22 November 2016

Victoria PLC

('Victoria', the 'Company', or the 'Group')

Interim Results

Strong Performance Continues - Well Positioned For Further Growth

Victoria PLC (LSE: VCP) the international designers, manufacturers and distributors of innovative floorcoverings, is pleased to announce its consolidated interim results for the 26 weeks ended 1 October 2016.

Financial and Operational Highlights

Continuing operations	**H1 FY17**	**H1 FY16**	Growth
Revenue	**£153.4m**	£105.6m	+45%
Underlying EBITDA[1]	**£20.2m**	£12.6m	+60%
Underlying operating profit[1]	**£14.4m**	£7.9m	+82%
Operating profit	**£12.0m**	£6.4m	+88%
Underlying profit before tax[1]	**£12.3m**	£6.4m	+92%
Profit before tax	**£8.4m**	£3.9m	+115%
Net debt	**£67.7m**	£80.5m	-16%
Adjusted net debt / EBITDA[2]	**1.93x**	2.25x	
Earnings per share[3]:			
- Basic adjusted	**10.43p**	6.59p	+58%
- Basic	**6.57p**	0.88p	+647%

Victoria's successful growth has continued:

- Group revenues for the six months ending 1 October 2016 grew by 45% from £105.6m to £153.4m
- Like-for-like revenues grew by 8.0% (4.9% on a constant currency basis)[4]
- Underlying operating profit increased from £7.9m to £14.4m
- Underlying profit before tax substantially increased from £6.4m to £12.3m
- Net debt as at the half year was £67.7m, representing a very comfortable 1.93x annualised EBITDA[2] (2015 H1: 2.25x)
- Acquisition of Ezi Floor on 30 September 2016 for initial cash consideration of £6.5m and deferred consideration of £6.5m, plus contingent cash consideration of up to a further £6.5m wholly dependent on improved EBITDA over the next four years

1. Underlying performance is stated before the impact of exceptional items, amortisation 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 and deferred consideration fair value adjustments)

2. Adjusted net debt / EBITDA as measured in relation to the Group's bank facility covenants

3. Basic and basic adjusted earnings per share calculations set out in Note 7

4. Like-for-like revenue growth based on a complete half year of revenue for all businesses acquired excluding Ezi Floor. Figures are adjusted for the 26 week period to 1 October 2016 as compared to the 27 week prior period

Geoff Wilding, Executive Chairman of Victoria PLC commented:
"During the last six months we remained focused on executing our plan, with the acquisition of Ezi Floor extending the Group's underlay offering and earnings. The Board continues its effective cash management whilst at the same time being quick to identify and implement potential commercial and margin enhancing synergies across the Group as we gain market share both in the UK and Australia. With no shortage of acquisition opportunities in the UK and Europe, the Board is confident it can continue to grow Victoria and create more wealth for shareholders."

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The information communicated within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

Chairman's Statement

The first half of this financial year was another successful trading period of continued growth and performance for Victoria. Despite the prognostications of the doom-sayers, Brexit has had no discernible impact on demand for our products in the UK with like-for-like revenues up 3.5%. Growth in Australia continues apace (up 8.9% AUD like-for-like). We remain confident in achieving all of our objectives for the financial year.

Ezi Floor

Underlay is sold alongside nearly two-thirds of carpet sales in the UK and, as such, some 18 months ago we formed the view that an underlay manufacturer would be an ideal addition for Victoria.

September 2015 saw the initiation of this strategy, with the acquisition of underlay manufacturer Interfloor. Over the last year, in particular with a focus on minimising costs, Interfloor has become a highly valuable contributor to the Group's earnings.

Following the success of Interfloor, we acquired another underlay manufacturer, Ezi Floor, on 30 September this year. This is a very entrepreneurial and successful business and its acquisition means Victoria is now able to provide a full range of underlay products across the market. Whilst, as with previous acquisitions, Interfloor and Ezi Floor will remain largely independent in terms of marketing and sales, we are highly confident operational synergies can be achieved between these two businesses and believe Ezi Floor will also make a material contribution to Victoria's earnings.

Acquisitions

Buying a company is easy; making it successful is another matter entirely. Many acquisitions fail to meet expectations and, understandably, many investors are sceptical of a business plan that incorporates acquisitions as part of its strategy. I have completed literally dozens of acquisitions in my business career, making my share of mistakes, but the end product achieved in several sectors over many years has been the creation of significant shareholder wealth.

So, the fact remains that acquisitions can be - and have been - a powerful tool for growing a business and opening new market opportunities.

Having said that, we have made just six acquisitions in four years. This steady pace enables us to ensure each acquired business is properly integrated into Victoria before we proceed with securing the next earnings enhancing deal.

At the risk of boring shareholders with repetition, let me once again set out the key criteria Victoria uses when assessing a potential acquisition opportunity. This list is not exhaustive and sometimes we will not acquire a business that meets all our criteria simply because of some indefinable factor that makes us uncomfortable with proceeding.

1. **We never buy struggling businesses or turnarounds.** The time and energy expended on a turnaround is rarely worth it;
2. **Modern, well-equipped factories.** As a company, Victoria is extremely focussed on cash generation. It is free cash that allows us to pay down debt, fund growth, whether acquisitions or organic, and progressively return capital to shareholders through dividends or share buybacks. So, the last thing we want to have to do after buying a business is spend all the cash it generates bringing the factory up to standard.

3. **Committed, talented and honest management.** Anyone can lease a factory and buy the machinery to make carpet (or other flooring). The difference between the average business and the extraordinary businesses Victoria acquires is the management;
4. **Broad distribution channels.** Victoria's sales are overwhelmingly made to literally thousands of retailers. We like the security this diversity provides; and pay close attention to customer concentration when considering a potential acquisition.
5. **A fair price.** To quote Warren Buffet, "It's far better to buy a wonderful company at a fair price than a fair company at a wonderful price. We recognise that quality businesses are rarely 'cheap' but shareholders can take comfort from the fact that we will not overpay. Ever.

Debt

Debt is a business tool like any other. Properly used it can transform growth and shareholder returns and, given the very high levels of cash generation by the business, Victoria makes use of prudent levels of debt to grow the business and improve earnings.

We have consistently demonstrated over the last four years that, while there is a significant seasonal profile in Victoria's net debt (our working capital levels peak in September each year due to the increase in demand during the pre-Christmas rush, plus the timing of our deferred consideration payments are substantially weighted to H1), overall cash generation is aligned to annual earnings. Management across the entire Victoria Group is very focussed on cash generation, which gives the Board the confidence to appropriately deploy debt to fund acquisitions.

Outlook

Both markets in which Victoria trades – the UK and Australia – continue to perform well.

The Australian flooring market is experiencing very good demand from consumers. Although Australia housing stock is about one-third that of the UK, the houses themselves are about three times the size of the average UK house and therefore the addressable market is quite similar in size. I have been delighted by the performance of both our historical business in Australia and Quest, the acquisition we made in August 2015.

The UK, which is about 75% of our business, also continues to trade well. Brexit has had no discernible impact on demand for product and, with some 60% of carpet sold in the UK imported – primarily from Europe – weaker Sterling has benefited us by making our main competitors product materially more expensive whilst less than 20% of our cost base is in Euros or US dollars.

Unlike most other retail purchases, consumers typically only decide to invest in a new carpet for their home once every seven to nine years. As a result, consumers have little awareness as to what a square metre of carpet "should" cost. It is for that reason that the price at which we can sell product is governed moreover by the price point of our competitors than consumers expectations. This, therefore, makes it easier to pass on any production-based inflationary pressures due to all manufacturers broadly being in the same position; all seeking to increase prices at similar inflection points.

In the same regard, as consumer spend for carpet averages at £300-500 per room, any marginal increase in price per square metre will have limited impact on them deciding whether or not to proceed with the purchase.

Nonetheless we continue to maintain tight control over costs and inventory to ensure that the Group is well positioned should selling conditions change. To that end, I thought it might be helpful for shareholders to understand the level of variability in our cost base. Victoria is more lowly geared operationally than I suspect some shareholders appreciate. Over half of Victoria's cost base fluctuates directly with sales (e.g. raw materials and energy) and a further circa 30% is capable of being varied within a few weeks (e.g. labour, logistics and marketing costs), should conditions change.

Growth in earnings per share will continue from both organic improvements and acquisitions. There is no shortage of opportunities both in the UK and Europe – although we take care to only proceed once we are confident the last acquisition has been properly integrated. Our strong positive cash-flow, together with supportive bankers and shareholders ensure further acquisition-based growth can be funded. By maintaining very strict criteria and strong price discipline, I am confident acquisitions will continue to be earnings enhancing and a useful tool to both strengthen the Group and create wealth for shareholders.

Therefore, once again, I am pleased to say the Board faces the balance of the financial year with a positive outlook.

Condensed Consolidated Income Statement

For the 26 weeks ended 1 October 2016 (unaudited)

		26 weeks ended 1 October 2016			27 weeks ended 3 October 2015 [1]			53 weeks ended 2 April 2016 (Audited)		
		Underlying performance	Non-underlying items	Reported numbers	Underlying performance re-stated	Non-underlying items re-stated	Reported numbers re-stated	Underlying performance	Non-underlying items	Reported numbers
	Notes	£000	£000	£000	£000	£000	£000	£000	£000	£000
Continuing operations										
Revenue	3	153,405	-	153,405	105,607	-	105,607	255,174	-	255,174
Cost of sales		(103,007)	-	(103,007)	(70,365)	-	(70,365)	(169,930)	(249)	(170,179)
Gross profit		50,398	-	50,398	35,242	-	35,242	85,244	(249)	84,995
Distribution costs		(29,285)	-	(29,285)	(22,754)	-	(22,754)	(49,852)	(157)	(50,009)
Administrative expenses (including intangible amortisation)		(6,997)	(2,440)	(9,437)	(4,732)	(1,525)	(6,257)	(13,753)	(3,787)	(17,540)
Other operating income		291	-	291	130	-	130	292	-	292
Operating profit/(loss)		14,407	(2,440)	11,967	7,886	(1,525)	6,361	21,931	(4,193)	17,738
Comprising:										
Operating profit before exceptional items and intangible amortisation	3	14,407	-	14,407	7,886	-	7,886	21,931	-	21,931
Intangible amortisation		-	(1,946)	(1,946)	-	(197)	(197)	-	(2,315)	(2,315)
Asset impairment		-	-	-	-	-	-	-	(160)	(160)
Exceptional items	3,4	-	(494)	(494)	-	(1,328)	(1,328)	-	(1,718)	(1,718)
Finance costs	5	(2,116)	(1,470)	(3,586)	(1,531)	(975)	(2,506)	(3,714)	(4,734)	(8,448)
Profit/(loss) before tax		12,291	(3,910)	8,381	6,355	(2,500)	3,855	18,217	(8,927)	9,290
Taxation	6	(2,802)	395	(2,407)	(1,458)	-	(1,458)	(4,302)	961	(3,341)
Profit/(loss) for the period from continuing operations		9,489	(3,515)	5,974	4,897	(2,500)	2,397	13,915	(7,966)	5,949
Loss for the period from discontinued operations		-	-	-	-	(1,746)	(1,746)	-	(2,132)	(2,132)
Profit/(loss) for the period		9,489	(3,515)	5,974	4,897	(4,246)	651	13,915	(10,098)	3,817
Earnings per share from continuing operations [2]										
basic (pence)	7			6.57			3.23			7.22
diluted (pence)	7			6.46			3.29			7.11
Earnings per share [2]										
basic (pence)	7			6.57			0.88			4.63
diluted (pence)	7			6.46			0.98			4.60

(1) Re-stated to reflect the new accounting policy adopted in relation to expenditure on sampling assets and the change in accounting treatment of the Business Growth Fund Loan to split the debt and equity components. The effects of these changes were detailed in Note 31 of the Annual Report and Accounts for the 53 weeks ended 2 April 2016.

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

Condensed Consolidated Statement of Comprehensive Income

For the 26 weeks ended 1 October 2016 (unaudited)

	26 weeks ended 1 October 2016	27 weeks ended 3 October 2015	53 weeks ended 2 April 2016
		(re-stated)	(Audited)
	£000		£000
Profit for the period	**5,974**	651	3,817
Other Comprehensive (expense)/income:			
Items that will not be reclassified to profit or loss:			
Actuarial (losses)/gains on pension scheme	**(6,550)**	329	(152)
Increase/(decrease) in deferred tax asset relating to pension scheme liability	**1,214**	(60)	53
Total items that will not be reclassified to profit or loss	**(5,336)**	269	(99)
Items that may be reclassified subsequently to profit or loss			
Currency translation gains/(losses)	**1,716**	(1,533)	708
Totals items that may be reclassified subsequently to profit or loss	**1,716**	(1,533)	708
Other comprehensive (expense)/income for the year, net of tax	**(3,620)**	(1,264)	609
Total comprehensive income/(loss) for the year attributable to the owners of the parent	**2,354**	(613)	4,426

Condensed Consolidated Balance Sheet

As at 1 October 2016 (unaudited)

	1 October 2016	3 October 2015	2 April 2016
		(re-stated)	(Audited)
	£000	£000	**£000**
Non-current assets			
Goodwill	**48,949**	68,389	37,205
Intangible assets	**42,174**	8,661	43,476
Property, plant and equipment	**41,220**	35,206	38,811
Investment property	**180**	180	180
Deferred tax asset	**4,818**	3,148	3,287
Total non-current assets	**137,341**	115,584	122,959
Current assets			
Inventories	**63,261**	54,679	58,970
Trade and other receivables	**46,415**	45,767	42,562
Cash at bank and in hand	**21,501**	7,846	19,078
Other financial assets	**374**	180	384
Total current assets	**131,551**	108,472	120,994
Total assets	**268,892**	224,056	243,953
Current liabilities			
Trade and other payables	**70,488**	60,493	66,913
Current tax liabilities	**3,750**	2,630	2,891
Other financial liabilities	**617**	3,644	596
Total current liabilities	**74,855**	66,767	70,400
Non-current liabilities			
Trade and other payables	**14,850**	10,735	11,524
Other financial liabilities	**87,617**	84,690	78,522
Deferred tax liabilities	**8,393**	1,681	9,129
Retirement benefit obligations	**9,734**	2,665	3,345
Total non-current liabilities	**120,594**	99,771	102,520
Total liabilities	**195,449**	166,538	172,920
Net assets	**73,443**	57,518	71,033
Equity			
Share capital	**4,548**	4,370	4,548
Share premium	**52,467**	44,164	52,462
Retained earnings	**15,695**	8,302	13,341
Other reserves	**733**	682	682
Total equity	**73,443**	57,518	71,033

Condensed Consolidated Statement of Changes in Equity

For the 26 weeks ended 1 October 2016 (unaudited)

	Share capital £000	Share premium £000	Retained earnings £000	Other reserves £000	Total equity £000
At 28 March 2015 (re-stated)	3,639	10,144	8,915	682	23,380
Profit for the period to 3 October 2015	----	----	651	----	651
Other comprehensive loss for the period	----	----	(1,264)	----	(1,264)
Total comprehensive loss	----	----	(613)	----	(613)
Issue of share capital	731	34,020	----	----	34,751
Transactions with owners	731	34,020	----	----	34,751
At 3 October 2015 (re-stated)	4,370	44,164	8,302	682	57,518
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
At 3 April 2016	4,548	52,462	13,341	682	71,033
Profit for the period to 1 October 2016	----	----	5,974	----	5,974
Other comprehensive loss for the period	----	----	(3,620)	----	(3,620)
Total comprehensive income	----	----	2,354	----	2,354
Issue of share capital	----	5	----	----	5
Movement in other reserves	----	----	----	51	51
Transactions with owners	----	5	----	51	56
At 1 October 2016	**4,548**	**52,467**	**15,695**	**733**	**73,443**

Condensed Consolidated Statements of Cash Flows

For the 26 weeks ended 1 October 2016 (unaudited)

	Notes	**26 weeks ended 1 October 2016**	27 weeks ended 3 October 2016	53 weeks ended 2 April 2016
			(re-stated)	(Audited)
		£000	£000	£000
Cash flows from operating activities				
Operating profit from continuing operations		**11,967**	6,361	17,738
Adjustments for:				
- Depreciation charges		**5,829**	4,689	10,347
- Amortisation of intangible assets		**1,946**	197	2,315
- Goodwill adjustment		**----**	----	(43)
- Asset impairment		**----**	----	160
- Profit on disposal of property, plant and equipment		**(1)**	(129)	(143)
- Defined benefit pension cash contributions		**(221)**	----	----
- Exchange rate difference on consolidation		**235**	(425)	594
Net cash flow from operating activities before movements in working capital		**19,755**	10,693	30,968
Change in inventories		**(1,592)**	(3,666)	(7,767)
Change in trade and other receivables		**(1,190)**	(683)	215
Change in trade and other payables		**(3,034)**	2,495	7,628
Cash generated by continuing operations		**13,939**	8,839	31,044
Interest paid		**(1,841)**	(1,392)	(3,243)
Income taxes paid		**(2,721)**	(1,627)	(3,243)
Net cash flow from discontinued operations		**----**	65	65
Net cash inflow from operating activities		**9,377**	5,885	24,623
Investing activities				
Purchases of property, plant and equipment		**(6,030)**	(4,896)	(9,752)
Proceeds from disposal of Westwood Yarns Limited		**----**	-----	431
Proceeds on disposal of property, plant and equipment		**48**	827	1,034
Deferred consideration and earn-out payments		**(8,332)**	(5,155)	(7,453)
Acquisition of subsidiaries net of cash acquired		**----**	(16,478)	(19,265)
Net cash used in investing activities		**(14,314)**	**(25,702)**	(35,005)
Financing activities				
Increase/(decrease) in long term loans		**7,385**	(657)	(4,573)
Issue of share capital		**----**	34,592	43,043
Repayment of obligations under finance leases/HP		**(475)**	(539)	(650)
Net cash generated by financing activities		**6,910**	**33,396**	37,820
Net increase in cash and cash equivalents		**1,973**	**13,579**	27,438
Cash and cash equivalents at beginning of period		**19,078**	(8,502)	(8,502)
Effect of foreign exchange rate changes		**450**	(177)	142
Cash and cash equivalents at end of period	8	**21,501**	4,900	19,078

Notes to the Condensed Half-Year Financial Statements

1 General information

These condensed consolidated financial statements for the 26 weeks ended 1 October 2016 have not been audited or reviewed by the Auditors. They were approved by the Board of Directors on 21 November 2016.
The information for the 53 weeks ended 2 April 2016 does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The Auditors' report on those accounts was unqualified and did not include a reference to any matter to which the Auditor drew attention by way of emphasis without qualifying the report and did not contain statements under Section 498(2) or 498(3) of the Companies Act 2006.

2 Basis of preparation and accounting policies

These condensed consolidated financial statements should be read in conjunction with the Group's financial statements for the 53 weeks ended 2 April 2016, which were prepared in accordance with IFRSs as adopted by the European Union.
The accounting policies and basis of consolidation of these condensed financial statements are consistent with those applied and set out on pages 27 to 33 of the Group's audited financial statements for the 53 weeks ended 2 April 2016.

Having reviewed the Group's projections, 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.

Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements of the Group.

3 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

	26 weeks ended 1 October 2016				27 weeks ended 3 October 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	**112,082**	**41,323**	**-----**	**153,405**	81,069	24,538	-----	105,607
Underlying operating profit	**11,062**	**4,141**	**(796)**	**14,407**	6,420	1,964	(498)	7,886
Non-underlying operating items	**(1,578)**	**(368)**	-----	**(1,946)**	(197)	-----	-----	(197)
Exceptional operating items	**-----**	**-----**	**(494)**	**(494)**	-----	-----	(1,328)	(1,328)
Operating profit from continuing operations	**9,484**	**3,773**	**(1,290)**	**11,967**	6,223	1,964	(1,826)	6,361
Underlying interest charges				**(2,116)**				(1,531)
Non-underlying finance costs				**(1,470)**				(975)
Profit before tax from continuing operations				**8,381**				3,855
Tax				**(2,407)**				(1,458)
Profit after tax from continuing operations				**5,974**				2,397
Loss from discontinued operations *				**-----**				(1,746)
Profit for the period				**5,974**				651

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

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

Other segmental information

	26 weeks ended 1 October 2016				27 weeks ended 3 October 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)	**4,612**	**1,217**	**-----**	**5,829**	3,755	934	-----	4,689
Amortisation of acquired intangibles	**1,578**	**368**	**-----**	**1,946**	197	-----	-----	197
	6,190	**1,585**	**-----**	**7,775**	3,952	934	-----	4,886

	26 weeks ended 1 October 2016				27 weeks ended 3 October 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)	**5,092**	**938**	**-----**	**6,030**	4,298	598	-----	4,896

4 Exceptional Items from continuing operations

	26 Weeks ended 1 Oct 2016	27 Weeks ended 3 Oct 2015
	£000	£000
(a) Acquisition costs	**494**	1,066
(b) Bank refinancing costs	**-----**	262
	494	1,328

All exceptional items are classified within administrative expenses.

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

(b) The prior year bank refinancing cost was in connection with establishing the Company's multi-currency revolving facility with existing Group bankers, Barclays and HSBC.

5 Finance costs

	26 Weeks ended 1 Oct 2016	27 Weeks ended 3 Oct 2015
	£000	£000
Interest on loans and overdrafts wholly repayable within five years	**1,512**	900
Interest payable on BGF loan	**572**	586
Hire purchase and finance lease interest	**32**	45
Underlying interest costs	**2,116**	1,531
(a) BGF loan and option, redemption premium charge	**90**	90
(b) Unwinding of present value of deferred and contingent consideration	**1,317**	885
(c) Mark to market adjustment on foreign exchange forward contracts	**63**	-----
Non-underlying costs	**1,470**	975
Total finance costs	**3,586**	2,506

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

(b) 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.

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

6 Tax from continuing operations

	26 Weeks ended 1 Oct 2016 £000	27 Weeks ended 3 Oct 2015 £000 re-stated
Current tax		
- Current year UK	**2,392**	1,637
- Current year overseas	**1,187**	637
	3,579	2,274
Deferred tax		
- Credit recognised in the current year	**(1,236)**	(796)
- Adjustments in respect of prior years	**64**	(20)
	(1,172)	(816)
Total tax	**2,407**	1,458

The overall corporation tax rate is 22.8% (2015: 22.9%), representing the best estimate of the weighted average annual corporation tax rate expected for the full financial year.

7 Earnings per share

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

	26 Weeks ended 1 Oct 2016 Basic £'000	**26 Weeks ended 1 Oct 2016 Adjusted £'000**	27 Weeks ended 3 Oct 2015 Basic £'000	27 Weeks ended 3 Oct 2015 Adjusted £'000
Profit attributable to ordinary equity holders of the parent entity from continuing operations	**5,974**	**5,974**	2,397	2,397
Exceptional items:				
Amortisation of acquired intangibles	**----**	**1,946**	----	197
Acquisition costs	**----**	**494**	----	1,066
Unwinding of present value of deferred and contingent consideration	**----**	**1,317**	----	885
BGF loan and option, redemption premium charge	**----**	**90**	----	90
Release of prepaid finance costs	**----**	**----**	----	262
Mark to Market adjustment on foreign exchange forward contracts and interest rate swap	**----**	**63**	----	----
Tax effect on adjusted items where applicable	**----**	**(395)**	**----**	**----**
Earnings for the purpose of basic and adjusted earnings per share from continuing operations	**5,974**	**9,489**	2,397	4,897
Loss attributable to ordinary equity holders of the parent entity from discontinued operations	**----**	**----**	(1,746)	**----**
Earnings for the purpose of basic and adjusted earnings per share	**5,974**	**9,489**	651	4,897

Weighted average number of shares

	2016	2015
	Number of shares ('000)	Number of shares ('000)
	(1)	(1)
Weighted average number of ordinary shares for the purposes of basic and adjusted earnings per share	**90,967**	74,300
Effect of dilutive potential ordinary shares:		
BGF share options	**2,973**	1,215
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**93,940**	75,515

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

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 per share from continuing operations		
Basic adjusted	**10.43**	6.59
Diluted adjusted	**10.10**	6.48
Basic	**6.57**	3.23
Diluted [1]	**6.46**	3.29
Loss per share from discontinued operations		
Basic	**----**	(2.35)
Diluted [1]	**----**	(2.35)
Earnings per share		
Basic adjusted	**10.43**	6.59
Diluted adjusted	**10.10**	6.48
Basic	**6.57**	.88
Diluted [1]	**6.46**	.98

[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.

The prior year earnings per share metrics have been recalculated to reflect the five for one share split which was effective from 12 September 2016.

8 Analysis of net debt

	At 2 April 2016	Cash flow	Capital expenditure under finance leases/HP	Other non-cash changes	Exchange movement	**At 1 October 2016**
	£000	£000	£000	£000	£000	**£000**
Cash	19,078	1,973	----	----	450	**21,501**
Cash and cash equivalents	19,078	1,973	----	----	450	**21,501**
Finance leases and hire purchase agreements						
- Payable less than one year	(596)	264	----	(280)	(5)	**(617)**
- Payable more than one year	(513)	211	(657)	280	(20)	**(699)**
Bank loans						
- Payable more than one year	(69,280)	(7,385)	----	----	(1,242)	**(77,907)**
BGF loan						
- Payable less than one year	----	----	----	----	----	**----**
- Payable more than one year	(9,796)	----	----	(163)	----	**(9,959)**
Net debt	(61,107)	(4,937)	(657)	(163)	(817)	**(67,681)**
Prepaid finance costs	1,067	75	----	(194)	----	**948**
Net debt including prepaid finance costs	(60,040)	(4,862)	(657)	(357)	(817)	**(66,733)**

9 Acquisition of subsidiaries

Ezi Floor Limited

On 30 September 2016, the Group acquired UK underlay manufacturer Ezi Floor Limited, for an initial cash consideration of £6.5m and deferred cash consideration of £6.5m, payable in annual instalments over four years. Additional contingent cash consideration up to a maximum of £6.5m is wholly dependent on improved EBITDA over the next four years. The principal activity of Ezi Floor is the manufacture and distribution of a range of underlay and underlay accessories for both the residential and contract markets. Ezi Floor sells to wholesalers, retail groups, and independent stores throughout the UK. The acquisition is expected to be immediately accretive to the underlying earnings per share of the Company.

The Group results for the 26 weeks ended 1 October 2016 do not include any revenue or profit from Ezi Floor as it was acquired at the end of the first half period.

The valuation exercise to identify intangible assets acquired, as required under IFRS3, has not been finalised as at the half year. The valuation will be reflected in the Annual Report and Accounts for the Group for the year ending 1 April 2017 together with the IFRS 3 disclosures. Accordingly, an element of the Goodwill recorded on the balance sheet as at 1 October 2016 will be reclassified to Intangible assets once the IFRS 3 valuation has been completed.

10 Rates of exchange

The results of the Group's overseas subsidiary has been translated into Sterling at the average exchange rates prevailing during the periods. The balance sheet is translated at the exchange rates prevailing at the period ends:

	26 Weeks ended 1 Oct 2016	27 Weeks ended 3 Oct 2015	53 weeks ended 2 April 2016
Australia (A$) - average rate	**1.8196**	2.0489	2.0327
Australia (A$) - period end	**1.6942**	2.1544	1.8526

11 Risks and uncertainties

The Board continuously assesses and monitors the key risks of the business. The key risks that could affect the Group's medium term performance and the factors which mitigate these risks have not changed from those set out on page 9 of the Group's 2016 Annual Report, a copy of which is available on the Group's website - www.victoriaplc.com. The Chairman's Statement includes consideration of uncertainties affecting the Group in the remaining six months of the year.

On behalf of the Board

Geoffrey Wilding
Chairman

21 November 2016