25 July 2017

Victoria PLC
('Victoria', the 'Company', or the 'Group')
Preliminary Results
for the year ended 1 April 2017

Another Record Year

Victoria PLC (LSE: VCP) the international designers, manufacturers and distributors of innovative floorcoverings, is pleased to announce its preliminary results for the year ended 1 April 2017.

Financial and Operational highlights

Continuing operations	**Year ended 1 April 2017**	Year ended 2 April 2016	Growth
Revenue	**£330.4m**	£255.2m	+29%
Underlying EBITDA[1]	**£45.7m**	£32.3m	+41%
Underlying operating profit[1]	**£33.7m**	£21.9m	+54%
Operating profit	**£26.6m**	£17.7m	+50%
Underlying profit before tax[1]	**£29.4m**	£18.2m	+61%
Profit before tax	**£18.8m**	£9.3m	+102%
Net debt	**£89.6m**	£61.1m	+47%
Net debt / EBITDA[2]	**1.63x**	1.85x	
Earnings per share[3]:			
- Basic adjusted[1]	**25.25p**	16.88p	+50%
- Basic	**13.84p**	7.22p	+92%

- 2017 was another record year for Victoria as the Group's financial strength continued to grow and strategic objectives were met
- The Group achieved a record underlying EBITDA margin of 13.8%, a c.120 basis point increase year-on-year, its fifth consecutive year of improved margins
- Growth driven by Victoria's exceptional management team, which has been strengthened by the appointment of Philippe Hamers as CEO
- Strong cash generation continues with £23.7m of underlying free cash flow[4] during 2017, which equates to over 100% of underlying profit after tax
- Net debt at £89.6m was comfortably less than two times annualised underlying EBITDA
- Four earnings-accretive acquisitions completed during the year, bringing new products and geographies to the Group. All acquisitions are fully integrated and trading well
- Ongoing reorganisation of UK manufacturing footprint and logistics structure, both expected to deliver further efficiency gains

[1] *Underlying performance is stated before the impact of exceptional items and amortisation of acquired intangibles 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, deferred consideration fair value adjustments, and exchange rate differences on foreign currency loans)*

[2] *As measured in line with our bank facility covenants*

[3] *EPS does not include discontinued operations in the prior year, and has been restated (including the prior year) for the 5:1 share split, which became effective on 12 September 2016. Further details set out in Note 4*
[4] *Underlying free cash flow represents cash flow after tax but before financing activities and exceptional items*

Geoff Wilding, Executive Chairman of Victoria PLC commented:
"2017 was another good year for Victoria and we look to the future with confidence. We further increased our operating margins, completed four earnings-accretive acquisitions, which are performing well, and we strengthened our management team even more with the key appointment of Philippe Hamers as CEO.

"There is a huge opportunity for Victoria to expand within the UK and overseas, via both acquisitions and organic growth. However, we remain focussed on increasing earnings per share and generating free cash flow and will not pursue growth for growth's sake alone.

"2018 will be another positive year for Victoria as we have widened our market exposure, both geographically and by product range and our recent internal reorganisation will provide further revenue and margin growth. Although we have already more than doubled EBITDA/Revenue margins over the last four years, the Board feels that we can drive our expanded business even further. This will all be supported by further acquisitions – for which, shareholders can be confident, we will not overpay."

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Victoria PLC
Chairman's Statement

2017 was another record year for Victoria PLC as earnings and the Group's financial strength continued to grow:

- Revenues increased by 29.5% (24.8% in constant currency terms) from £255.2m to £330.4m;
- Underlying operating profit increased from £21.9m to £33.7m;
- Underlying profit before tax substantially increased from £18.2m to £29.4m;
- After exceptional items, the Group achieved reported profit before tax of £18.8m, compared with £9.3m in the prior year;
- The Group delivered a record underlying EBITDA margin of 13.8%, a c.120 basis point increase year-on-year;
- Net debt at the year-end was £89.6m, comfortably less than two times annualised EBITDA.

	H1 FY17	**H2 FY17**	**FY17**
Revenue	£153.4m	£177.0m	£330.4m
EBITDA*	£20.2m	£25.5m	£45.7m
Operating profit*	£14.4m	£19.3m	£33.7m
Pre-tax profit*	£12.3m	£17.1m	£29.4m

*Underlying and before exceptional items

Operational synergies have continued to drive growth in operating margins and improved like-for-like performance across the Group. Victoria is now in its fifth year of consistently increasing EBITDA/Revenue margins and we are confident there are further significant improvements to be achieved from our manufacturing capabilities and logistics, which I discuss in more detail later in this statement. However, the benefits of the Group's strategy to achieve scale through acquisitions is clear, with 2017 adjusted earnings per share up by 49.6%.

I have previously stated how much we as a company focus on cash generation. Therefore, I thought it might be useful for shareholders to understand a little more about how this plays out in practice.

Four years ago, Victoria had net debt of £7.5m. Since then we have paid dividends of £21.3m as well as paid a total of £134.7m for nine acquisitions (net of £43.0m of net proceeds from the issue of share capital in September 2015). Yet our net debt remains at £89.6m. The core of the £74m difference has been cash generated.

Statistics aside, there are two incredibly valuable assets that are not tangible but are key to the Group's successful performance:

First and foremost, **Victoria's wider management team** – Shareholders will, I'm sure, be reassured to learn we avoid hiring pure MBA-types (excepting, possibly, to make tea) and the depth of our management's industry experience and product knowledge, their motivation, enthusiasm, and desire to win, and their overall management skill is second to none. I have absolutely no doubt that we have the best management team in the industry, with most having a significant portion of their net worth invested in Victoria. Shareholders can look forward to Victoria continuing to outperform the sector.

Secondly, **Victoria's relationship with its customers** – The thousands of flooring retailers we supply across the UK, Europe, and Australasia. Some of these relationships are multi-generational and the strength and depth of these relationships represent a significant competitive advantage, whilst providing opportunities for an expanded product offering.

REVIEW

Appointment of a Chief Executive
Philippe Hamers joined Victoria as Group Chief Executive in March 2017. Shareholders who have experience of these things will appreciate how difficult it is to attract someone of Philippe's calibre and I was absolutely delighted when he accepted our offer to join Victoria. His 25 years' experience in the flooring industry including, most recently, heading Europe's largest carpet manufacturing operation at Balta Group, has given him extensive experience in running very large, multi-site, multi-national, manufacturing and sales organisations.

Since joining, Philippe has focussed on reorganising our businesses to deliver further operational synergies and drive further margin improvement and revenue growth. The beneficial impact of his actions will be increasingly evident in the 2018 financial year and beyond.

Acquisitions
We have continued to be acquisitive during the period under review, completing four earnings-accretive acquisitions in the UK, Australia, and Europe

- **Ezi Floor -** Most consumer carpet sales include underlay, which delivers a more luxurious feel to the carpet and extends its life. Due to the potential for distribution synergies, Victoria acquired the widely-reputed underlay manufacturer, Interfloor in September 2015. The cross-selling opportunities and procurement improvements as a result of the Group's scale significantly improved the earnings of Interfloor. Therefore, in October 2016 we acquired Ezi Floor, the well-known and highly efficient Yorkshire-based, underlay manufacturer to further increase our exposure to this growing market.

- **Dunlop -** Following on from the success of the Interfloor and Ezi Floor acquisitions we began searching for underlay manufacturing opportunities to complement our Australian operations. Dunlop Flooring was a subsidiary of a large Australian underwear and clothing manufacturer that had recently been acquired by US clothing company, Hanes Brands. The board of Hanes brands agreed with us that there were no immediately obvious synergies between underwear and underlay and accepted our offer for the business in December 2016.

- **GrassInc and Avalon BV** - Travelling around our retailers I noticed more and more were selling artificial grass. Not artificial grass for use in sports fields, but rather a very realistic, high quality product used in small urban gardens and terraces to replicate the look and feel of genuine turf. Retailers explained it was a fast growing and profitable product category. I was not happy to discover we were missing out on a "fast growing" opportunity and even less happy to find this demand was being met by our direct competitors, who were manufacturing the artificial grass on the same machinery, using exactly the same technique as carpet (the only difference being the use of green grass-like fibre rather than coloured carpet fibre). Following a search for a suitable artificial turf manufacturer we identified GrassInc and Avalon BV in the Netherlands which could quickly propel us into this space. At the time of acquisition in February 2017, whilst these businesses were successfully selling their product throughout Europe they had no real presence in the UK. Since then, distribution has been quickly improved by utilising our existing UK business channels and shareholders can expect a positive contribution from these artificial grass manufacturers in the 2018 financial year.

Due to timing of the completion dates for the last of these acquisitions being late in the financial year, together with their integration costs, they had little impact on our FY17 net result. However, shareholders can be confident that profits from these businesses will make a meaningful contribution towards our growth in the current financial year.

Post period end events

Longer term shareholders will recall we consolidated our manufacturing footprint in Australia onto fewer sites during 2014. That move has proven to be a great success – delivering lower manufacturing costs and improved service to our customers.

In June 2017, following Philippe Hamers' recommendations to the Board, we decided to reorganise our UK production and logistics due to rapid growth and continued significant demand for our products, to drive further incremental margin uplift by improving production efficiency and customer service.

Production

- This reorganisation of the manufacturing capability involves the transfer of manufacturing operations in Kidderminster to the Group's two other UK carpet production facilities. This will optimise asset utilisation and will positively impact manufacturing efficiency to provide significant – and much needed – additional capacity without material capex.
- The Kidderminster site will continue to operate with head office, product development, and new Group warehousing and showroom functions.

Logistics

- A key attraction for retailers in dealing with the Group is the speed and convenience of our deliveries. We provide a good delivery service (albeit there is room for improvement) but the cost of doing so is high. Since November 2016 we have been working with specialist consultants, reviewing our UK logistics network in order to improve margins for the Group and enhance service levels for customers. These objectives will be achieved with the reorganisation and include immediately relocating the current Midlands distribution centre, which has become too small for purpose, into the Group's Kidderminster site. This action will provide significantly increased capacity.
- Further gains will be made from opening a Southern distribution centre to the North West of London by late 2018, servicing all of the Group's brands, and a further new distribution centre, in the North of England.

DIVIDEND POLICY

In 2006 legendary investor Warren Buffet acquired one of the world's largest flooring manufacturers, Shaw Industries. Why? In two words: cash flow. Well run flooring manufacturers generate significant cash – even when growing – due to attractive supplier terms, quality debtors, long life expectancy of key plant, low technological change and other factors.

To confirm this view, Victoria's underlying pre-tax operating cash flow this year was £43.6 million and net free cash flow (i.e. after interest, tax, capex, asset disposals) was £23.7 million.

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 firmly of the view that the most wealth will be created for shareholders by deploying the free cash-flow generated by Group businesses towards paying down debt quickly and acquiring other high quality, earnings-accretive flooring manufacturers.

Therefore, as in previous years, we have resolved not to pay a final dividend for FY17.

OUTLOOK

I suspect few shareholders truly appreciate just how big our market opportunity in the UK and overseas is. The size of the flooring sector in the regions in which Victoria operates is enormous. At the risk of stating the obvious, every building has at least one floor. As a result, there is around 1,500 million sqm of flooring sold each year in Europe, 300 million sqm sold in the UK, and 100 million sqm sold in Australasia. Victoria sells circa 30 million sqm of flooring (excluding the 60 million sqm of underlay), in total, across all three markets. The point I am emphasising is this: there is enormous scope for growth – both organically through increasing our market share and expanding our product offering, and, of course, by way of acquisition.

To date, we have focussed on acquiring carpet manufacturers. Five years ago, it was clear there was considerable opportunity to deliver solid, margin-enhancing synergies if we could achieve scale/size. Had we randomly acquired different types of flooring businesses, we would never have achieved the required scale and our margins would have languished. However, we now have genuine scale in terms of carpet manufacturing and, while this does not preclude further carpet acquisitions, we are now very determined to grow our existing successful hard flooring business. These companies will (as per the criteria set out in my Interim Results 2017 statement) all be successful, earnings-accretive acquisitions in their own right, but will also give us the opportunity to leverage our very large distribution network (we sell to literally thousands of retailers in the UK, Europe, and Australasia).

To ensure we have the management in place for this growth, and in addition to Philippe Hamers joining us as Chief Executive, we recently made a director level appointment in Jan Debrouwere as our Director of Business Development – Hard Flooring. Jan has extensive expertise developed over 28 years in manufacturing, selling and marketing of all kinds of hard flooring including, for the last four years, heading the successful turnaround of Beaulieu International Group's (BIG) worldwide hard flooring business, a multi-product, multi-national division with a turnover of €500m, overseeing multiple production sites and sales teams in Russia, USA and Europe.

We are very, very serious about growing our market share in the hard flooring market.

However, apart from acquisition-led growth, we continue to have considerable opportunity to grow margins and earnings within our existing businesses. Shareholders have seen EBITDA/Revenue margins more than double over the last four years but more upside remains through improving the efficiency of our logistics operation, procurement, and production rationalisation. Each 1% increase in our EBITDA margin increases net profits more than 12.5%.

Although 2017 was a record year for Victoria, shareholders can be assured we remain just as miserly with expenses (we are acutely aware that every penny saved falls directly to the bottom line) and just as focussed on maximising sales – we strive to leave no revenue opportunity on the table for one of our competitors. We are positive about the next 12 months – and beyond:

- Our dependency on any one market continues to reduce with more than 30% of the group's earnings now coming from outside the UK. This trend is expected to increase further in 2018.
- We have a strong sales culture; irrespective of title, everyone is a sales person.
- Our reorganisation lowers costs while increasing cost variability, thereby giving us greater resilience in variable economic conditions.
- We have done a large amount of prospecting work – primarily in Europe – and are confident of securing some high-quality, earnings-accretive acquisitions.

I look forward with confidence to another successful year.

Geoffrey Wilding
Executive Chairman
24 July 2017

Victoria PLC

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, Europe and Australia employing over 1,800 people across 20 sites.

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

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

Business model
Victoria's business model is underpinned by five integrated pillars:

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

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

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

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

5. Entrepreneurial leadership
A flat structure with a team of fourteen 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 short and medium-term strategy.

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

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

	Year ended 1 April 2017 £'m	Year ended 2 April 2016 £'m
Revenue	**330.4**	255.2
Revenue growth at constant currency	**24.8%**	84.1%
Underlying EBITDA	**45.7**	32.3
Underlying EBITDA margin	**13.8%**	12.6%
Underlying operating profit	**33.7**	21.9
Underlying operating margin	**10.2%**	8.6%
Underlying return on operating assets[1]	**19.9%**	16.6%
EPS (basic, adjusted)[2]	**25.25p**	16.88p
Adjusted net debt / EBITDA[3]	**1.63x**	1.85x
EBITDA interest cover[3]	**12.09x**	7.82x

[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] *EPS is shown on an underlying basis, and does not include discontinued operations in the prior year. The figures (including that for the prior year) have been restated for the 5:1 share split, which became effective on 12 September 2016*
[3] *As measured in line with our bank facility covenants*

The Group has delivered significant improvements in its KPIs during the year. In particular, the Group's underlying operating margin has improved by 160 basis points resulting from the ongoing programme to deliver integration synergies and efficiency gains, including in relation to purchasing, manufacturing and logistics.

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 forthcoming exit of the UK from the European Union ('Brexit'). The risk of Brexit for the Group is mitigated by the UK & Europe 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 – 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.

A Company statement regarding the Modern Slavery Act 2015 is available on the Company's website at www.victoriaplc.com.

As a manufacturing and distribution business, there is a risk that some of the Group's activities could have an adverse impact on the local environment. Policies are in place to mitigate these risks, and all of the businesses within the Group are committed to full compliance with all relevant health and safety and environmental regulations.

On behalf of the Board

Geoffrey Wilding
Executive Chairman
24 July 2017

Victoria PLC
Financial Review

The year to 1 April 2017 has been another very successful one for the Group, both commercially and financially. The financial results clearly demonstrate the ongoing delivery of our growth strategy, in terms of acquisitions as well as organic development and delivery of synergies.

The Group announced four acquisitions during the year, forming part of our continuing commercial objective to extend the product offering of the Group. Both Ezi Floor, based in the UK, and Dunlop Flooring, based in Australia, are flooring underlay businesses, the former acquired in September and the latter in January. Dunlop Flooring also designs and distributes a range of LVT (luxury vinyl tile) and hardwood flooring. Thereafter, in February, we announced the acquisition of two artificial grass businesses, GrassInc and Avalon B.V, both based in the Netherlands.

All of these acquisitions have been successfully integrated. GrassInc and Avalon B.V. have been incorporated into the newly titled 'UK & Europe' Division alongside the existing UK businesses.

Separately, the Group has continued with the delivery of its synergy and operational efficiency improvement plans, both in terms of manufacturing processes and logistics. This has contributed towards in a further significant improvement in operating margin since FY16, as outlined below.

Revenue and gross profit

Group revenue from continuing operations increased by 29.5% during the year from £255.2m to £330.4m, primarily driven by acquisitions. This comprised 22.8% annual growth in the UK & Europe Division, 30.5% annual growth in the Australia Division on a constant currency basis, plus a translational benefit driven by the strengthening of the Australian dollar against Sterling.

	Year ended 1 April 2017 £'m	Year ended 2 April 2016 £'m
Revenue:		
UK & Europe	**241.7**	196.9
Australia	**88.7**	58.3
Total revenue	**330.4**	255.2
Revenue growth:		
Reported	**29.5%**	
Constant currency[1]	**24.8%**	
Gross profit	**109.6**	85.0
Gross profit margin	**33.2%**	33.3%

[1] Revenue growth at constant currency is calculated applying the same GBP:AUD exchange rate to both years of 1.7435 (being the average exchange rate during the year ended 1 April 2017).

Overall gross margin for the Group was 33.2%, consistent with the prior year. This was impacted by a mixture of ongoing operational improvements and acquisition mix effects between different product categories.

Operating profit

The Group's underlying operating margin has seen a further significant improvement in the year, rising from 8.6% to 10.2%. This c. 160 basis point increase has been driven in part by the ongoing delivery of cost synergies as well as operational efficiency improvements.

On 26 June 2017, the Group announced a reorganisation of its manufacturing and logistics operations. Whilst these plans will continue to be implemented over the coming months, they are based on a detailed review and planning process that was initiated during the year, with some operational improvements and consolidation benefits already being delivered.

Reported operating profit (earnings before interest and taxation) increased during the year from £17.7m to £26.6m.

After removing non-underlying and exceptional items, underlying operating profit of £33.7m was delivered in the year. This represented a 54% increase over the prior year, and comprised 44% annual growth in the UK & Europe Division and 66% annual growth in the Australia Division, plus a small decrease in central expenses.

	Year ended 1 April 2017				Year ended 2 April 2016			
	UK & Europe £'m	**Australia £'m**	**Central expenses £'m**	**Total £'m**	UK & Europe £'m	Australia £'m	Central expenses £'m	Total £'m
Reported operating profit	**21.8**	**6.9**	**(2.1)**	**26.6**	15.0	4.3	(1.5)	17.7
Add back: non-underlying items	**4.4**	**1.3**	**1.3**	**7.0**	3.2	0.7	0.3	4.2
Underlying operating profit	**26.2**	**8.2**	**(0.8)**	**33.7**	18.2	5.0	(1.2)	21.9
Underlying operating margin	***10.8%***	***9.3%***	**-**	***10.2%***	*9.2%*	*8.5%*	-	*8.6%*
Reported profit before tax				**18.8**				9.3
Underlying profit before tax				**29.4**				18.2
Underlying PBT margin				***8.9%***				*7.1%*

The total net exceptional and non-underlying charge in the year was £10.4m, compared to £10.1m in the prior year (including £2.1m loss from discontinued operations). The largest components of this charge were amortisation of acquired intangibles of £4.4m (2016: £2.3m), unwinding of discount and fair value adjustments to deferred and contingent consideration of £3.8m (2016: £4.2m), and acquisition and disposal related costs of £2.1m (2016: £1.4m).

Reported profit before tax grew by 102% in the year to £18.8m, while underlying profit before tax grew by 61% in the year to £29.4m.

Taxation
The reported tax charge in the year was £6.2m against a reported pre-tax profit of £18.8m, giving an effective tax rate of 32.9%. 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 21.9%.

Earnings per share
During the year, the Group completed a five-for-one share split, as approved at the AGM on 9 September 2016. Reported EPS figures have been assessed on this new basis, including comparative figures in the prior year.

Basic earnings per share from continuing operations[2] increased from 7.22p to 13.84p. Adjusted earnings per share (before non-underlying and exceptional items) increased by 49.6% from 16.88p to 25.25p.

	Year ended 1 April 2017 pence	Year ended 2 April 2016 pence
Basic earnings per share from continuing operations	**13.84p**	7.22p
Basic adjusted earnings per share from continuing operations	**25.25p**	16.88p

[2] *Prior year figures shown before the impact of Westwood Yarns, which was disposed of during that year.*

Operating cash flow

The Group delivered underlying EBITDA in the year of £45.7m, an increase of 41% on the prior year.

Cash flow from operating activities before interest, tax and exceptional items was £43.6m, which represents a conversion of 95% of underlying EBITDA. This is a 35% 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 £23.7m. Compared with underlying operating profit (i.e. post-depreciation), this represents a conversion ratio of 70%. This was slightly lower than the prior year due to an increase in the average effective corporation tax rate as the proportion of the Group's business from overseas territories increased.

	Year ended 1 April 2017 £'m	Year ended 2 April 2016 £'m
Underlying operating profit from continuing operations	**33.7**	21.9
Add back: depreciation	**12.0**	10.4
Underlying EBITDA	**45.7**	32.3
Non-cash items	**(0.5)**	(0.1)
Movement in working capital	**(1.6)**	0.1
Operating cash flow from continuing operations before interest, tax and exceptional items	**43.6**	32.2
% conversion against underlying operating profit	**130%**	150%
% conversion against EBITDA	**95%**	102%
Interest paid	**(3.6)**	(3.2)
Corporation tax paid	**(5.8)**	(3.2)
Capital expenditure (including hire purchase)	**(10.8)**	(10.2)
Proceeds from fixed asset disposals	**0.2**	1.0
Free cash flow from continuing operations before exceptional items	**23.7**	16.6
% conversion against underlying operating profit	**70%**	78%
% conversion against EBITDA	**52%**	53%

Net debt

As at 1 April 2017 the Group's net debt position was £89.6m. This compares with £61.1m as at the previous year-end, 2 April 2016. The principal reason for this £28.5m increase during the year was due to acquisitions.

	Year ended 1 April 2017 £'m	Year ended 2 April 2016 £'m
Total initial cash consideration for acquisitions (net of cash acquired)	(37.8)	(19.3)
Total debt acquired or refinanced	(0.7)	(54.7)
Deferred consideration payments	(10.3)	(7.5)
Acquisition costs	(2.1)	(1.4)
Gross acquisition related expenditure	(50.9)	(82.8)
Net proceeds from issue of share capital	-	43.0
Net acquisition related expenditure	**(50.9)**	**(39.7)**
Free cash flow from continuing operations before exceptional items (see above)	**23.7**	**16.6**
Refinancing costs paid	-	(1.1)
Additional debt funding required (before non-underlying items)	**(27.2)**	**(24.3)**
Non-underlying items:		
Exceptional cash items	(0.3)	-
Cash flow from discontinued operations	-	0.1
Non-cash adjustment to BGF loan recognised	(0.4)	(0.3)
Foreign exchange differences on opening cash / debt	(0.6)	(1.0)
Movement in net debt	**(28.5)**	**(25.4)**
Opening net debt	(61.1)	(35.7)
Closing net debt	**(89.6)**	**(61.1)**

Applying our banks' adjusted measure of financial leverage, the Group's year-end net debt to EBITDA ratio was 1.63x, reducing from 1.85x at the previous year-end.

	1 April 2017 £'m	2 April 2016 £'m
Net cash and cash equivalents	28.0	19.1
Bank loans	(105.9)	(69.3)
BGF loan	(10.2)	(9.8)
Finance leases and hire purchase arrangements	(1.6)	(1.1)
Net debt	**(89.6)**	**(61.1)**
Adjusted net debt / EBITDA[3]	**1.63x**	**1.85x**

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

Accounting standards
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), as endorsed and adopted for use in the EU. There have been no changes to IFRS this year that have a material impact on the Group's results. Whilst the majority of forthcoming new IFRSs are not expected to have a material impact on the financial statements of the Group, the effects of applying IFRS15 and IFRS16 are still under review.

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

Funding and going concern
On 5 July 2017, the Group entered into a new, extended multi-currency revolving credit facility with HSBC, Barclays, RBS and AIB. The new facility matures in October 2020, with a one year extension option, providing a medium-term platform for the continued debt financing of the Group and further potential acquisitions.

Consistent with the previous bank facility, the new facility is subject to various financial covenants measured against Group results. All such covenants have been satisfied to date.

In conjunction with the new bank facility, on 5 July 2017 the Group also entered into a revised £10 million unsecured loan with the Business Growth Fund maturing in 2021.

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

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

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

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

Michael Scott
Group Finance Director
24 July 2017

Financial Statements

Consolidated Income Statement

For the 52 weeks ended 1 April 2017

		52 weeks ended 1 April 2017			53 weeks ended 2 April 2016		
		Underlying performance	**Non-underlying items**	**Reported numbers**	Underlying performance	Non-underlying items	Reported numbers
	Notes	**£000**	**£000**	**£000**	£000	£000	£000
Continuing Operations							
Revenue	1	**330,406**	**-**	**330,406**	255,174	-	255,174
Cost of Sales		**(220,791)**	**-**	**(220,791)**	(169,930)	(249)	(170,179)
Gross profit		**109,615**	**-**	**109,615**	85,244	(249)	84,995
Distribution costs		**(54,886)**	**-**	**(54,886)**	(49,852)	(157)	(50,009)
Administrative expenses (including intangible amortisation)		**(21,507)**	**(7,036)**	**(28,543)**	(13,753)	(3,787)	(17,540)
Other operating income		**445**	**-**	**445**	292	-	292
Operating profit/(loss)		**33,667**	**(7,036)**	**26,631**	21,931	(4,193)	17,738
Comprising:							
Operating profit before non-underlying and exceptional items	1	**33,667**	**-**	**33,667**	21,931	-	21,931
Amortisation of acquired intangibles		**-**	**(4,432)**	**(4,432)**	-	(2,315)	(2,315)
Exceptional items	1, 2	**-**	**(2,604)**	**(2,604)**	-	(1,878)	(1,878)

Finance Costs		3	**(4,259)**	**(3,598)**	**(7,857)**	(3,714)	(4,734)	(8,448)
Comprising:								
Interest payable on loans		3	**(3,555)**	**-**	**(3,555)**	(3,225)	-	(3,225)
Amortisation of prepaid finance costs		3	**(419)**	**-**	**(419)**	(226)	(228)	(454)
Interest accrued on BGF loan		3	**(169)**	**(202)**	**(371)**	(199)	(180)	(379)
Net interest expense on defined benefit pensions		3	**(116)**	**-**	**(116)**	(64)	-	(64)
Other non-underlying finance costs		3	**-**	**(3,396)**	**(3,396)**	-	(4,326)	(4,326)
Profit/(loss) before tax			**29,408**	**(10,634)**	**18,774**	18,217	(8,927)	9,290
Taxation			**(6,437)**	**255**	**(6,182)**	(4,302)	961	(3,341)
Profit/(loss) for the period from continuing operations			**22,971**	**(10,379)**	**12,592**	13,915	(7,966)	5,949
Profit (loss) from discontinued operations			**-**	**-**	**-**	-	(2,132)	(2,132)
Profit/(loss) for the period			**22,971**	**(10,379)**	**12,592**	13,915	(10,098)	3,817
Earnings per share from continuing operations - pence	basic	4			**13.84**			7.22
	diluted	4			**13.60**			7.11
Earnings per share - pence	basic	4			**13.84**			4.63
	diluted	4			**13.60**			4.60

Consolidated Statement of Comprehensive Income

For the 52 weeks ended 1 April 2017

	52 weeks ended 1 April 2017 £000	53 weeks ended 2 April 2016 £000
Profit for the period	**12,592**	3,817
Other comprehensive income/(expense):		
Items that will not be reclassified to profit or loss:		
Actuarial losses on defined benefit pension scheme	**(7,846)**	(152)
Increase in deferred tax asset relating to pension scheme liability	**1,448**	53
Items that will not be reclassified to profit or loss	**(6,398)**	(99)
Items that may be reclassified subsequently to profit or loss:		
Retranslation of overseas subsidiaries	**1,943**	708
Items that may be reclassified subsequently to profit or loss	**1,943**	708
Other comprehensive (expense)/income	**(4,455)**	609
Total comprehensive income for the year attributable to the owners of the parent	**8,137**	4,426

Consolidated Balance Sheet

As at 1 April 2017

		Group	
		1 April 2017	2 April 2016
	Notes	**£000**	£000
Non-current assets			
Goodwill		**59,830**	37,205
Intangible assets other than goodwill		**66,320**	43,476
Property, plant and equipment		**41,826**	38,811
Investment property		**180**	180
Investments in subsidiaries		**-**	-
Trade and other non-current receivables		**-**	-
Deferred tax assets		**4,986**	3,287
Total non-current assets		**173,142**	122,959
Current assets			
Inventories		**73,062**	58,970
Trade and other receivables		**55,076**	42,946
Cash at bank and in hand		**27,979**	19,078
Total current assets		**156,117**	120,994
Total assets		**329,259**	243,953

Current liabilities			
Trade and other current payables		**82,873**	66,913
Current tax liabilities		**4,260**	2,891
Other financial liabilities		**617**	596
Total current liabilities		**87,750**	70,400
Non-current liabilities			
Trade and other non-current payables		**19,855**	11,524
Other non-current financial liabilities		**116,086**	78,522
Deferred tax liabilities		**15,190**	9,129
Retirement benefit obligations	6	**11,086**	3,345
Total non-current liabilities		**162,217**	102,520
Total liabilities		**249,967**	172,920
Net assets		**79,292**	71,033
Equity			
Share capital		**4,548**	4,548
Share premium		**52,472**	52,462
Retained earnings		**16,451**	10,257
Foreign exchange reserve		**5,027**	3,084
Other reserves		**794**	682
Total Equity		**79,292**	71,033

Consolidated Statement of Changes in Equity

For the 52 weeks ended 1 April 2017

	Share capital £000	Share premium £000	Retained earnings £000	Foreign exchange reserve £000	Other reserves £000	Total equity £000
At 29 March 2015	3,639	10,144	6,539	2,376	682	23,380
Profit for the period to 2 April 2016	-	-	3,817	-	-	3,817
Other comprehensive profit for the period	-	-	(99)	-	-	(99)
Retranslation of overseas subsidiaries	-	-	-	708	-	708
Total comprehensive profit	-	-	3,718	708	-	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	10,257	3,084	682	71,033
Profit for the period to 1 April 2017	-	-	12,592	-	-	12,592
Other comprehensive loss for the period	-	-	(6,398)	-	-	(6,398)
Retranslation of overseas subsidiaries	-	-	-	1,943	-	1,943
Total comprehensive profit	-	-	6,194	1,943	-	8,137
Issue of share capital	-	10	-	-	-	10
Share-based payment charge	-	-	-	-	112	112
Transactions with owners	-	10	-	-	112	122
At 1 April 2017	**4,548**	**52,472**	**16,451**	**5,027**	**794**	**79,292**

Consolidated Statement of Cash Flows
For the 52 weeks ended 1 April 2017

	Group	
	52 weeks ended 1 April 2017	53 weeks ended 2 April 2016
	£000	£000
Cash flows from operating activities		
Operating profit from continuing operations	**26,631**	17,738
Adjustments For:		
Depreciation charges	**12,039**	10,347
Amortisation of intangible assets	**4,432**	2,315
Goodwill adjustment	**-**	(43)
Asset impairment	**17**	160
Amortisation of government grants	**(233)**	(269)
Profit on disposal of property, plant and equipment	**(40)**	(143)
Share-based employee remuneration	**112**	-
Defined benefit pension	**(221)**	166
Net cash flow from operating activities before movements in working capital	**42,737**	30,271
Change in inventories	**(445)**	(7,767)
Change in trade and other receivables	**(5,919)**	215
Change in trade and other payables	**4,752**	7,731
Cash generated by continuing operations	**41,125**	30,450
Interest paid	**(3,554)**	(3,243)
Income taxes paid	**(5,792)**	(3,243)
Net cash flow from discontinued operations	**-**	65
Net cash inflow from operating activities	**31,779**	24,029

Investing activities		
Purchases of property, plant and equipment	**(9,422)**	(9,752)
Loan to subsidiary companies	**-**	-
Proceeds on disposal of property, plant and equipment	**215**	1,034
Deferred consideration and earn-out payments	**(10,314)**	(7,453)
Acquisition of subsidiaries net of cash acquired	**(37,798)**	(19,265)
Proceeds from disposal of discontinued operations	**-**	431
Net cash used in investing activities	**(57,319)**	(35,005)
Financing activities		
Increase/(decrease) in long terms loans	**34,283**	(4,573)
Issue of share capital	**10**	43,043
Repayment of obligations under finance leases / hire purchase	**(934)**	(650)
Net cash generated in financing activities	**33,359**	37,820
Net increase in cash and cash equivalents	**7,819**	26,844
Cash and cash equivalents at beginning of period	**19,078**	(8,502)
Effect of foreign exchange rate changes	**1,082**	736
Cash and cash equivalents at end of period	**27,979**	19,078
Comprising:		
Cash at bank and in hand	**27,979**	19,078
Bank overdrafts	**-**	-
	27,979	19,078

Notes

1. Segmental information

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

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

Income statement

	52 weeks ended 1 April 2017				53 weeks ended 3 April 2016			
	UK & Europe	**Australia**	**Unallocated central expenses**	**Total**	UK & Europe	Australia	Unallocated central expenses	Total
	£000	**£000**	**£000**	**£000**	£000	£000	£000	£000
Revenue from continuing operations	**241,748**	**88,658**	**-**	**330,406**	196,908	58,266	-	255,174
Underlying operating profit	**26,218**	**8,238**	**(789)**	**33,667**	18,183	4,958	(1,210)	21,931
Non-underlying operating items	**(3,573)**	**(859)**	**-**	**(4,432)**	(1,890)	(425)	-	(2,315)
Exceptional operating items	**(816)**	**(481)**	**(1,307)**	**(2,604)**	(1,311)	(251)	(316)	(1,878)
Operating profit from continuing operations	**21,829**	**6,898**	**(2,096)**	**26,631**	14,982	4,282	(1,526)	17,738
Underlying finance costs				**(4,259)**				(3,714)
Non-underlying finance costs				**(3,598)**				(4,734)
Profit before tax from continuing operations				**18,774**				9,290
Tax				**(6,182)**				(3,341)
Profit after tax from continuing operations				**12,592**				5,949
Loss from discontinued operations				**-**				(2,132)
Profit for the period				**12,592**				3,817

* The prior year 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.

During the year, no single customer accounted for 10% or more of the Group's revenue. Inter-segment sales in the year and in the prior year between the UK & Europe and Australia were immaterial.

Balance sheet

	52 weeks ended 1 April 2017			53 weeks ended 3 April 2016		
	UK & Europe	**Australia**	**Total**	UK & Europe	Australia	Total
	£000	**£000**	**£000**	£000	£000	£000
Total assets	**276,954**	**52,304**	**329,259**	205,654	38,299	243,953
Total liabilities	**(216,293)**	**(33,673)**	**(249,967)**	(148,822)	(24,098)	(172,920)
Net assets	**60,661**	**18,631**	**79,292**	56,832	14,201	71,033

The Group's non-current assets as at 1 April 2017 of £173,142,000 (2016: £122,959,000) are split geographically as follows: £130,404,000 in the UK & Europe (2016: £102,170,000) and £42,738,000 in Australia (2016: £20,789,000).

Materially all revenue and non-current assets in the UK & Europe segment relate to the UK other than goodwill and intangible assets relating to the acquisition disclosed in note 7(c).

Other segmental information

	52 weeks ended 1 April 2017			53 weeks ended 3 April 2016		
	UK & Europe	**Australia**	**Total**	UK & Europe	Australia	Total
	£000	**£000**	**£000**	£000	£000	£000
Depreciation (from continuing operations)	**9,305**	**2,734**	**12,039**	8,314	2,033	10,347
Amortisation of acquisition intangibles	**3,573**	**859**	**4,432**	1,890	425	2,315
	12,878	**3,593**	**16,471**	10,204	2,458	12,662

	52 weeks ended 1 April 2017			53 weeks ended 3 April 2016		
	UK & Europe	**Australia**	**Total**	UK & Europe	Australia	Total
	£000	**£000**	**£000**	£000	£000	£000
Capital expenditure (from continuing operations)	**9,361**	**1,864**	**11,225**	8,961	1,242	10,203

2. Exceptional and non-underlying items from continuing operations

	2017	2016
	£000	£000
(a) Acquisition and disposal related costs	**(2,109)**	(1,355)
(b) Reorganisation costs	**(331)**	(406)
(c) Negative goodwill arising on acquisition	**-**	43
(d) Asset impairment	**(17)**	(160)
(e) Preference payment claim	**(147)**	-
Exceptional items	**(2,604)**	(1,878)

All exceptional items are classified within administrative expenses.

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

(b) Reorganisation costs comprise various fees incurred to date in relation to reviewing the Group's manufacturing and logistics operations, as well as other corporate restructuring.

(c) Credit of £43,000 in the prior year in relation to negative goodwill arising on the acquisition of A&A Carpets.

(d) Figure in 2017 relates to impairment of capitalised facility costs. The prior year figure was previously included within other non-underlying items.

(e) Potential preference payment claim in respect of an Australian customer that has gone into administration.

3. Finance costs

	2017	2016
	£000	£000
Interest payable on bank loans and overdrafts	**2,493**	2,145
Cash interest payable on BGF loan	**1,000**	1,000
Interest payable on Hire Purchase and Finance Leases	**62**	80
Total interest payable on loans	**3,555**	3,225
Amortisation of prepaid finance costs	**419**	226
Interest rolled up into BGF loan	**169**	199
Net interest expense on defined benefit pensions	**116**	64
Underlying interest costs	**4,259**	3,714
(a) Release of prepaid finance costs	**-**	228
(b) BGF loan and option, redemption premium charge	**202**	108
(c) Unwinding of present value of contingent earn-out liabilities	**1,776**	1,387
(c) Unwinding of present value of deferred consideration liabilities	**413**	257
(c) Other fair value adjustments to contingent earn-out liabilities	**1,616**	2,581
(d) Mark to market adjustment on foreign exchange forward contracts	**(15)**	136
(e) Mark to market adjustment on interest rate swap contracts	**4**	36
(f) Retranslation of foreign currency loans	**(398)**	-
	7,857	8,448

(a) Non-cash charge in the prior year 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.

(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 in relation to the unwind of this discount. In addition, any changes to contingent earn-outs arising from actual and forecast business performance are reflected. 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.

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

4. Earnings per share

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

	Basic	**Adjusted**	Basic	Adjusted
	2017	**2017**	2016	2016
	£000	**£000**	£000	£000
Profit attributable to ordinary equity holders of the parent entity from continuing operations	**12,592**	**12,592**	5,949	5,949
Exceptional items:				
Amortisation of acquired intangibles	**-**	**4,432**	-	2,315
PPE impairment	**-**	**17**	-	160
Preference payment claim	**-**	**147**	-	-
Acquisition and disposal related cost	**-**	**2,109**	-	1,355
Reorganisation costs	**-**	**331**	-	406
Negative goodwill arising on acquisition	**-**	**-**	-	(43)
Release of prepaid finance costs	**-**	**-**	-	228
BGF loan and option, redemption premium charge	**-**	**202**	-	108
Deferred and contingent consideration fair value adjustments	**-**	**3,805**	-	4,226
Mark to market adjustment on foreign exchange forward contracts	**-**	**(15)**	-	136
Mark to market adjustment on interest rate swap contracts	**-**	**4**	-	36
Retranslation of foreign currency loans	**-**	**(398)**	-	-
Tax effect on adjusted items where applicable	**-**	**(937)**	-	(961)
Deferred tax charge in respect of non-qualifying sampling assets	**-**	**682**	-	-

Earnings for the purpose of basic and adjusted earnings per share from continuing operations	**12,592**	**22,971**	5,949	13,915
Loss attributable to ordinary equity holders of the parent entity from discontinued operations	**-**	**-**	(2,132)	-
Earnings for the purpose of basic and adjusted earnings per share	**12,592**	**22,971**	3,817	13,915

Weighted average number of shares

	2017 Number of shares (000's)	2016 Number of shares (000's)
Weighted average number of shares for the purpose of basic and adjusted earnings per share	**90,968**	82,445
Effect of dilutive potential ordinary shares:		
BGF share options	**3,080**	2,800
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**94,048**	85,245

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 and the prior year has been restated accordingly.

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

The Group’s earnings per share are as follows:

	2017	2016
	Pence	Pence
Earnings per share from continuing operations		
Basic adjusted	**25.25**	16.88
Diluted adjusted	**24.43**	16.32
Basic	**13.84**	7.22
Diluted[1]	**13.60**	7.11
Loss per share from discontinued operations		
Basic	**-**	(2.59)
Diluted[1]	**-**	(2.50)
Earnings per share		
Basic adjusted earnings per share from total operations	**25.25**	16.88
Diluted adjusted earnings per share from total operations	**24.43**	16.32
Basic earnings per share from total operations	**13.84**	4.63
Diluted[1] earnings per share from total operations	**13.60**	4.60

[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:

	2017		2016	
	Average	**Year end**	Average	Year end
Australia - A$	**1.7435**	**1.6448**	2.0327	1.8526
Europe - €	**1.1785**	**1.1777**	-	-

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 £3,265,000 (2016: £2,542,000), of which £2,111,000 (2016: £1,742,000) relates to the UK schemes. The total contributions outstanding at year end was £nil (2016: £nil).

Defined benefit schemes

The Group has two defined benefit schemes, both of which relate to Interfloor Limited.

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

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

The contributions made by the employer over the financial period were £95,000 (2016: £nil) in respect of the Main Scheme and £126,000 (2016: £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:

	2017	2016
	£000	£000
Administrative expenses	**-**	166
Net interest expense	**116**	64
Components of defined benefit costs recognised in profit or loss	**116**	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:

	2017	2016
	£000	£000
The return on plan assets (excluding amounts included in net interest expense)	**2,999**	(40)
Actuarial gains and (losses) arising from changes in demographic assumptions	**-**	314
Actuarial losses arising from changes in financial assumptions	**(11,114)**	(877)
Actuarial (losses) and gains arising from experience adjustments	**269**	451
Remeasurement of the net defined benefit liability	**(7,846)**	(152)

The largest contributor to net actuarial losses in the year was the change in discount rate applied to the scheme liabilities, which reduced from 3.6% in 2016 to 2.5% in 2017. The discount rate is assessed by reference to expected returns on high quality corporate bonds, which reduced significantly during the period.

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:

	2017	2016
	£000	£000
Present value of defined benefit obligations	**(36,470)**	(25,945)
Fair value of plan assets	**25,384**	22,600
Net liability arising from defined benefit obligation	**(11,086)**	(3,345)
Deferred tax applied to net obligation	**2,106**	636

The Group expects to make a contribution of £221,000 (2016: £221,000) to the defined benefit schemes during the next financial period

7. Acquisition of subsidiaries

(a) Ezi Floor

On 3 October 2016 the Group acquired the business and assets of Ezi Floor Limited.

Ezi Floor benefits from a modern, well equipped, manufacturing facility near Bradford, Yorkshire, and is an efficient manufacturer and distributor of a range of underlay and underlay accessories for both the residential and contract markets. It sells to wholesalers, retail groups, and independent stores throughout the UK.

The acquisition of Ezi Floor is highly complementary to the Group's existing businesses, with the addition of underlay and hard flooring ranges to the Groups' product portfolio which previously consisted of only broadloom carpet and carpet tiles. The acquisition is expected to be immediately accretive to the underlying earnings per share of the Company.

The Group results for the year ended 1 April 2017 includes contribution from Ezi Floor of £4.4m of revenue and £1.2m of underlying profit before tax (before amortisation of acquired intangibles, acquisition and reorganisation costs). If the acquisition had been completed on the first day of the financial year Group revenue and underlying profit before tax would have been higher by £5.0m and £1.1m respectively.

Consideration

The consideration for the acquisition comprises:

(i) Initial cash consideration of £6.5m;

(ii) Deferred cash consideration of £6.5m, payable in annual instalments over four years; and

(iii) Contingent cash consideration of a maximum of £6.5m, wholly dependent on improved EBITDA over the next four years.

The fair value of the total consideration above is £16,612,000. The fair value of the acquired assets and liabilities was a net assets position of £4,567,000. In addition, separately identified intangible assets with a fair value of £6,050,000 were acquired, with an associated deferred tax liability of £1,099,000. As a result, goodwill of £7,094,000 was recognised on consolidation.

Transaction costs amounting to £155,000 relating to the acquisition have been recognised as an expense and included in the administrative expenses in the Group Income Statement.

7. Acquisition of subsidiaries (cont'd)

(b) Dunlop Flooring

The Group acquired the net assets of Dunlop Flooring through a newly incorporated company in Australia namely Primary Flooring Pty Ltd. The new entity continues to trade under the Dunlop Flooring name.

Dunlop Flooring is the largest manufacturer and distributor of carpet underlay in Australia catering to both the domestic and commercial markets. The two manufacturing plants are located at Sunshine, near Melbourne and Wetherill Park, a suburb of Sydney.

Dunlop Flooring also sources, imports and distributes a range of hard flooring comprising laminates, engineered wood and luxury vinyl plank under the “Heartridge” brand name. Exclusive product ranges are also provided to key customers under the “Castleton” and “Invincible” brand names.

The acquisition of Dunlop Flooring is highly complementary to the Group’s existing businesses in Australia with the addition of underlay and hard flooring ranges to the Groups’ product portfolio which previously consisted of only broadloom carpet and carpet tiles. The acquisition is expected to be immediately accretive to the underlying earnings per share of the Company.

The Group results for the year ended 1 April 2017 includes contribution from Dunlop Flooring of A$8.7m (£5.0m[1]) of revenue and A$0.8m (£0.5m[1]) of underlying profit before tax (before amortisation of acquired intangibles, acquisition and reorganisation costs). If the acquisition had been completed on the first day of the financial year Group revenue and underlying profit before tax would have been higher by A$45.4m (£26.1m[1]) and A$4.7m (£2.7m[1]) respectively.

Cash consideration of A$36,398,000 (£22,395,000[2]) was paid on completion of the acquisition. There is no deferred or contingent consideration.

The fair value of the acquired assets and liabilities was a net assets position of £7,213,000. In addition, separately identified intangible assets with a fair value of £11,507,000 were acquired, with an associated deferred tax liability of £3,453,000. As a result, goodwill of £7,128,000 was recognised on consolidation.

Transaction costs amounting to £418,000 relating to the acquisition have been recognised as an expense and included in the administrative expenses in the Group Income Statement.

[1] Applying the average exchange rate over the financial year of 1.7435
[2] Applying the GBP to A$ exchange rate at the date of acquisition of 1.6252

7. Acquisition of subsidiaries (cont'd)

(c) Avalon and GrassInc.

On 13 February 2017 the Group acquired 100% of the equity of Avalon B.V and GrassInc. B.V.

Avalon and GrassInc. primarily supply artificial grass for domestic and landscaping purposes across Europe. This is a very high growth - and high margin - segment of the flooring market.

The acquisitions continue Victoria's strategy of growing its business with earnings-enhancing acquisitions, and then using available synergies to drive further increases in profits. The Board believes that the Acquisitions present an excellent strategic fit with Victoria's existing business and will have strong long term growth prospects as part of the Group.

The Group results for the year ended 1 April 2017 includes contribution from Avalon and GrassInc of €3.0m (£2.6m[1]) of revenue and €0.7m (£0.6m[1]) of underlying profit before tax (before amortisation of acquired intangibles, acquisition and reorganisation costs). If the acquisition had been completed on the first day of the financial year Group revenue and underlying profit before tax would have been higher by €16.7m (£14.2m[1]) and €3.3m (£2.8m[1]) respectively.

Consideration

The consideration for the acquisition comprises:

(i) Initial cash consideration of €11.2 million (£9.5m[2]);

(ii) Deferred cash consideration of €5.1 million (£4.3m[2]) payable in instalments over four years; and

(iii) Contingent cash consideration of up to approximately €8.8 million (£7.5m[2]) dependent on improved EBITDA and other criteria over the next four years.

The fair value of the total consideration above is £18,988,000. The fair value of the acquired assets and liabilities was a net assets position of £4,692,000. In addition, separately identified intangible assets with a fair value of £9,032,000 were acquired, with an associated deferred tax liability of £2,258,000. As a result, goodwill of £7,522,000 was recognised on consolidation.

Transaction costs amounting to £1,033,000 relating to the acquisitions have been recognised as an expense and included in the administrative expenses in the Group Income Statement.

[1] Applying the average exchange rate over the financial year of 1.1785

[2] Applying the GBP to € exchange rate at the date of acquisition of 1.1736

8. Basis of preparation

The results have been extracted from the audited financial statements of the Group for the 52 weeks ended 1 April 2017. 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 53 weeks ended 2 April 2016, 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 53 weeks ended 2 April 2016.

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.