26 July 2016

Victoria PLC
('Victoria', the 'Company', or the 'Group')
Preliminary Results
for the year ended 2 April 2016

Victoria PLC (LSE: VCP) the international designers, manufacturers and distributors of innovative floorcoverings, is pleased to announce its preliminary results for the year ended 2 April 2016.

Financial and Operational Highlights

Continuing operations	**Year ended 2 April 2016**	Year ended 28 March 2015	Growth
Revenue	**£255.2m**	£127.0m	+101%
Underlying EBITDA[1]	**£32.3m**	£15.8m	+104%
Underlying operating profit[1]	**£21.9m**	£9.4m	+133%
Operating profit	**£17.7m**	£2.1m	+743%
Underlying profit before tax[1]	**£18.2m**	£7.9m	+130%
Profit before tax	**£9.3m**	£(1.6)m	+681%
Net debt	**£61.1m**	£35.7m	+71%
Net debt / EBITDA	**1.85x**	1.79x	
Earnings / (loss) per share[2]:			
- Basic adjusted	**84.39p**	52.90p	+60%
- Basic	**36.08p**	(27.37)p	+232%

- Group revenue grew by 101% (106% in constant currency terms) from £127.0m to £255.2m

- UK revenue grew by 115% and Australia by 64.6% (80.4% in constant currency terms) during the year. Group annualised like-for-like revenue growth was circa 3.0%

- Successful integration of the acquired businesses in the year – Quest Carpets and Interfloor Group. Both acquisitions have been materially earnings-enhancing

- Group operating profit increased more than 8 times from £2.1m to £17.7m. Underlying operating profit (before the deduction of exceptional and non-underlying items) more than doubled from £9.4m to £21.9m

- Free cash flow[3] from continuing operations before exceptional items of £17.2m (2015: £10.0m)

- Group net debt of £61.1m, with adjusted net debt / EBITDA[4] having reduced from circa 2.25x at the half-year to 1.85x at the year-end

- Disposed of a non-core yarn spinning operation during the first half of the year

- Risk to the Group of the UK's exit from the European Union is mitigated by the UK Division not being heavily reliant on imports or exports, and the Australia Division being operationally and commercially independent

- Current outlook for both the UK and Australia is positive, with the Group having enjoyed a strong start to the current financial year.

1. Underlying performance is stated before the impact of exceptional items, amortization of acquired intangibles and asset impairment within operating profit. Underlying profit before tax and adjusted EPS are also stated before non-underlying items within finance costs (comprising mark-to-market adjustments, BGF redemption premium charge, release of prepaid finance costs and deferred consideration fair value adjustments within finance costs)

2. Basic and basic adjusted earnings per share calculations set out in Note 4

3. Free cash flow represents cash flow before financing activities and acquisition related items

4. As measured in relation to the Group's bank facility covenants

Geoff Wilding, Executive Chairman of Victoria PLC commented:

"The year was a very successful one for Victoria. The Board's commitment to creating wealth for shareholders delivered further scale both through the earnings-enhancing acquisitions of Quest and Interfloor, and organic growth by achieving operational efficiencies throughout the Group.

"The strong revenue performance achieved in the UK and Australia has continued post-period end. The Group have seen no drop off in demand for their products since the EU referendum in June and Victoria has enjoyed a strong start to the current financial year."

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Chairman's Statement

"A good plan violently executed today, is better than a perfect plan next week"

- General George Patton

All – or at least most – management teams have a written business plan. Most seem to run to many pages complete with indexes, appendices, lots of colourful charts, flow diagrams, and financial projections – purporting to be accurate to two decimal places – from now until the end of time. Victoria's business plan isn't anywhere near so grand; it fits on a single piece of A4 paper. I wouldn't want to claim it is the most brilliant business plan ever devised but it is simple, clear – and wholly focussed on the mission: *"To create wealth for shareholders"*. Most importantly, it seems to work and the main reason for this is execution.

The operational management team at Victoria is simply extraordinary at getting on with making things happen. They are already half way around the track when competitors are still putting on their running shoes! Remember, our entire management team consists of successful entrepreneurs who have built their businesses over many years – through all economic cycles – in order to become one of the very few outstanding companies Victoria has acquired. It is difficult to overstate the benefit to Victoria of their experience and commitment. They have strong opinions and do not hesitate to express them. We operate as a 'team of teams', sharing information and co-operating extensively to increase earnings and reduce risk while maintaining a very flat management structure. During the period we continued to seek opportunities to improve operations through better buying terms with suppliers, greater logistic efficiencies and the joining up of manufacturing capabilities.

As a result I am pleased to advise shareholders that Victoria's financial strength continued to improve in FY16:

- Group revenue grew by 100.9% (105.9% in constant currency terms) from £127.0m to £255.2m
- Underlying Group operating profit more than doubled from £9.4m to £21.9m
- Underlying Group profit before tax substantially increased from £7.9m to £18.2m
- After exceptional items, the Group recorded a profit before tax of £9.3m, compared with a £1.6m loss before tax in the prior year
- Group net debt as at year-end was £61.1m, less than two times annualised EBITDA

£m	H1	H2	Full year FY16
Revenue	105.6	149.6	255.2
Underlying EBITDA*	12.5	19.8	32.3
Underlying operating profit*	7.8	14.1	21.9
Underlying profit before tax*	6.4	11.8	18.2

* before non-underlying and exceptional items

It is important to understand that there is little seasonality between the two halves of our financial year and, obviously, much of the revenue growth has been the result of the two acquisitions we made mid-way through the year – Quest Carpets (in August) and Interfloor Group (in September). However shareholders can be particularly encouraged by the realisation of operational synergies, which can be seen in the improved operating margins, and which have driven significantly enhanced like-for-like performance in the businesses that have been part of Victoria since the start of the year. More remains to be done – the process is on-going and never-ending – but the benefits of the Group's strategy of achieving scale through acquisitions are already becoming clear, with underlying profit before tax up by over 130%.

To illustrate this further I thought it might be useful for shareholders to understand a little more about the scale of the impact Victoria is having on the businesses we have acquired and why over the last three years we have had 12 profit upgrades by equity research analysts.

- The five companies acquired by Victoria, at an average cost of under 6x historical EBITDA, delivered a consolidated operating profit in FY16 that was approximately £3.5m higher than the aggregate of the operating profits achieved in their respective 12 month periods prior to acquisition.

- The underlying operating profit margin across the acquired businesses has increased by approximately 130 basis points, driven by successfully delivered cost synergies.

- There has been a focus on stock management, resulting in an improvement in average stock turn across the acquired businesses from 3.2x in FY15 to 3.7x in FY16, resulting in approximately £7.5m less cash tied up in working capital and a much reduced risk of obsolete stock.

There is no reason we cannot continue to have this – and more – positive effect on businesses as they are acquired to the benefit of Victoria's shareholders.

Dividend

I have previously highlighted that one of the attractions of carpet manufacturers is the amount of cash that they generate.

This year, Victoria's pre-exceptional operating cash flow was £32.8m and free cash flow (i.e. after interest, tax and net capital expenditure) was £17.2m.

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

Therefore we have resolved not to pay a dividend for FY16.

Appointment of Group Finance Director

Victoria was fortunate in January to secure the appointment of Michael Scott as the Group's Finance Director. Prior to his appointment, 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, M&A and debt and equity-related fund raisings. He qualified as a Chartered Accountant with PricewaterhouseCoopers.

His experience of the PLC-world and corporate finance strengthens the Board and will be invaluable in the continued execution of our business plan.

Outlook

Both markets in which Victoria trades – the UK and Australia – continue to perform well and the Group has enjoyed a strong start to the current financial year.

UK

The ludicrous over-reaction to the outcome of the EU referendum complete with hyper-ventilating commentators and hysterical luvvie wittering has become more balanced recently. Although there will inevitably be further ups and downs over the months ahead, I expect the UK's decision to leave the EU to be positive for the Group's competitiveness in the foreseeable future.

There are several reasons for this:

- More than half the carpet sold in the UK is manufactured in Europe, primarily Belgium and the Netherlands. Therefore although a weaker pound may increase some of our raw material costs slightly, it also makes this imported product materially more expensive and, as a result, offers Victoria the opportunity to grow its market share, particularly with larger retailers and some of the buying groups who currently source a significant portion of their product offering from the Continent.

- General treasury risk for the Group is also limited. We have only a small amount of non-sterling (AUD) denominated debt, which is naturally hedged against the Australian business earnings. We always match our foreign currency liabilities to our income – we are flooring manufacturers, not currency traders.

- The Group exports a negligible amount of product to the EU.

- Approximately 20% of the Group's earnings come from its Australian operations and a weaker pound will result in higher profits when translated into GBP.

More generally, the UK business has seen positive trading since the start of the year. Possibly due to the changes in stamp duty, consumers appear to be choosing to invest more in their existing home rather than moving. There is no quicker or more dramatic way to improve the appearance and style of a home than upgrade the flooring.

Australia

The Australian flooring market is also experiencing good demand from consumers following the recent election. The weakness in the Australian dollar (against Sterling) throughout FY16 impacted the paper translation of earnings but has had no impact on revenues or margins within the Australian trading businesses. This situation has, of course, reversed with the recent weakness in Sterling and assuming it continues will result in materially higher Sterling earnings for the current financial year.

Conclusion

At Victoria we are constantly seeking ways to maximise expense variability while maintaining tight control over costs and inventory to ensure that the group is well positioned should trading conditions change.

We continue to identify and explore acquisition opportunities both in the UK, the Continent and further afield. Some happen; some don't. We maintain very strict criteria and strong price discipline to ensure acquisitions will continue to be earnings enhancing and a useful tool to both strengthen the Group and create wealth for shareholders.

In summary, the outcome of the EU referendum has no immediate impact on the Group's growth plans, nor have we seen any change in demand for our products. Therefore I am pleased to say the Board faces the 2017 financial year with considerable confidence that we will continue to deliver increasing levels of earnings for our shareholders.

Geoffrey Wilding
Executive Chairman

Strategic Report

Business overview

Victoria PLC is a leading designer, manufacturer and distributor of innovative flooring products. The Group is headquartered in the UK, with operations across the UK and Australia employing over 1,600 people across 12 sites.

The Group manufactures wool and synthetic broadloom carpets, carpet tiles, underlay and flooring accessories. In addition, it markets and distributes a range of complementary LVT (luxury vinyl tile) and hardwood flooring products produced by third-party manufacturers.

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.

2. Sales driven

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

3. Flexible cost base

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

4. Focused investment

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

5. Entrepreneurial leadership

A flat structure with a team of eight senior managers running the daily business, with income statement 'ownership' and linked incentivisation, and who work closely with the PLC Board to plan and implement the 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 can be achieved.

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.

KPIs	**Year ended 2 April 2016 £'m**	Year ended 28 March 2015 £'m
Revenue	**255.2**	127.0
Revenue growth at constant currency	**105.9%**	84.1%
Underlying EBITDA	**32.3**	15.8
Underlying EBITDA margin	**12.6%**	12.5%
Underlying operating profit	**21.9**	9.4
Underlying operating margin	**8.6%**	7.4%
Underlying return on operating assets[1]	**16.6%**	16.0%
EPS (basic, adjusted)	**84.39p**	52.90p
Adjusted net debt / EBITDA[2]	**1.85x**	1.79x
EBITDA interest cover[2]	**7.82x**	7.20x

[1] *Underlying return on operating assets = underlying operating profit (earnings before interest, taxation and non-underlying items) for the year / (year-end total equity + net debt)*
[2] *As measured in line with our bank facility covenants*

All of these KPIs have improved during the year, other than adjusted net debt / EBITDA which has remained broadly flat. Underlying return on operating assets has seen a 63 basis point improvement, driven by the impact of acquisitions in the year as well as cost synergies which were successfully delivered.

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

Principal risks and uncertainties

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

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

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

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

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

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

Corporate responsibility

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

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

The Board is reviewing the requirements of the Modern Slavery Act 2015 and the Company's statement will be released in due course.

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.

Geoffrey Wilding	**Michael Scott**
Executive Chairman	Group Finance Director

Financial Review

The Group continued its significant development during the year to 2 April 2016, in particular as a result of the acquisitions of Interfloor Group in the UK and Quest Carpets in Australia. The integration of both of these businesses has been successfully completed.

Revenue

Group revenue from continuing operations doubled during the year from £127.0m to £255.2m. This comprises 115% annual growth in the UK Division and 80% annual growth in the Australia Division on a constant currency basis.

	UK £'m	Australia £'m	Central expenses £'m	**Total £'m**
Revenue:				
Year ended 2 April 2016	**196.9**	**58.3**	**-**	**255.2**
Year ended 28 March 2015	91.6	35.4	-	127.0
Revenue growth:				
Reported	114.9%	64.6%	-	100.9%
Constant currency [1]	**114.9%**	**80.4%**	**-**	**105.9%**

[1] Revenue growth at constant currency is calculated applying the same GBP:AUD exchange rate to both years of 2.0327 (being the average exchange rate during the year ended 2 April 2016).

This growth was primarily a result of the contribution from acquisitions, both in terms of the acquisitions in the year of Quest Carpets and Interfloor Group, and the full-year beneficial impact of Abingdon Flooring and Whitestone Weavers group, which were acquired during the previous financial year.

In addition, the underlying business has continued to perform strongly, delivering average organic revenue growth across the Group of over 3.0%[2], driven by increased sales volumes.

[2] Organic annual growth is assessed on the basis of including a full year of revenue or sales volumes for all businesses acquired up to 2 April 2016, both in the year ended 2 April 2016 and in the prior year ended 28 March 2015. Figures are adjusted as required for the 53 week period to indicate like-for-like growth. Revenue from Australia is converted at constant currency (GBP:AUD of 2.0327).

Gross profit

Gross margin for the Group noticeably improved by 93 basis points in the year from 32.5% to 33.4%, thereby delivering 107% growth in consolidated gross profit from £41.3m to £85.2m.

	Year ended 2 April 2016				Year ended 28 March 2015			
	UK £'m	**Australia £'m**	**Central expenses £'m**	**Total £'m**	UK £'m	Australia £'m	Central expenses £'m	Total £'m
Underlying gross profit	**68.4**	**16.8**	**-**	**85.2**	32.0	9.2	-	41.3
Gross margin:								
Reported	**34.7%**	**28.9%**	**-**	**33.4%**	35.0%	26.1%	-	32.5%
Annualised[1]	**34.7%**	**29.3%**	**-**	**33.4%**	32.1%	28.3%	-	31.3%

[1] Annualised gross margin is assessed on the basis of including a full year of contribution for all businesses acquired up to 2 April 2016, both in the year ended 2 April 2016 and in the prior year ended 28 March 2015. Contribution from Australia is converted at constant currency (GBP:AUD of 2.0327).

The underlying profitability of the Group increased by a much greater margin during the year; although this has been offset in the reported figures by the impact of the UK acquisitions on the relative mix of existing high-end UK product categories. As a result, whilst the reported UK numbers show a small 22bps decline in gross margin, annualised figures[1] show an underlying year-on-year improvement of 257 basis points. On the same basis at a Group level, the underlying gross margin has improved by 211 basis points.

The uplift in underlying gross margin was driven primarily by operational improvements including the impact of cost synergies which were successfully delivered following acquisitions.

Expenses

Underlying distribution and administration costs increased by 97% from £32.2m to £63.6m, slightly less than the relative percentage increase in revenue.

There were also a number of non-underlying and exceptional operating expenses incurred during the year, totalling £4.2m. Amortisation of acquired intangibles – a non-cash expense – increased from £0.3m in the prior year to £2.3m, of which £1.5m relates to Interfloor Group which was acquired during the year. A further £0.6m of costs in the year relate to the closure of a small non-core part of UK operations and a specific fixed asset impairment; and the remaining £1.3m predominantly relates to exceptional fees in respect of acquisitions and disposals.

		Year ended 2 April 2016 £'m		Year ended 28 March 2015 £'m
Distribution and administration costs		**63.6**		**32.2**
Other operating income		(0.3)		(0.4)
Underlying net expenses		**63.3**		**31.8**
Intangible amortisation	2.3		0.3	
Asset impairment	0.2		-	
Non-core closure costs	0.4		-	
Other exceptional items	1.3		7.1	
Total non-underlying operating items		**4.2**		**7.4**
Proportion of closure costs taken in cost of sales		(0.2)		-
Reported net expenses		**67.3**		**39.2**

Operating profit

Reported operating profit (earnings before interest and taxation) increased during the year by over 8 times, from £2.1m to £17.7m.

After removing the non-underlying and exceptional items listed above, underlying operating profit of £21.9m was delivered during the year, a 133% increase over the prior year. This growth comprised 99% annual growth in the UK Division and 216% annual growth in the Australia Division, plus a small decrease in central expenses.

The Group's underlying operating margin has, of course, been impacted by the same change in UK product mix as a result of acquisitions, as described above in relation to gross margin. Nevertheless, a 117 basis point improvement, from 7.4% to 8.6%, was achieved during the year.

	Year ended 2 April 2016				Year ended 28 March 2015			
	UK £'m	**Australia £'m**	**Central expenses £'m**	**Total £'m**	UK £'m	Australia £'m	Central expenses £'m	Total £'m
Underlying operating profit	**18.2**	**5.0**	**(1.2)**	**21.9**	**9.2**	**1.6**	**(1.3)**	**9.4**
Non-underlying items	(3.2)	(0.7)	(0.3)	(4.2)	(0.7)	-	(6.7)	(7.3)
Reported operating profit	15.0	4.3	(1.5)	17.7	8.5	1.6	(8.0)	2.1
Underlying operating margin	***9.2%***	***8.5%***	**-**	***8.6%***	***10.0%***	***4.4%***	**-**	***7.4%***
Underlying profit before tax				**18.2**				**7.9**
Reported profit / (loss) before tax				9.3				(1.6)
Underlying PBT margin				***7.1%***				***6.2%***

Underlying profit before tax grew 130% in the year to £18.2m.

Taxation

The reported tax charge in the year was £3.3m against a reported pre-tax profit of £9.3m, giving an effective tax rate of 36.0%. This was distorted by the impact of the exceptional and non-underlying costs, the majority of which have been treated as non-deductible for corporation tax purposes. The underlying effective tax rate measured against adjusted profit before tax is 23.6%.

Earnings per share

Basic earnings per share from continuing operations were 36.1p in the year, compared with a reported loss in the prior year of (27.4p). Although the prior year result was distorted by the substantial non-cash settlement of the Contract for Differences, there has, nonetheless, been significant growth in the underlying business, with adjusted earnings per share (before non-underlying and exceptional items) increasing from 52.9p to 84.4p.

`	**Year ended 2 April 2016 pence**	Year ended 28 March 2015 pence
Basic earnings per share from continuing operations	**36.08p**	(27.37p)
Basic adjusted earnings per share from continuing operations	**84.39p**	52.90p

Operating cash flow

The Group delivered underlying EBITDA in the year of £32.3m, an increase of 104% on the prior year.

Cash flow from operating activities before interest, tax and exceptional items was £32.8m, which represents a conversion of over 100% of underlying EBITDA. This is an 84% increase on the prior year operating cash flow, with a similar EBITDA conversion ratio.

Pre-exceptional free cash flow of the Group – after interest, tax and net capital expenditure – was £17.2m. Compared with underlying operating profit (i.e. post-depreciation), this represents a conversion ratio of 78%. This was lower than the prior year due to an increase in capital expenditure of £5.1m.

	Year ended 2 April 2016 £'m	Year ended 28 March 2015 £'m
Underlying operating profit from continuing operations	21.9	9.4
Add back: Depreciation	10.4	6.4
Underlying EBITDA	**32.3**	**15.8**
Non-cash items	(0.1)	(0.2)
Foreign exchange	0.5	(0.0)
Movement in working capital	0.1	2.2
Operating cash flow from continuing operations before interest, tax and exceptional items	**32.8**	**17.8**
% conversion against underlying operating profit	150%	189%
% conversion against EBITDA	**102%**	**112%**
Interest paid	(3.2)	(1.4)
Corporation tax paid	(3.2)	(2.1)
Capital expenditure (including hire purchase)	(10.2)	(5.1)
Proceeds from fixed asset disposals	1.0	0.8
Free cash flow from continuing operations before exceptional items	**17.2**	**10.0**
% conversion against underlying operating profit	**78%**	**106%**
% conversion against EBITDA	53%	63%

Net debt

As at 2 April 2016 the Group's net debt position was £61.1m. This compares with £35.7m as at the previous year-end, 28 March 2015. Of this £25.4m increase, a net £1.0m was due to translational differences on Australian dollar denominated net debt. The principal reason for the remaining increase in net debt during the year was due to acquisitions.

	Year ended 2 April 2016 £'m	Year ended 28 March 2015 £'m
Total initial cash consideration for acquisitions (net of cash acquired)	(19.3)	(14.6)
Total debt acquired or refinanced	(54.7)	(8.1)
Deferred consideration payments	(7.5)	(1.0)
Acquisition costs	(1.4)	(0.4)
Gross acquisition related expenditure	(82.8)	(24.1)
Net proceeds from issue of share capital	43.0	1.5
Net acquisition related expenditure	**(39.7)**	**(22.6)**
Free cash flow from continuing operations before exceptional items (see above)	**17.2**	**10.0**
Net distribution to shareholders	-	(20.7)
Refinancing costs paid	(1.1)	(0.4)
Additional debt funding required (before non-underlying items)	**(23.7)**	**(33.7)**
Non-underlying items:		
Exceptional cash items	0.0	-
Cash flow from discontinued operations	0.1	(1.2)
Non-cash adjustment to BGF loan recognised	(0.3)	0.6
Foreign exchange differences on opening cash / debt	(1.6)	0.1
Movement in net debt	**(25.4)**	**(34.2)**
Opening net debt	(35.7)	(1.5)
Closing net debt	**(61.1)**	**(35.7)**

Applying our banks' adjusted measure of financial leverage, the Group's year-end net debt to EBITDA ratio was 1.85x, almost in line with the equivalent ratio at the previous year-end.

	2 April 2016 £'m	28 March 2015 £'m
Net cash and cash equivalents	**19.1**	(8.5)
Bank loans	**(69.3)**	(16.4)
BGF loan	**(9.8)**	(9.5)
Finance leases and hire purchase arrangements	**(1.1)**	(1.2)
Net debt	**(61.1)**	(35.7)
Adjusted net debt / EBITDA [1]	**1.85x**	1.79x

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

Accounting standards

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed and adopted for use in the EU. There have been no changes to IFRS this year that have a material impact on the Group's results.

This year, we have made a change to our accounting policies in relation to the treatment of expenditure on sampling fixed assets. These assets, comprising both flooring samples and display units on which samples are presented, are held by our retail customers to assist in marketing and selling to end consumers. Under the previous accounting treatment, expenditure on these assets was expensed as incurred, despite relating to revenues generated in future periods. In order to correct this and appropriately match the investment to the revenues generated, as well as to recognise the existence of the assets being held in our customers' stores, this expenditure is now capitalised and depreciated over a period of 24 months. Details of the impact of this change on the Groups' current year and prior year results (reflecting the Group's performance had this accounting policy been adopted historically) is set out in Note 11 to the financial statements.

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

Funding and going concern

As reported in the last annual report, in April 2015 the Group entered into a new multi-currency revolving credit facility with Barclays and HSBC. This facility was used, in part, to fund the acquisitions of Quest Carpets and Interfloor Group. These banks continue to be supportive of the business and, in May this year, agreed to extend the Accordion facility option to provide further headroom for future growth.

The bank facility is subject to various financial covenants measured against Group results; and all such covenants have been satisfied to date.

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

The consolidated financial statements for the Group have been prepared on a going-concern basis. The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Chairman's Statement, the Strategic Review and this Financial Review.

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

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

Michael Scott
Group Finance Director

Consolidated Income Statement

For the 53 weeks ended 2 April 2016

		53 weeks ended 2 April 2016			52 weeks ended 28 March 2015		
		Underlying performance	**Non-underlying items**	**Reported numbers**	Underlying performance re-stated	Non-underlying items re-stated	Reported numbers re-stated
	Notes	**£000**	**£000**	**£000**	£000	£000	£000
Continuing operations							
Revenue	1	**255,174**	**-**	**255,174**	127,003	-	127,003
Cost of sales		**(169,930)**	**(249)**	**(170,179)**	(85,751)	-	(85,751)
Gross profit		**85,244**	**(249)**	**84,995**	41,252	-	41,252
Distribution costs		**(49,852)**	**(157)**	**(50,009)**	(22,268)	-	(22,268)
Administrative expenses (including intangible amortisation)		**(13,753)**	**(3,787)**	**(17,540)**	(9,941)	(7,327)	(17,268)
Other operating income		**292**	**-**	**292**	386	-	386
Operating profit/(loss)		**21,931**	**(4,193)**	**17,738**	9,429	(7,327)	2,102
Comprising:							
Operating profit before exceptional items and intangible amortisation	1	**21,931**	**-**	**21,931**	9,429	-	9,429
Intangible amortisation		**-**	**(2,315)**	**(2,315)**	-	(270)	(270)
Asset impairment		**-**	**(160)**	**(160)**	-	-	-
Exceptional items	1,2	**-**	**(1,718)**	**(1,718)**	-	(7,057)	(7,057)
Finance costs	3	**(3,714)**	**(4,734)**	**(8,448)**	(1,498)	(2,192)	(3,690)
Profit/(loss) before tax		**18,217**	**(8,927)**	**9,290**	7,931	(9,519)	(1,588)

Taxation				**(4,302)**	**961**	**(3,341)**	(1,658)	-	(1,658)
Profit/(loss) for the period from continuing operations				**13,915**	**(7,966)**	**5,949**	6,273	(9,519)	(3,246)
Loss for the period from discontinued operations			9	**-**	**(2,132)**	**(2,132)**	-	(346)	(346)
Profit/(loss) for the period				**13,915**	**(10,098)**	**3,817**	6,273	(9,865)	(3,592)
Earnings/(loss) per share from continuing operations	pence	basic	4			**36.08**			(27.37)
		diluted	4			**35.53**			(27.37)
Earnings/(loss) per share		basic	4			**23.15**			(30.29)
		diluted	4			**23.02**			(30.29)

Consolidated Statement of Comprehensive Income

For the 53 weeks ended 2 April 2016

	53 weeks ended 2 April 2016	52 week ended 28 March 2015 re-stated
	£000	£000
Profit/(loss) for the period	**3,817**	(3,592)
Other comprehensive income/(expense):		
Items that will not be reclassified to profit or loss:		
Actuarial losses on pension scheme	**(152)**	-
Increase in deferred tax asset relating to pension scheme liability	**53**	-
Total items that will not be reclassified to profit or loss	**(99)**	-
Items that may be reclassified subsequently to profit or loss		
Currency translation gains/(losses)	**708**	(798)
Totals items that may be reclassified subsequently to profit or loss	**708**	(798)
Other comprehensive income/(expense) for the year, net of tax	**609**	(798)
Total comprehensive income/(loss) for the year attributable to the owners of the parent	**4,426**	(4,390)

Consolidated Balance Sheet

As at 2 April 2016

	Notes	Group 2 April 2016 £000	28 March 2015 re-stated £000
Non-current assets			
Goodwill		**37,205**	4,110
Intangible assets		**43,476**	8,858
Property, plant and equipment		**38,811**	27,789
Investment property		**180**	180
Investment in subsidiary undertakings		**------**	------
Trade and other receivables		**------**	------
Deferred tax asset		**3,287**	1,903
Total non-current assets		**122,959**	42,840
Current assets			
Inventories		**58,970**	40,956
Trade and other receivables		**42,562**	30,397
Cash at bank and in hand		**19,078**	2,392
Other financial assets		**384**	------
Total current assets		**120,994**	73,745
Total assets		**243,953**	116,585
Current liabilities			
Trade and other payables		**66,913**	39,066
Current tax liabilities		**2,891**	2,014
Other financial liabilities		**596**	18,268
Total current liabilities		**70,400**	59,348
Non-current liabilities			
Trade and other payables		**11,524**	12,260
Other financial liabilities		**78,522**	19,227
Deferred tax liabilities		**9,129**	2,370
Retirement benefit obligations	6	**3,345**	------
Total non-current liabilities		**102,520**	33,857
Total liabilities		**172,920**	93,205
Net assets		**71,033**	23,380
Equity			
Share capital	7	**4,548**	3,639
Share premium		**52,462**	10,144
Retained earnings		**13,341**	8,915
Other reserves		**682**	682
Total equity		**71,033**	23,380

Consolidated Statement of Changes in Equity

For the 53 weeks ended 2 April 2016

	Share capital £000	**Share premium £000**	**Retained earnings £000**	**Other reserves £000**	**Total equity £000**
At 30 March 2014 (re-stated)	1,772	909	33,996	----	36,677
Loss for the period to 28 March 2015	----	----	(3,592)	----	(3,592)
Other comprehensive loss for the period	----	----	(798)	----	(798)
Total comprehensive income	----	----	(4,390)	----	(4,390)
Dividends paid	----	----	(20,691)	----	(20,691)
Issue of share capital	1,867	9,235	----	----	11,102
Movement in other reserves	----	----	----	682	682
Transactions with owners:	1,867	**9,235**	**(20,691)**	682	(8,907)
At 28 March 2015 (re-stated)	3,639	10,144	8,915	682	23,380
Profit for the period to 2 April 2016	**----**	**----**	**3,817**	**----**	**3,817**
Other comprehensive income for the period	**----**	**----**	**609**	**----**	**609**
Total comprehensive income	**----**	**----**	**4,426**	**----**	**4,426**
Issue of share capital	**909**	**42,318**	**----**	**----**	**43,227**
Transactions with owners	**909**	**42,318**	**----**	**----**	**43,227**
At 2 April 2016	**4,548**	**52,462**	**13,341**	**682**	**71,033**

Consolidated Statement of Cash Flows

For the 53 weeks ended 2 April 2016

	Notes	Group **53 weeks ended 2 April 2016**	52 weeks ended 28 March 2015 re-stated
		£000	£000
Cash flows from operating activities			
Operating profit/(loss) from continuing operations		**17,738**	2,102
Adjustments for:			
- Depreciation charges		**10,347**	6,405
- Amortisation of intangible assets		**2,315**	270
- Fair value charge for Contract for Differences		**----**	7,397
- Goodwill adjustment		**(43)**	(895)
- Asset impairment		**160**	----
- Profit on disposal of property, plant and equipment		**(143)**	(69)
- Exchange rate difference on consolidation		**594**	(27)
Net cash flow from operating activities before movements in working capital		**30,968**	15,183
Change in inventories		**(7,767)**	1,511
Change in trade and other receivables		**215**	3,297
Change in trade and other payables		**7,628**	(2,600)
Cash generated/ (used) by continuing operations		**31,044**	17,391
Interest paid		**(3,243)**	(1,419)
Income taxes paid		**(3,243)**	(2,113)
Net cash flow from discontinued operations		**65**	(1,183)
Net cash inflow/ (outflow) from operating activities		**24,623**	12,676
Investing activities			
Purchases of property, plant and equipment		**(9,752)**	(5,074)
Proceeds from disposal of Westwood Yarns Limited		**431**	-----
Proceeds on disposal of property, plant and equipment		**1,034**	816
Deferred consideration and earn-out payments		**(7,453)**	(1,000)
Acquisition of subsidiaries net of cash acquired		**(19,265)**	(14,616)
Net cash used in investing activities		**(35,005)**	**(19,874)**
Financing activities			
(Decrease)/increase in long term loans		**(4,573)**	8,160
Issue of share capital		**43,043**	1,543
Repayment of obligations under finance leases/HP		**(650)**	(241)
Dividends paid		**-----**	(20,691)
Net cash generated/(used) in financing activities		**37,820**	**(11,229)**
Net increase/(decrease) in cash and cash equivalents		**27,438**	**(18,427)**
Cash and cash equivalents at beginning of period		**(8,502)**	9,925
Effect of foreign exchange rate changes		**142**	-----
Cash and cash equivalents at end of period	10	**19,078**	(8,502)

Notes to the Accounts

1 Segmental information

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

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

Income statement

	53 weeks ended 2 April 2016				52 weeks ended 28 March 2015			
	UK	**Australia**	**Unallocated central expenses**	**Total**	UK re-stated	Australia re-stated	Unallocated central expenses	Total re-stated
	£'000	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000	£'000
Revenue from continuing operations	**196,908**	**58,266**	**-----**	**255,174**	91,610	35,393	-----	127,003
Underlying operating profit	**18,183**	**4,958**	**(1,210)**	**21,931**	9,151	1,568	(1,290)	9,429
Non-underlying operating items	**(2,050)**	**(425)**	**-----**	**(2,475)**	(270)	-----	-----	(270)
Exceptional operating items	**(1,151)**	**(251)**	**(316)**	**(1,718)**	(398)	-----	(6,659)	(7,057)
Operating profit from continuing operations	**14,982**	**4,282**	**(1,526)**	**17,738**	8,483	1,568	(7,949)	2,102
Underlying interest charges				**(3,714)**				(1,498)
Non-underlying finance costs				**(4,734)**				(2,192)
Profit/(loss) before tax from continuing operations				**9,290**				(1,588)
Tax				**(3,341)**				(1,658)

Profit/(loss) after tax from continuing operations	**5,949**	(3,246)
Loss from discontinued operations *	**(2,132)**	(346)
Profit/(loss) for the period	**3,817**	(3,592)

* Loss from discontinued operations relates to the disposal of Westwood Yarns Limited, which was sold on 2 October 2015. (see Note [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. Intersegment sales in the year and in the prior year between the UK and Australia were immaterial.

Balance Sheet

	As at 2 April 2016				As at 28 March 2015			
	UK	**Australia**	**Unallocated central assets/ liabilities**	**Total**	UK re-stated	Australia re-stated	Unallocated central assets/ liabilities	Total re-stated
	£'000	**£'000**	**£'000**	**£'000**	£'000	£'000	£'000	£'000
Segment total assets	**205,085**	**38,299**	**569**	**243,953**	95,876	20,377	332	116,585
Segment total liabilities	**(134,948)**	**(24,098)**	**(13,874)**	**(172,920)**	(65,407)	(7,939)	(19,859)	(93,205)
Net assets	**70,137**	**14,201**	**(13,305)**	**71,033**	30,469	12,438	(19,527)	23,380

The Group's non-current assets as at 2 April 2016 of £122,959,000 (2015: £42,840,000) are split geographically as follows: £102,170,000 in the UK (2015: £37,580,000) and £20,789,000 in Australia (2015: £5,260,000).

Other segmental information

	53 weeks ended 2 April 2016				52 weeks ended 28 March 2015			
	UK	Australia	Unallocated central liabilities	Total	UK re-stated	Australia re-stated	Unallocated central liabilities	Total re-stated
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Depreciation (from continuing operations)	**8,314**	**2,033**	-----	**10,347**	4,409	1,996	-----	6,405
Amortisation of acquired intangibles	**1,890**	**425**	-----	**2,315**	270	-----	-----	270
	10,204	**2,458**	-----	**12,662**	4,679	1,996	-----	6,675

	53 weeks ended 2 April 2016				52 weeks ended 28 March 2015			
	UK	Australia	Unallocated central expenditure	Total	UK re-stated	Australia re-stated	Unallocated central expenditure	Total re-stated
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Capital expenditure (from continuing operations)	**8,961**	**1,242**	-----	**10,203**	4,064	1,010	-----	5,074

2 Exceptional Items from continuing operations

	2016	2015 re-stated
	£000	£000
(a) Acquisition and disposal related costs	**(1,355)**	(398)
(b) Non-core closure costs	**(406)**	----
(c) Contract for Differences	**----**	(7,554)
(d) Goodwill adjustment	**43**	895
	(1,718)	(7,057)

All exceptional items are classified within administrative expenses (except where noted).

(a) Professional fees in connection with the acquisitions and disposal completed during the year.

(b) Costs in relation to cessation of a non-core manufacturing process within the UK operation during the period. Of the total closure cost, £249,000 is included within cost of sales and £157,000 within administrative expenses.

(c) The prior year charge relates to the Contract for Differences between the Company and Camden Holdings Limited. There are no remaining liabilities outstanding in respect to the Contract for Differences.

(d) Credit of £43,000 in the year in relation to negative goodwill arising on the acquisition of A&A Carpets, as set out in Note 8(c). Prior year adjustment is a result of the change in accounting policy in relation to sampling expenditure, as set out it in Note 11(b).

3 Finance costs

	2016	2015
	£000	£000
Interest on loans and overdrafts wholly repayable within five years	**2,435**	940
Interest payable on BGF loan	**1,199**	513
Hire purchase and finance lease interest	**80**	45
Underlying interest costs	**3,714**	1,498
(a) Release of prepaid finance costs	**228**	-----
(b) BGF loan and option, redemption premium charge	**108**	224
(c) Unwinding of present value of deferred and contingent consideration	**4,226**	1,968
(d) Mark to market adjustment on foreign exchange forward contracts	**136**	-----
(e) Mark to market adjustment on interest rate swap	**36**	-----
Total finance costs	**8,448**	3,690

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

(b) Non-cash annual cost of the redemption premium in relation to the BGF loan and option (see Note 11(a).

(c) Deferred and contingent consideration in respect to acquisitions is measured under IFRS 3, initially at fair value discounted for the time value of money. The present value is then re-measured at each half-year and year-end to unwind the time value of money. In addition, any changes arising from actual and forecast business performance are reflected, although such movements form an immaterial portion of the overall annual charge. All such adjustments are non-cash items.

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

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

4 Earnings/(loss) per share

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

	Basic 2016	**Adjusted 2016**	Basic 2015 re-stated	Adjusted 2015 re-stated
	£'000	**£'000**	£'000	£'000
Profit/(loss) attributable to ordinary equity holders of the parent entity from continuing operations	**5,949**	**5,949**	(3,246)	(3,246)
Exceptional items:				
Amortisation of acquired intangibles	**----**	**2,315**	----	270
Acquisition costs	**----**	**1,355**	----	398
Unwinding of present value of deferred and contingent consideration	**----**	**4,226**	----	1,968
Closure costs	**----**	**406**	----	----
Asset impairment	**----**	**160**	----	----
Release of prepaid finance costs	**----**	**228**	----	----
BGF loan and option, redemption premium charge	**----**	**108**	----	224
Mark to Market adjustment on foreign exchange forward contracts and interest rate swap	**----**	**172**	----	----
Goodwill adjustment (see Note [2])	**----**	**(43)**	----	(895)
Contract for Differences	**----**	**----**	----	7,554
Tax effect on adjusted items where applicable	**----**	**(961)**	----	-----
Earnings for the purpose of basic and adjusted earnings/(loss) per share from continuing operations	**5,949**	**13,915**	(3,246)	6,273
Loss attributable to ordinary equity holders of the parent entity from discontinued operations	**(2,132)**	**----**	(346)	------
Earnings for the purpose of basic and adjusted earnings/(loss) per share	**3,817**	**13,915**	(3,592)	6,273

Weighted average number of shares

	2016 Number of shares ('000)	2015 Number of shares ('000)
Weighted average number of ordinary shares for the purposes of basic and adjusted earnings per share	**16,489**	11,859
Effect of dilutive potential ordinary shares:		
BGF share options	**560**	120
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**17,049**	11,979

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:

	2016	2015 re-stated
	Pence	Pence
Earnings/(loss) per share from continuing operations		
Basic adjusted	**84.39**	52.90
Diluted adjusted	**81.62**	52.37
Basic	**36.08**	(27.37)
Diluted [1]	**35.53**	(27.37)
Earnings/(loss) per share from discontinued operations		
Basic	**(12.93)**	(2.92)
Diluted [1]	**(12.93)**	(2.92)
Earnings/(loss) per share		
Basic adjusted	**84.39**	52.90
Diluted adjusted	**81.62**	52.37
Basic	**23.15**	(30.29)
Diluted [1]	**23.02**	(30.29)

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

5 Rates of exchange

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

	2016		2015	
	Average	**Year end**	Average	Year end
Australia - A$	**2.0327**	**1.8526**	1.8547	1.9184

6 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 £2,542,000 (2014: £1,532,000), of which £1,742,000 (2015: £869,000) relates to the UK schemes. The total contributions outstanding at year end was £nil (2015: £nil).

Defined benefit schemes

The Group has two defined benefit schemes, both of which relate to Interfloor Limited, which was acquired during the period.

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

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

The contributions made by the employer over the financial period were £nil, (2015: £nil) in respect of the Main Scheme and £nil (2015: £nil) in respect of the Executive Scheme.

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

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

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

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

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

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

	2016
	£000
The return on plan assets (excluding amounts included in net interest expense)	**(40)**
Actuarial gains and (losses) arising from changes in demographic assumptions	**314**
Actuarial losses arising from changes in financial assumptions	**(877)**
Actuarial (losses) and gains arising from experience adjustments	**451**
Effect of the asset ceiling (excluding amounts included in net interest cost)	**----**
Remeasurement of the net defined benefit liability	**(152)**

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:

2016

	£000
Present value of defined benefit obligations	**(25,945)**
Fair value of plan assets	**22,600**
Net liability arising from defined benefit obligation	**(3,345)**
Deferred tax applied to net obligation	**636**

The Group expects to make a contribution of £221,000 (2015: nil) to the defined benefit schemes during the next financial period.

7 Share capital

	2016 £000	2015 £000
Allotted, called up and fully paid		
18,193,169 Ordinary shares of 25p each (2015: 14,556,579)	**4,548**	3,639

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

The Company issued 3,636,590 fully paid ordinary shares of 25p each during the year ended 2 April 2016. Of this total, 2,906,856 shares were placed to fund the acquisition of Interfloor Group Limited in September 2015. A further placing of 711,035 shares was undertaken in October 2015 to satisfy significant institutional demand identified in response to this acquisition. A further 15,384 shares were issued to a vendor of Globesign Limited in lieu of an element of deferred earn-out payment; 1,860 shares issued to a manager in lieu of bonus entitlement and 1,455 shares issued in connection with the retailer incentive scheme.

8 Acquisition of subsidiaries

(a) Quest Flooring

On 7 August 2015, the Group acquired the entire issued share capital of Quest Carpet Manufacturers Pty Limited and Quest Carpet Manufacturers Unit Trust (together "Quest Carpets"). Quest carpets was acquired is a new holding company established in Australia, quest Flooring Pty Limited.

The principle activity of Quest Carpets is the design, manufacture and distribution of carpets across Australia and New Zealand. The business operates from facilities in Dandenong, near Melbourne, Australia and employs a workforce of 89 people.

Quest Carpets is highly complementary to the Group's existing business in Australia. The acquisition is expected to be immediately accretive to the underlying earnings per share of the Company.

The Group results for the year ended 2 April 2016 included A$42.0m (£20.6m[1]) of revenue and A$4.1m (£2.0m[1]) of profit before tax from Quest Carpets. If the acquisition had been completed on the first day of the financial year, Group revenues for the period would have been A$23.2m (£11.5m[1]) higher and Group profit before tax would have been A$3.2m (£1.6m[1]) higher.

1. Applying the average GBP to AUD exchange rate over the financial year of 2.0327.

Consideration

(i) Initial cash consideration of A$15.3m (£7.1m[2]).

(ii) Non-contingent deferred consideration of A$10.5m payable in three equal annual instalments of A$3.5m commencing in June 2016. This deferred consideration had a present value in Sterling as at the acquisition date of £4.5m[2].

(iii) In addition, there are contingent payments in relation to rental property that was retained by the vendors and leased back to the business, which has been treated as contingent consideration for the purpose of assessing the total cost of the acquisition and goodwill created. These payments are made annually over three years commencing in July 2016 and are equal to 50 per cent. of the EBITDA generated by Quest Flooring for that year to 30 June in excess of A$7.0m.

2. Applying the GBP to AUD exchange rate at the time of the acquisition of 2.1388.

The fair value of the total consideration above is £12,018,000. The fair value of the acquired assets and liabilities was a net assets position of £581,000. In addition, separately identified intangible assets with a fair value of £6,624,000 were acquired, with an associated deferred tax liability of £1,987,000. As a result, goodwill of £6,800,000 was recognised on consolidation.

Transaction costs of £251,000 relating to the acquisition of Quest Flooring have been recognised as an expense and included within administrative expenses in the Income Statement.

(b) Interfloor Group Limited

On 11 September 2015, the Group acquired the entire issued share capital of Interfloor Group Limited ("Interfloor Group").

The principle activity of Interfloor Group is the design, manufacture and distribution of carpet underlay and related accessories. The business operates in the UK from facilities in Haslingden in Lancashire, England, and Dumfries in Scotland, and employs a workforce of more than 300 people.

The acquisition of Interfloor Group will provide a number of commercial, operational and financial benefits to the Group. The acquisition is expected to be immediately accretive to the underlying earnings per share of the Company.

The Group results for the year ended 2 April 2016 included £41.1m of revenue and £6.0m of profit before tax from Interfloor Group. If the acquisition had been completed on the first day of the financial year, Group revenues for the period would have been £30.8m higher and Group profit before tax would have been £4.7m higher.

Cash consideration of £14,024,000 was paid on completion of the acquisition, with no deferred or contingent consideration payable. The fair value of the acquired assets and liabilities was a net liabilities position of £34,976,000. In addition, separately identified intangible assets with a fair value of £29,327,000 were acquired, with an associated deferred tax liability of £5,572,000. As a result, goodwill of £25,245,000 was recognised on consolidation.

Transaction costs of £721,000 relating to the acquisition of Interfloor Group have been recognised as an expense and included within administrative expenses in the Income Statement.

(c) A&A Carpets Limited

On 19 June 2015, the Group acquired the entire issued share capital of Stott Holdings Limited and its subsidiary, A & A Carpets Limited (together "A&A Carpets"), a flooring distribution business. The acquisition further enhances the Group's marketing and distribution operations in the UK.

Cash consideration of £600,000 was paid, with transaction costs of £24,000 recognised within administrative expenses. The fair value of the acquired assets and liabilities was a net assets position of £643,000. No separately identifiable intangible assets were acquired. As a result, negative goodwill of £43,000 was recognised in the year as a non-underlying income.

9 Discontinued operations

On October 2 2015, the Group disposed of its wholly owned subsidiary, Westwood Yarns Limited. The Group received cash consideration of £0.43m and recognised a net loss on disposal of £1.85m (non-cash item).

Income statement of discontinued operations

	53 weeks ended 2 April 2016 (1)	52 weeks ended 28 March 2015
	£000	£000
Revenue	5,152	10,731
Intercompany revenue	(4,609)	(9,429)
Net revenue	**543**	**1,302**
Operating expenses	(774)	(1,489)
Depreciation	(124)	(245)
Operating loss	**(355)**	**(432)**
finance costs	(2)	----
Loss before tax	**(357)**	**(432)**
Tax	72	86
Loss on disposal	(1,847)	----
Loss for the financial year from discontinued operations	**(2,132)**	**(346)**

(1) Westwood Yarns Limited results in the year ended 2 April 2016 are only included up to the 2 October 2015 - the date of disposal of the business.

10 Analysis of net debt

	At 28 March 2015 re-stated £000	Cash flow £000	Capital expenditure under finance leases/HP £000	Acquisitions £000	Other non-cash changes £000	Exchange movement £000	**At 2 April 2016 £000**
Cash	2,392	10,593	----	----	5,951	142	**19,078**
Bank overdraft	(10,894)	16,845	----	----	(5,951)	----	----
Cash and cash equivalents	(8,502)	27,438	----	----	----	142	**19,078**
Finance leases and hire purchase agreements							
- Payable less than one year	(825)	650	----	(83)	(326)	(12)	**(596)**
- Payable more than one year	(388)	----	(451)	----	326	----	**(513)**
Bank loans							
- payable less than one year	(6,689)	6,689	----	----	----	----	----
- payable more than one year	(9,712)	(3,181)	----	(54,632)	----	(1,755)	**(69,280)**
BGF loan							
--payable less than one year	----	----	----	----	----	----	----
--payable more than one year	(9,542)	----	----	----	(254)	----	**(9,796)**
Net debt	(35,658)	31,596	(451)	(54,715)	(254)	(1,625)	**(61,107)**
Prepaid finance costs	556	1,065	----	----	(554)	----	**1,067**
Net debt including prepaid finance costs	(35,102)	32,661	(451)	(54,715)	(808)	(1,625)	**(60,040)**

The BGF loans relates to the debt component of the BGF loan and option instruments. Further details are provided in Note 11(a).
The bank loans and BGF loan are disclosed in the table excluding prepaid finance costs.

11 Change in accounting policy and prior year adjustment

(a) Business Growth Fund loan and equity warrants

There has been a change this year in the accounting treatment of the Business Growth Fund ('BGF') fully subordinated £10m 2022 unsecured loan note facility and associated equity warrants (the 'BGF loan and option'). The loan note facility was previously treated as a £10m loan held on the balance sheet within 'other financial liabilities' along with accrued interest (totalling £164,000 as at the prior year-end) in relation to a £2,133,560 redemption premium payable in 2019. Linked to the loan note facility, BGF own warrants to acquire 746,000 shares in Victoria PLC at 286p per share, the total cost to BGF of exercising these warrants being £2,133,560 (payable to the Company). As at 28 March 2015, a balance of £60,000 was held in a share based payment reserve in relation to these warrants.

These instruments are now accounted for using split accounting which involves first determining the carrying amount of the debt component. This is done by measuring the net present value of the discounted cash flows of interest and capital repayments, ignoring the possibility of exercise of the equity warrants. The discount rate is the market rate at the time of inception for a similar liability that does not have an associated equity instrument. On this basis the debt component, held within 'other financial liabilities', had a fair value as at 28 March 2015 of £9,470,000, and the equity component, held within 'other reserves', a fair value of £682,000. As at 2 April 2016, the fair value of the debt component had increased to £9,796,000 due to the unwinding of the interest rate discount over time, with a £326,000 charge going to finance costs in the income statement. This charge is split £146,000 within underlying interest charges and £180,000 within non-underlying finance costs, the latter amount being the additional non-cash annual charge associated with the redemption premium. In addition, there is non-underlying finance income of £72,000 in the year relating to the difference in the recognised liability as at 28 March 2015 under the two treatments (being the previous £60,000 share based payment reserve and a difference of £12,000.in interest charge to that date).

Furthermore, in the prior year, prepaid finance costs, including those associated with the BGF loan and option, were recognised within prepayments. These have now been offset against the relevant financial liability in the balance sheet. Amortisation of these prepayments was previously included in the income statement within administration costs and are now included within finance costs.

(b) New accounting policy in relation to sampling assets

A new accounting policy has been adopted this year in relation to expenditure on sampling assets. Sampling assets consist of a variety of product samples and sample books, as well as point of sale stands designed to hold the samples. The cost of these assets was previously expensed as incurred. Under the new policy, these assets are capitalised as fixed assets and depreciated.

The Group places sampling assets with retail customers for the purpose of helping to generate future consumer sales, and therefore sales for the Group. These assets are held by customers in their stores for a period of time until the introduction of new colours or a new range by the Group, resulting in their replacement. As such, it has been deemed appropriate to capitalise these assets on the Group's balance sheet to reflect their existence and expected future economic benefit, and to depreciate to the income statement to match their cost against the revenue generated.

The Group's consolidated accounts and all subsidiary accounts have been prepared on the basis of this new accounting policy, with a prior-year adjustment reflected in the comparable figures. This includes a fully retrospective adjustment to reflect the Group's restated position and performance had this accounting policy been adopted historically. As such, the restated depreciation charge in the year includes charges in relation to sampling assets acquired in previous financial years.

Sampling assets have been classed as 'Fixtures, vehicles and equipment' and sit within this category.

The useful economic life of these assets has been prudently estimated to be 24 months, and all sampling assets are depreciated on a straight-line basis over this time period.

The impact on the Group's consolidated income statement in the prior year is summarised below.

Income statement

	52 weeks ended 28 March 2015		
	Previous basis £'000	Impact of change in accounting policy £'000	Re-stated £'000
Revenue	127,003	-	127,003
Underlying operating profit	9,392	37	9,429
Non-underlying operating items	(270)	-	(270)
Exceptional operating items	(7,952)	895	(7,057)
Operating profit	1,170	932	2,102
Underlying interest charges	(1,498)	-	(1,498)
Non-underlying finance costs	(2,192)	-	(2,192)
Profit / (loss) before tax	(2,520)	932	(1,588)
Taxation	(1,658)	-	(1,658)
Profit / (loss) after tax from continuing operations	(4,178)	932	(3,246)
Loss from discontinued operations	(346)	-	(346)
Profit / (loss) for the period	(4,524)	932	(3,592)

Operating profit on the previous basis includes a £79,000 adjustment in relation to amortisation of prepaid finance costs, which was previously included within administration costs and has been reallocated to interest charges.

The change in operating profit in the year, as well as in the prior year, result from timing differences between the acquisition of sampling assets and the aggregate depreciation profile. The reduction in exceptional operating items in the prior year relates to the fact that the net book value of these assets under the new accounting policy on the Abingdon Flooring acquired balance sheet is greater than the assessed goodwill arising from the acquisition at the time; with the resultant difference being treated as an exceptional acquisition related income, as required by IFRS.

The impact on the Group's earnings per share in the prior year is summarised below.

Earnings per share

	52 weeks ended 28 March 2015		
	Previous basis	Impact of change in accounting policy	Re-stated
From continuing operations:			
Basic earnings per share	(35.23p)	7.86p	(27.37p)
Diluted earnings per share	(35.23p)	7.86p	(27.37p)
Including discontinued:			
Basic earnings per share	(38.15p)	7.86p	(30.29p)
Diluted earnings per share	(38.15p)	7.86p	(30.29p)

The impact on the Group's consolidated balance sheet and other key financial information in the prior year is summarised below.

Balance sheet

	As at 28 March 2015			As at 28 March 2014		
	Previous basis £'000	Impact of change in accounting policy £'000	Re-stated £'000	Previous basis £'000	Impact of change in accounting policy £'000	Re-stated £'000
Total assets	113,656	2,929	116,585	78,697	2,038	80,735
Total liabilities	(93,205)	-	(93,205)	(44,058)	-	(44,058)
Net assets	20,451	2,929	23,380	34,639	2,038	36,677

Total assets and liabilities on the previous basis as at both 28 March 2015 and 29 March 2014 include adjustments in relation to the BGF loan and option and prepaid finance costs (see Note 11(a)).

The adjustment in total assets as at 28 March 2015 of £2,929,000 comprises an increase in fixed assets of £5,300,000 relating to the net book value of capitalised sampling assets, less a reduction in goodwill of £2,371,000 in relation to the acquisitions of Whitestone and Abingdon as a result of recognising sampling assets in their respective acquired balance sheets. Retained earnings as at 28 march 2015 also increase by £2,929,000.

The adjustment in total assets as at 29 March 2014 of £2,038,000 relates entirely to the net book value of capitalised sampling assets, with an equivalent increase in retained earnings.

There is no impact from this accounting policy change on the Victoria PLC company only accounts.

12 Basis of preparation

The results have been extracted from the audited financial statements of the Group for the 53 weeks ended 2 April 2016. The results do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. Whilst the financial information included in this announcement has been computed in accordance with the principles of International Financial Reporting Standards ("IFRS") as adopted by the EU, IFRIC interpretations and Companies Act 2006 that applies to companies reporting under IFRS, this announcement does not itself contain sufficient information to comply with IFRS. The Group will publish full financial statements that comply with IFRS. The audited financial statements incorporate an unqualified audit report. The Auditor's report on these accounts did not draw attention to any matters by way of emphasis and did not contain statements under S498(2) or (3) Companies Act 2006.

Statutory accounts for the 52 weeks ended 28 March 2015, which incorporated an unqualified auditor's report, have been filed with the Registrar of Companies. The Auditor's report on these accounts did not draw attention to any matters by way of emphasis and did not contain statements under S498(2) or (3) Companies Act 2006. The accounting policies applied are consistent with those described in the Annual Report & Accounts for the 52 weeks ended 28 March 2015.

The Annual Report & Accounts will be posted to shareholders in due course. Further copies will be available from the Company's Registered Office: Worcester Road, Kidderminster, Worcestershire, DY10 1JR or via the website: www.victoriaplc.com.