Limtied. The Group received cash consideration of £0.9m, and recognised a loss on disposal of £2.0m (non-cash item).

Income statement of discontinued operations

	52 weeks ended 28 March 2020 £m	52 weeks ended 30 March 2019 £m
Revenue	**6.3**	7.6
Cost of sales	**(4.4)**	(5.3)
Distribution costs	**(1.4)**	(1.8)
Administrative expenses	**(0.6)**	(0.4)
Operating profit	**(0.1)**	0.1
Finance costs	**–**	–
(Loss) / profit before tax	**(0.1)**	0.1
Taxation	**–**	–
Loss on disposal	**(1.9)**	–
(Loss) / profit for the financial year from discontinued operations	**(2.0)**	0.1

Assets and liabilities of discontinued operations

	As at 28 March 2020 £m
Property plant and equipment	**0.4**
Inventories	**2.5**
Trade and other receivables	**0.9**
Cash & cash equivalents	**0.1**
Total assets	**3.9**
Trade and other payables	**1.0**
Current tax liabilities	**–**
Intercompany liabilities	**2.0**
Finance lease and hire purchase agreements	**0.1**
Total liabilities	**3.1**
Net assets	**0.8**
Total consideration	**0.9**
Intercompany write-offs	**2.0**
Net loss on disposal	**1.9**

Cash flows from discontinued operations

	52 weeks ended 28 March 2020 £m	52 weeks ended 30 March 2019 £m
Net cash flows from operating activities	**0.1**	0.4
Movement in working capital	**–**	(0.2)
Net cash flows from financing activities	**–**	–
Net cash flows	**0.1**	0.2
Cash and cash equivalents at the beginning of the period	**–**	(0.2)
Cash and cash equivalent disposed	**(0.1)**	–
Cash and cash equivalents at the end of the period	**–**	–

25. GOVERNMENT GRANTS

	2020 £m	2019 £m
Deferred income at 31 March 2019	**2.1**	1.0
Grant income received in the year	**0.5**	1.4
Amortisation to deferred income by release through cost of production	**(0.5)**	(0.7)
Adjustment for acquisitions in the year	**–**	0.4
Exchange adjustment	**0.1**	–
Deferred income at 28 March 2020	**2.2**	2.1
Presented in:		
Current liabilities	**0.1**	–
Non-current liabilities	**2.1**	2.1
	2.2	2.1

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

26. 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.

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. Furthermore, in specific areas where a heightened credit risk is perceived, credit insurance is utilised to help mitigate this risk. A review of credit risk by customer category was undertaken in light of historical rates of credit loss overlaid with the heightened risk of potential economic fallout from Covid-19.

Trade receivables consist of a large number of customers spread across geographical locations. Furthermore, specific trade receivables are written-off when there is considered to be little likelihood of recovering the debt.

Further to the above review in light of Covid-19, the Group's credit loss provision was increased by £1.0m to account for the heightened risk. The group continues to monitor its exposure to expected credit losses and further disclosure will be provided in future periods if the Group's assessment changes.

Notes to the accounts

26. FINANCIAL INSTRUMENTS (CONTINUED)

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. In response to Covid-19 a detailed exercise was undertaken to understand the cash consumption of the business through a range of possible outcomes, including impacts on profit/loss and working capital requirements. This analysis 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). The fair value of the loan note prepayment option embedded derivative will fluctuate based on changes in market pricing, the relative impact of such fluctuations can be seen by the movement in the period as disclosed in note 16. 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 thrd 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.

(e) 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 a decrease in post-tax loss for the year of £160,000 (2019: increase in post-tax profit of £400,000). A 50 basis point increase in the interest rate would, on the same basis, have increased the loss for the year by the same amount.

Borrowings contractual maturities and effective interest rate analysis

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

26. FINANCIAL INSTRUMENTS (CONTINUED)

	As at 28 March 2020						As at 30 March 2019				
	Effective Interest Rate %	**Total £m**	**0-1 Years £m**	**1-2 Years £m**	**2-5 Years £m**	**Over 5 Years £m**	Effective Interest Rate %	Total £m	0-1 Years £m	1-2 Years £m	2-5 Years £m
Group											
Cash and cash equivalents	**0.00%**	**176.8**	**176.8**	**–**	**–**	**–**	0.00%	66.4	66.4	–	–
Senior secured debt and overdraft	**4.98%**	**(641.1)**	**(28.0)**	**(24.5)**	**(588.6)**	**–**	3.47%	(429.6)	(29.1)	(398.5)	(1.9)
Unsecured facilities	**6.00%**	**(16.3)**	**(1.9)**	**(13.8)**	**(0.6)**	**–**	6.00%	(13.8)	(2.7)	(0.6)	(10.5)
Finance leases and HP	**0.00%**	**–**	**–**	**–**	**–**	**–**	5.74%	(1.6)	(0.9)	(0.4)	(0.2)
Right-of-use leases	**3.31%**	**(79.8)**	**(11.8)**	**(12.4)**	**(24.5)**	**(31.1)**	0.00%	–	–	–	–
		(560.4)	**135.1**	**(50.7)**	**(613.7)**	**(31.1)**		(378.4)	33.7	(399.6)	(12.6)
Company											
Cash and cash equivalents	**0.00%**	**115.4**	**115.4**	**–**	**–**		0.00%	19.0	19.0	–	–
Senior secured debt	**5.02%**	**(638.8)**	**(25.8)**	**(24.5)**	**(588.5)**	**–**	3.50%	(418.7)	(21.5)	(397.2)	–
Unsecured facilities	**6.00%**	**(13.2)**	**(0.6)**	**(12.6)**	**–**	**–**	6.00%	(13.8)	(2.7)	(0.6)	(10.5)
Right-of-use leases	**3.70%**	**(6.1)**	**(0.3)**	**(0.4)**	**(1.6)**	**(3.8)**	0.00%	–	–	–	–
		(542.7)	**88.7**	**(37.5)**	**(590.1)**	**(3.8)**		(413.5)	(5.2)	(397.8)	(10.5)

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

	As at 28 March 2020				As at 30 March 2019			
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	**9.9**	**9.4**	**0.2**	**0.3**	5.3	4.1	1.2	–
Contingent earn-out liabilities	**30.6**	**22.5**	**7.3**	**0.8**	28.1	13.4	8.1	6.6
	40.5	**31.9**	**7.5**	**1.1**	33.4	17.5	9.3	6.6

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 Euro denominated debt.

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

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

Notes to the accounts

26. FINANCIAL INSTRUMENTS (CONTINUED)

Currency risk sensitivity

An analysis of the currency risk exposure arising from financial instruments denominated in a foreign currency is as follows.

A 10% strengthening of the Euro against Sterling closing rate would, all other variables held constant, have resulted in an increase in Group post-tax loss for the year of £47,698,000 as the net result of the translation impact on Euro denominated debt. A 10% weakening of the Euro against Sterling closing rate would, all other variables held constant, have resulted in a decrease in Group post-tax loss for the year of £39,026,000 as the net result of the translation impact on Euro denominated debt.

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	
	2020 £m	2019 £m	**2020 £m**	2019 £m
Euro	**497.4**	379.2	**68.1**	13.5

(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.

27. 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. 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.

27. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Credit loss provision (Note 14)

Expected credit losses are estimated by management, based on specific risk factors relating to key customer categories. In light of Covid 19, the Group reassessed its estimate of potential future credit risk for each business unit as at 28 March 2020. This assessment resulted in an increase in credit loss provision of £2.8m for 2020.

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.

Judgements

Embedded derivative (Note 16)

Under IFRS 9, it was determined that the call option in relation to the early redemption of the notes did not satisfy either of the tests in order to be classified as closely-related to the underlying host contract. Details of the option embedded in the contract are shown in Note 16.

In assessing the applicable recognition date for the embedded derivative, it was deemed appropriate to apply the loan commitment scope exclusion as defined in the standard. Consequently, the date of initial recognition was considered to be the date of drawdown, as opposed to the date of commitment.

As a result of applying the loan commitment scope exclusion, as above, it was deemed appropriate to base the value of the combined instrument on the proceeds as agreed at the earlier commitment date.

It was deemed appropriate that for the purpose of calculating the host as the residual that, in light of the loan commitment scope exclusion applied, the embedded option should only be recognised on drawdown and therefore that its initial carrying value should be the fair value at that date.

Business combinations – Ceramiche Ascot (Note 23)

In accordance with IFRS 10, it was determined that control of the Ascot business was established at the point of the transaction. Specifically, it was concluded that the Group is exposed to variable returns as a result of entering into the arrangement and it established power over the business along with the ability to use its power to affect returns. A key factor in the control assessment carried out was the intention to exercise the business call option. The transaction was therefore treated as a business combination and accounted for in accordance with IFRS 3.

Notes to the accounts

28. 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 28 March 2020, the key management personnel, and their immediate relatives, controlled 34.51% 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 28 March 2020 £m	52 weeks ended 30 March 2019 £m
Short-term employee benefits	**5.6**	4.0
Post-employment benefits	**0.1**	0.2
	5.7	4.2

28. RELATED PARTIES (CONTINUED)

Transactions with subsidiary undertakings:	**52 weeks ended 28 March 2020 £m**	52 weeks ended 30 March 2019 £m
Management fees – Victoria Bidco B.V	**0.03**	0.03
Management fees – Victoria Carpets Ltd	**0.03**	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	**0.04**	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
Management fees – Keraben Grupo S.A.	**0.03**	–
Management fees – Ceramiche Serra S.p.A	**0.03**	–
Management fees – Ceramica Saloni, S.A.	**0.03**	–
Interest receivable – Victoria Bidco B.V	**1.60**	3.94
Interest receivable – Victoria Carpets Ltd	**0.35**	0.34
Interest receivable – Globesign Ltd	**–**	0.05
Interest receivable – Abingdon Flooring Ltd	**0.54**	0.52
Interest receivable – Whitestone Carpets Holdings Ltd	**0.88**	0.87
Interest receivable – Interfloor Group Ltd	**0.94**	1.15
Interest receivable – Interfloor Operations Ltd	**0.62**	0.59
Interest receivable – Ezi Floor Ltd	**0.62**	0.42
Interest receivable – Millennium Weavers N.V	**0.09**	
Interest receivable – Primary Flooring Pty Limited	**1.11**	1.03
Interest receivable – Keraben Grupo S.A.	**2.21**	2.21
Interest receivable – Kinsan Trade, S.L.	**3.34**	3.75
Interest receivable – Iberoceramica S.L.U.	**0.17**	–
Interest receivable – Ceramiche Serra S.p.A	**–**	0.87
Interest receivable – Sandover Investments, S.L.U	**1.32**	0.97
Interest receivable – Ceramica Saloni, S.A.	**2.21**	3.06
Interest receivable – Quest Flooring Pty Ltd	**0.71**	0.74
Interest receivable – Victoria Midco Holdings Ltd	**1.27**	–
Dividend Income – Victoria Midco Holdings Ltd	**–**	1.11
Amounts due from subsidiary undertakings	**514.6**	612.2
Amounts due to subsidiary undertakings	**5.5**	–

Notes to the accounts

28. RELATED PARTIES (CONTINUED)

Transactions with the Business Growth Fund

Gavin Petken, a Non-Executive Director of Victoria PLC, is the Business Growth Fund's (""BGF"") 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.

Furthermore, during the year, payment of a redemption premium of £2.1m was deferred from December 2019 to December 2021.

Interest charged to the income statement during the period in relation to the BGF loan was £600,000 (2019: £885,000).

29. POST BALANCE SHEET EVENTS

On 25 June 2020 a new long-term management incentive scheme was established for senior management. This has resulted in the grant of nil cost options to the scheme participants, which, when exercised, will convert into 1.25 million ordinary shares (1% of the total Victoria PLC shares at the time of issue). The participants will be able to exercise these options in June 2024 provided they are still employed by the Group at that time. Participants will be entitled to sell 50% of the shares at this time, whilst the remaining shares must be held for a minimum period of 12 months.

Shareholder information

CORPORATE WEBSITE

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

SHAREHOLDER QUERIES

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

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

DIVIDEND PAYMENTS

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

More information on the above services can be obtained from our registrar Link Asset Services.

UNSOLICITED MAIL

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

VICTORIA PLC REGISTERED OFFICE

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COMPANY REGISTERED NO. (ENGLAND & WALES)

282204

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

Registered offices of subsidiaries

Company	Registered Office Address
Victoria Midco Holdings Limited	Worcester Road, Kidderminster, Worcestershire, DY10 1JR, UK
Victoria Carpets Limited	Worcester Road, Kidderminster, Worcestershire, DY10 1JR, UK
Whitestone Carpets Holdings Limited	Worcester Road, Kidderminster, Worcestershire, DY10 1JR, UK
Ezi Floor Limited	Worcester Road, Kidderminster, Worcestershire, DY10 1JR, UK
Alliance Flooring Distribution Limited	Worcester Road, Kidderminster, Worcestershire, DY10 1JR, UK
Distinctive Flooring Limited	Worcester Road, Kidderminster, Worcestershire, DY10 1JR, UK
V-Line Carpets Limited	Worcester Road, Kidderminster, Worcestershire, DY10 1JR, UK
Carpet Line Direct Limited	Park View Road East, Brenda Road, Hartlepool, Cleveland, TS25 1HT, UK
Flooring at Home Limited	Worcester Road, Kidderminster, Worcestershire, DY10 1JR, UK
The Victoria Carpet Company Limited	Worcester Road, Kidderminster, Worcestershire, DY10 1JR, UK
Abingdon Flooring Limited	Parkway, Pen Y Fan Industrial Estate, Croespenmaen Crumlin, Newport, NP11 4XG, UK
Venture Floorcoverings Limited	Unit 1 Parkway, Crumlin, Newport, Wales,NP11 3XG, UK
Globesign Limited	Castle Mills, Moorend, Cleckheaton, West Yorkshire, BD19 3PS, UK
Westex (Carpets) Limited	Castle Mills, Moorend, Cleckheaton, West Yorkshire, BD19 3PS, UK
Interfloor Limited	Broadway, Haslingden, Rossendale, Lancashire, BB4 4LS, UK
Interfloor Group Limited	Broadway, Haslingden, Rossendale, Lancashire, BB4 4LS, UK
Interfloor Operations Limited	Broadway, Haslingden, Rossendale, Lancashire, BB4 4LS, UK
Tacktrim Limited	Unit 10 Heathhall Industrial Estate, Heathhall, Dumfries, DG1 3PH, UK
Stikatak Limited	Broadway, Haslingden, Rossendale, Lancashire, BB4 4LS, UK
View Logistics Limited	Park View Road East, Hartlepool, Cleveland, TS25 1HT, UK
Whitestone Weavers Limited	Park View Road East, Hartlepool, Cleveland, TS25 1HT, UK
Thomas Witter Carpets Limited	Park View Road East, Hartlepool, Cleveland, TS25 1HT, UK
Gaskell Mackay Carpets Limited	Park View Road East, Hartlepool, Cleveland, TS25 1HT, UK
G-Tuft Limited	Thornhill Road Business Park, Tenter Fields, Dewsbury, West Yorkshire, WF12 9QT, UK
G-Tuft (Holdings) Limited	Thornhill Road Business Park, Tenter Fields, Dewsbury, West Yorkshire, WF12 9QT, UK
G-Tuft (2015) Limited	Thornhill Road Business Park, Tenter Fields, Dewsbury, West Yorkshire, WF12 9QT, UK
The Victoria Carpet Company Pty Limited	7-29 Gladstone Road, Dandenong, Victoria, 3175, Australia
Primary Flooring Pty Limited	7-29 Gladstone Road, Dandenong, Victoria, 3175, Australia
Quest Flooring Pty Ltd	43-55 Mark Anthony Drive, Dandenong South, Victoria, 3175, Australia
Victoria Bidco BV	7122 AH Aalten, Dinxperlosestraatweg 52, 7122 AH Aalten, The Netherlands
Avalon BV	7122 AH Aalten, Dinxperlosestraatweg 52, 7122 AH Aalten, The Netherlands
GrassInc BV	Landweerstraat-Zuid 95 B, 5349 AK, Oss, The Netherlands
Millennium Weavers N.V	Jean Benaetsstraat, 99 Box 6, 1180, Brussels, Belgium
Ceramiche Serra S.p.A	Via Estense, 10589, Serramazzoni, 41020, Italy
Kinsan Trade, S.L.	Ctra Valancia – Barcelona, Km. 44.3, Nules, Castellon, Spain
Keraben Grupo S.A.U	Ctra Valancia – Barcelona, Km. 44.3, Nules, Castellon, Spain
Sandover Investments, S.L.U	Ctra Valancia – Barcelona, Km. 44.3, Nules, Castellon, Spain
Ceramica Saloni, S.A.	Ctra Alcora, 17, 12006, Castellon, Spain
Saloni Portugal Materiais De Construcao LTDA	Materiais de Construcao, Lda, Praca Pedro Alvares Cabral, 2C, 2700-608 Amodora, Portugal
Saloni UK Limited	Unit 130 Business Design Centre, 52 Upper Street, London, N1 0QH, UK
Saloni France S.A.S.	89-91 Rue du Faubourg Saint-Honore, 75008 Paris, France
Munster Carpets Limited	6th Floor, 2 Grand Canal Square, Dublin 2, Ireland

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
FY19	The 52 weeks ended 30 March 2019
FY20	The 52 weeks ended 28 March 2020
GMP	Guaranteed minimum pension
H1	The 26 weeks ended 28 September 2019
H2	The 26 weeks ended 28 March 2020
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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