28 November 2017

Victoria PLC

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

Interim Results

Another period of successful trading and 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 30 September 2017.

Financial and Operational Highlights

Continuing operations	**H1 FY18**	**H1 FY17**	Growth
Revenue	**£189.5m**	£153.4m	+24%
Underlying EBITDA[1]	**£24.6m**	£20.2m	+22%
Underlying operating profit[1]	**£18.2m**	£14.4m	+26%
Operating profit	**£12.9m**	£12.0m	+8%
Underlying profit before tax[1]	**£15.5m**	£12.3m	+26%
Profit before tax	**£8.8m**	£8.4m	+5%
Net debt	**£98.6m**	£67.7m	+46%
Adjusted net debt / EBITDA[2]	**1.77x**	1.93x	
Earnings per share[3]:			
- Basic adjusted	**13.10p**	10.43p	+26%
- Basic	**6.55p**	6.57p	-0.4%

- Group revenues for the six months ended 30 September 2017 grew by 24% versus the same period in the prior year, from £153.4m to £189.5m
- 26% increase in underlying profit before tax from £12.3m to £15.5m
- Net debt of £98.6m at 30 September 2017 was a very comfortable 1.77x adjusted EBITDA[2] (2016 H1: 1.93x)
- In June, the Company announced a reorganisation of its UK carpet manufacturing and logistics operations to further increase margins across the Group. The manufacturing reorganisation has already been completed and the new logistics operations have been planned and will be fully implemented during FY19
- Since the half year, two hard flooring acquisitions of European ceramics manufacturers, Ceramiche Serra S.p.A. in Italy and Keraben Grupo S.A. in Spain have been announced

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. 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

Geoff Wilding, Chairman of Victoria PLC commented:
"Victoria had another successful six months and much was achieved during the period. We strengthened our management team, met all of our objectives, focused on improving efficiencies across the Group and since the period end, have also announced two significant earnings enhancing acquisitions.

Our strong operational management and the solid pipeline of acquisition opportunities gives the Board confidence that we will achieve all of our objectives for the current financial year."

For more information contact:

Victoria PLC	+44 (0) 15 6274 9300
Geoff Wilding, Chairman Philippe Hamers, Group Chief Executive Michael Scott, Group Finance Director	
Cantor Fitzgerald Europe (Nominated Adviser & Broker) Rick Thompson, Phil Davies, Will Goode (Corporate Finance) Caspar Shand- Kydd, Alex Pollen (Equity Sales)	+44 (0) 20 7894 7000
Berenberg (Joint Broker) Ben Wright, Mark Whitmore (Corporate Broking)	+44 (0) 20 3207 7800
Buchanan Communications Charles Ryland, Victoria Hayns, Madeleine Seacombe	+44 (0) 20 7466 5000

About Victoria

Established in 1895 and listed since 1963 and on AIM since 2013 (VCP.L), Victoria PLC, is an international manufacturer and distributor of innovative flooring products. The Group, which is headquartered in Kidderminster, designs, manufactures and distributes a range of carpet, underlay, LVT (luxury vinyl tile), artificial grass and flooring accessories. Victoria has operations in the UK, Belgium, the Netherlands and Australia and employs approximately 1,800 people across 20 sites. Victoria is the UK's largest carpet manufacturer and the second largest in Australia.

The Group's strategy is designed to create value for its shareholders, focused on consistently increasing earnings per share via acquisitions and sustainable organic growth.

The Group's trading subsidiaries include:

UK & Europe: Abingdon Flooring Ltd, Alliance Distribution Ltd, Avalon B.V, Distinctive Flooring Ltd, Ezi Floor Ltd, Grass Inc. B.V, Interfloor Ltd, Keraben Grupo S.A., Victoria Belgium N.V, Victoria Carpets Ltd, View Logistics Ltd, Westex (Carpets) Ltd, Whitestone Weavers Ltd

Australia: Quest Flooring Pty Ltd, Primary Flooring Pty Ltd, The Victoria Carpet Co. Pty Ltd

Chairman's Statement

The first half of this year was another period of successful trading and growth for the Group. The Board is confident that the Group will meet all of its objectives for the year and anticipates that performance will be in line with current market expectations for the year to 31 March 2018, updated for the recently announced acquisitions of Keraben Grupo S.A. and Ceramiche Serra S.p.A.

Operational developments

In line with the rapid growth of the Group, the management team was further strengthened with the appointment of Philippe Hamers as Chief Executive in March and he has already had an important beneficial impact on Victoria. He has full responsibility – and autonomy – for the Group's operations and his deep industry knowledge and management skills are already delivering measurable gains across the business:

Closure of manufacturing at Kidderminster site

In June, we announced the planned closure of the carpet-making factory in Kidderminster. Analysis had showed that output and flexibility could be enhanced by reducing from three UK production sites to two.

This was completed during September with our UK carpet production now shared between our two factories, located in Yorkshire and South Wales. Inevitably there was some short-term disruption to supply, which has now been totally put behind us.

The resulting increase in productivity will contribute noticeably to our continued growth in operating margins across the Group.

Logistics

Logistics, the physical distribution of products from our factories and warehouses to retailers, is an expensive component of the business, costing approximately 10% of revenues.

Therefore, we initiated a project which has now been running for about 12 months to carefully analyse our network and cost structure to find an optimal solution that both improves service levels, whilst reducing operational costs. The team responsible for this project, made up of senior management together with specialist consultants, delivered their proposals during the period under review and their plan is now being executed, with a material beneficial impact anticipated over the next 12-15 months.

Acquisitions

Increasing Victoria's revenues and profits from outside the UK has been a firm objective for the Group. Clearly Europe represents a very large and growing market, while diversifying the sources of our income reduces economic risk.

Shareholders will recall that last year the Company flagged that it would be developing its presence in the hard-flooring sector. Hard flooring categories includes products such as ceramic tiles, LVT (Luxury Vinyl Tiles), wood, stone, etc. and is typically used in kitchens, bathrooms, and entrances in residential applications and throughout commercial projects.

The reasons for doing so were simple: Hard flooring constitutes over half the flooring market and accessing it opens up a substantial opportunity for further growth. Furthermore, Victoria has developed a very broad and deep distribution network in the UK and Australia, with many of the retailers selling hard flooring alongside carpet. We have been very successful at cross-selling our underlay products and are confident that we will be able to achieve a similar outcome with hard flooring. Additionally, for structural reasons, some categories of hard flooring are able to maintain higher margins than traditional carpet manufacturing.

As a result, we established and recruited a director-level appointment for hard flooring in May, and have spent months visiting dozens of hard flooring manufacturers in Europe to understand the market and identify the best opportunities for Victoria.

Although after the period end covered by the interim results, due to their size and potential impact on the business, I will comment briefly on Victoria's two recent acquisitions, both of which were in hard flooring:

Ceramiche Serra S.p.A.

Serra, operating from sites in Serramazzoni, Sassuolo (near Bologna), the heart of the Italian ceramics industry, manufactures ceramic flooring, which is sold domestically and exported internationally. It sells to a combination of wholesalers, retail groups, and independent stores throughout Continental Europe, North America, and the Far East.

In line with Victoria's acquisition criteria, the management team at Serra has committed to running the business as part of Victoria for a minimum period of four years and continuing to develop its growth. This acquisition is due to complete very shortly.

For the year ended 31 December 2016, Serra generated audited revenues of €28.2 million (£25.2 million), EBITDA of €10.5 million (£9.4 million), and EBIT of €10.0 million (£8.9 million).

Keraben Grupo S.A.

Keraben, is based in Castellon, (near Valencia), where it has more than four million square feet of facilities. The company manufactures mid to high-end ceramic flooring and wall tiles, which are sold via a combination of wholesalers, retail groups, independent speciality stores, and DIY chains throughout Continental Europe, North America, and the Far East.

Keraben is a large, well-invested business with a strong market reputation. It is led by a proven, established management team which has successfully and consistently grown the business over recent years. They are financially incentivised to remain with, and continue to grow, the business for a minimum of three years.

For the year ended 31 December 2016, Keraben generated audited revenues of €118.3 million (£106.4 million), adjusted EBITDA of €36.4 million (£32.7 million), and adjusted EBIT of €27.5 million (£24.7 million). The Board expects that normalised earnings should be about 10% higher for the year to 31 December 2017.

Borrowings

Net debt at 30 September was £98.6m, which represents a very comfortable 1.77x adjusted EBITDA.

Flooring manufacturers structured like Victoria can generate large amounts of cash. Favourable supplier arrangements, rapid manufacturing matched to demand, customer payment terms, and longevity of key items of plant all contribute to a very high percentage of reported earnings turning to net cash. This was reportedly one of the key reasons legendary investor, Warren Buffett, acquired the world's second largest flooring manufacturer, Shaw Industries.

Victoria has consistently demonstrated over the last five years that, while there is a significant seasonal profile in its 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.

However, as a Board, we always seek to maintain a balance between debt and equity and shareholders will note that the company placed 23 million new ordinary shares recently (post the interim results period) with institutions to raise £180 million to part fund the purchase of Keraben. The placing was significantly over-subscribed, which was very encouraging.

Outlook

The markets in which Victoria trades – the UK, Europe, and Australia – continue to experience demand.

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, the Group is very focused on 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 acquisition opportunities, although we remain very selective. 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 that future 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 confidence and a positive outlook.

Condensed Consolidated Income Statement

For the 26 weeks ended 30 September 2017 (unaudited)

		26 weeks ended 30 September 2017			26 weeks ended 1 October 2016			52 weeks ended 1 April 2017 (Audited)		
		Underlying perfor-mance	**Non-underlying items**	**Reported numbers**	Underlying perfor-mance	Non-underlying items	Reported numbers	Underlying perfor-mance	Non-underlying items	Reported numbers
	Notes	**£000**	**£000**	**£000**	£000	£000	£000	£000	£000	£000
Continuing Operations										
Revenue	3	**189,485**	**-**	**189,485**	153,405	-	153,405	330,406	-	330,406
Cost of Sales		**(127,573)**	**-**	**(127,573)**	(103,007)	-	(103,007)	(220,791)	-	(220,791)
Gross profit		**61,912**	**-**	**61,912**	50,398	-	50,398	109,615	-	109,615
Distribution costs		**(28,412)**	**-**	**(28,412)**	(29,285)	-	(29,285)	(54,886)	-	(54,886)
Administrative expenses		**(15,419)**	**(5,331)**	**(20,750)**	(6,997)	(2,440)	(9,437)	(21,507)	(7,036)	(28,543)
Other operating income		**116**	**-**	**116**	291	-	291	445	-	445
Operating profit/(loss)		**18,197**	**(5,331)**	**12,866**	14,407	(2,440)	11,967	33,667	(7,036)	26,631
Comprising:										
Operating profit before non-underlying and exceptional items	3	**18,197**	**-**	**18,197**	14,407	-	14,407	33,667	-	33,667
Amortisation of acquired intangibles		**-**	**(3,050)**	**(3,050)**	-	(1,946)	(1,946)	-	(4,432)	(4,432)
Exceptional items	3,4	**-**	**(2,281)**	**(2,281)**	-	(494)	(494)	-	(2,604)	(2,604)
Finance Costs	5	**(2,747)**	**(1,333)**	**(4,080)**	(2,116)	(1,470)	(3,586)	(4,259)	(3,598)	(7,857)
Comprising:										
Interest payable on loans	5	**(2,206)**	**-**	**(2,206)**	(1,785)	-	(1,785)	(3,555)	-	(3,555)
Amortisation of prepaid finance costs	5	**(306)**	**-**	**(306)**	(202)	-	(202)	(419)	-	(419)
Interest accrued on BGF loan	5	**(97)**	**(115)**	**(212)**	(72)	(90)	(162)	(169)	(202)	(371)
Net interest expense on defined benefit pensions	5	**(138)**	**-**	**(138)**	(57)	-	(57)	(116)	-	(116)
Other non-underlying finance costs	5	**-**	**(1,218)**	**(1,218)**	-	(1,380)	(1,380)	-	(3,396)	(3,396)
Profit/(loss) before tax		**15,450**	**(6,664)**	**8,786**	12,291	(3,910)	8,381	29,408	(10,634)	18,774
Taxation	6	**(3,536)**	**706**	**(2,830)**	(2,802)	395	(2,407)	(6,437)	255	(6,182)
Profit/(loss) for the period		**11,914**	**(5,958)**	**5,956**	9,489	(3,515)	5,974	22,971	(10,379)	12,592
Earnings per share - pence basic	7			**6.55**			6.57			13.84
diluted	7			**6.44**			6.46			13.60

Condensed Consolidated Statement of Comprehensive Income

For the 26 weeks ended 30 September 2017 (unaudited)

	26 weeks ended 30 September 2017	26 weeks ended 1 October 2016	52 weeks ended 1 April 2017
			(Audited)
	£000	£000	£000
Profit for the period	**5,956**	5,974	12,592
Other Comprehensive income/(expense):			
Items that will not be reclassified to profit or loss:			
Actuarial gains/(losses) on pension scheme	**1,841**	(6,550)	(7,846)
(Decrease)/increase in deferred tax asset relating to pension scheme liability	**(365)**	1,214	1,448
Items that will not be reclassified to profit or loss	**1,476**	(5,336)	(6,398)
Items that may be reclassified subsequently to profit or loss			
Retranslation of overseas subsidiaries	**(723)**	1,716	1,943
Items that may be reclassified subsequently to profit or loss	**(723)**	1,716	1,943
Other comprehensive income/(expense)	**753**	(3,620)	(4,455)
Total comprehensive income for the year attributable to the owners of the parent	**6,709**	2,354	8,137

Condensed Consolidated Balance Sheet

As at 30 September 2017 (unaudited)

	30 Sept 2017	1 Oct 2016	1 April 2017
			(Audited)
	£000	£000	£000
Non-current assets			
Goodwill	**58,272**	48,949	59,830
Intangible assets	**63,072**	42,174	66,320
Property, plant and equipment	**44,641**	41,220	41,826
Investment property	**180**	180	180
Deferred tax asset	**4,938**	4,818	4,986
Total non-current assets	**171,103**	137,341	173,142
Current assets			
Inventories	**77,430**	63,261	73,062
Trade and other receivables	**53,843**	46,789	55,076
Cash at bank and in hand	**28,721**	21,501	27,979
Total current assets	**159,994**	131,551	156,117
Total assets	**331,097**	268,892	329,259
Current liabilities			
Trade and other payables	**75,540**	70,488	82,873
Current tax liabilities	**3,303**	3,750	4,260
Other financial liabilities	**651**	617	617
Total current liabilities	**79,494**	74,855	87,750
Non-current liabilities			
Trade and other payables	**16,888**	14,850	19,855
Other financial liabilities	**125,078**	87,617	116,086
Deferred tax liabilities	**14,374**	8,393	15,190
Retirement benefit obligations	**9,162**	9,734	11,086
Total non-current liabilities	**165,502**	120,594	162,217
Total liabilities	**244,996**	195,449	249,967
Net assets	**86,101**	73,443	79,292
Equity			
Share capital	**4,548**	4,548	4,548
Share premium	**52,472**	52,467	52,472
Retained earnings	**23,883**	10,895	16,451
Foreign exchange reserve	**4,304**	4,800	5,027
Other reserves	**894**	733	794
Total equity	**86,101**	73,443	79,292

Condensed Consolidated Statement of Changes in Equity

For the 26 weeks ended 30 September 2017 (unaudited)

	Share capital	Share premium	Retained earnings	Foreign exchange reserve	Other reserves	Total equity
	£000	£000	£000	£000	£000	£000
At 2 April 2016	4,548	52,462	10,257	3,084	682	71,033
Profit for the period to 1 October 2016	----	----	5,974	----	----	5,974
Other comprehensive loss for the period	----	----	(5,336)	----	----	(5,336)
Retranslation of overseas subsidiaries	----	----	----	1,716	----	1,716
Total comprehensive profit	----	----	638	1,716	----	2,354
Issue of share capital	----	5	----	----	----	5
Share-based payment charge	----	----	----	----	51	51
Transactions with owners	----	5	----	----	51	56
At 1 October 2016	4,548	52,467	10,895	4,800	733	73,443
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 income	----	----	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
At 2 April 2017	4,548	52,472	16,451	5,027	794	79,292
Profit for the period to 30 September 2017	----	----	5,956	----	----	5,956
Other comprehensive income for the period	----	----	1,476	----	----	1,476
Retranslation of overseas subsidiaries	----	----	----	(723)	----	(723)
Total comprehensive income	----	----	7,432	(723)	----	6,709
Share-based payment charge	----	----	----	----	100	100
Transactions with owners	----	----	----	----	100	100
At 30 September 2017	**4,548**	**52,472**	**23,883**	**4,304**	**894**	**86,101**

Condensed Consolidated Statements of Cash Flows

For the 26 weeks ended 30 September 2017 (unaudited)

	26 weeks ended 30 Sept 2017 £000	26 weeks ended 1 Oct 2016 £000	52 weeks ended 1 April 2017 (Audited) £000
Cash flows from operating activities			
Operating profit from continuing operations	**12,866**	11,967	26,631
Adjustments For:			
Depreciation charges	**6,424**	5,829	12,039
Amortisation of intangible assets	**3,050**	1,946	4,432
Asset impairment	**-**	-	17
Amortisation of government grants	**(121)**	(118)	(233)
Loss/(profit) on disposal of property, plant and equipment	**35**	(1)	(40)
Share-based employee remuneration	**100**	51	112
Defined benefit pension	**(221)**	(221)	(221)
Net cash flow from operating activities before movements in working capital	**22,133**	19,453	42,737
Change in inventories	**(2,503)**	(1,592)	(445)
Change in trade and other receivables	**2,527**	(1,190)	(5,919)
Change in trade and other payables	**(4,731)**	(2,967)	4,752
Cash generated by continuing operations	**17,426**	13,704	41,125
Interest paid	**(2,206)**	(1,841)	(3,554)
Income taxes paid	**(4,955)**	(2,721)	(5,792)
Net cash inflow from operating activities	**10,265**	9,142	31,779
Investing activities			
Purchases of property, plant and equipment	**(6,937)**	(6,030)	(9,422)
Proceeds on disposal of property, plant and equipment	**123**	48	215
Deferred consideration and earn-out payments	**(9,451)**	(8,332)	(10,314)
Acquisition of subsidiaries net of cash acquired	**(3,060)**	-	(37,798)
Net cash used in investing activities	**(19,325)**	(14,314)	(57,319)
Financing activities			
Increase in long-term loans	**10,117**	7,385	34,283
Issue of share capital	**-**	-	10
Repayment of obligations under finance leases/hire purchase	**(408)**	(475)	(934)
Net cash generated in financing activities	**9,709**	6,910	33,359
Net increase in cash and cash equivalents	**649**	1,738	7,819
Cash and cash equivalents at beginning of period	**27,979**	19,078	19,078
Effect of foreign exchange rate changes	**93**	685	1,082
Cash and cash equivalents at end of period	**28,721**	21,501	27,979
Comprising:			
Cash at bank and in hand	**28,721**	21,501	27,979
Bank overdrafts	**-**	-	-
	28,721	21,501	27,979

Notes to the Condensed Half-Year Financial Statements

1 General information

These condensed consolidated financial statements for the 26 weeks ended 30 September 2017 have not been audited or reviewed by the Auditors. They were approved by the Board of Directors on 27 November 2017.
The information for the 52 weeks ended 1 April 2017 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 52 weeks ended 1 April 2017, 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 29 to 36 of the Group's audited financial statements for the 52 weeks ended 1 April 2017.

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 30 Sep 2017				26 weeks ended 1 Oct 2016			
	UK & Europe	**Australia**	**Un-allocated central expenses**	**Total**	UK & Europe	Australia	Un-allocated central expenses	Total
	£000	**£000**	**£000**	**£000**	£000	£000	£000	£000
Revenue	**130,690**	**58,795**	**-**	**189,485**	112,082	41,323	-	153,405
Underlying operating profit	**12,498**	**6,364**	**(665)**	**18,197**	10,812	4,141	(546)	14,407
Non-underlying operating items	**(2,743)**	**(278)**	**(29)**	**(3,050)**	(1,578)	(368)	-	(1,946)
Exceptional operating items	**(1,458)**	**(86)**	**(737)**	**(2,281)**	-	-	(494)	(494)
Operating profit	**8,297**	**6,000**	**(1,431)**	**12,866**	9,234	3,773	(1,040)	11,967
Underlying finance costs				**(2,747)**				(2,116)
Non-underlying finance costs				**(1,333)**				(1,470)
Profit before tax				**8,786**				8,381
Tax				**(2,830)**				(2,407)
Profit for the period				**5,956**				5,974

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

Other segmental information

	26 weeks ended 30 September 2017			26 weeks ended 1 October 2016		
	UK & Europe	**Australia**	**Total**	UK & Europe	Australia	Total
	£000	**£000**	**£000**	£000	£000	£000
Depreciation	**4,911**	**1,513**	**6,424**	4,612	1,217	5,829
Amortisation of acquisition intangibles	**2,772**	**278**	**3,050**	1,578	368	1,946
	7,683	**1,791**	**9,474**	6,190	1,585	7,775

	26 weeks ended 30 September 2017			26 weeks ended 1 October 2016		
	UK & Europe	**Australia**	**Total**	UK & Europe	Australia	Total
	£000	**£000**	**£000**	£000	£000	£000
Capital expenditure	**6,047**	**890**	**6,937**	5,092	938	6,030

4 Exceptional Items

	26 Weeks ended 30 Sep 2017	26 Weeks ended 1 Oct 2016
	£000	£000
(a) Acquisition related costs	**440**	494
(b) Reorganisation costs	**1,841**	-----
Exceptional items	**2,281**	494

All exceptional items are classified within administrative expenses.

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

(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.

5 Finance Costs

	2017	2016
	£000	£000
Interest payable on bank loans and overdrafts	**1,675**	1,253
Cash interest payable on BGF loan	**500**	500
Interest payable on Hire Purchase and Finance Leases	**31**	32
Total interest payable on loans	**2,206**	1,785
Amortisation of prepaid finance costs	**306**	202
Interest rolled up into BGF loan	**97**	72
Net interest expense on defined benefit pensions	**138**	57
Underlying interest costs	**2,747**	2,116
(a) BGF loan and option, redemption premium charge	**115**	90
(b) Unwinding of present value of deferred and contingent earn-out liabilities	**1,261**	1,317
(c) Mark to market adjustment on foreign exchange forward contracts	**(43)**	63
	4,080	3,586

(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 remeasured 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.

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

6 Tax

	2017	2016
	£000	£000
Current tax		
- Current year UK	**1,594**	2,392
- Current year overseas	**2,075**	1,187
	3,669	3,579
Deferred Tax		
- Credit recognised in the current year	**(839)**	(1,236)
- Adjustments in respect of prior years	**-**	64
	(839)	(1,172)
Total tax charge	**2,830**	2,407

The overall effective corporation tax rate on underlying profit before tax is 22.9% (2016: 22.8%), 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:

	Basic	**Adjusted**	Basic	Adjusted
	2017	**2017**	2016	2016
	£000	**£000**	£000	£000
Profit attributable to ordinary equity holders of the parent entity	**5,956**	**5,956**	5,974	5,974
Exceptional items:				
Amortisation of acquired intangibles	**-**	**3,050**	-	1,946
Acquisition related cost	**-**	**440**	-	494
Reorganisation costs	**-**	**1,841**	-	-
BGF loan and option, redemption premium charge	**-**	**115**	-	90
Deferred and contingent consideration fair value adjustments	**-**	**1,261**	-	1,317
Mark to market adjustment on foreign exchange forward contracts	**-**	**(43)**	-	63
Tax effect on adjusted items where applicable	**-**	**(706)**	-	(395)
Earnings for the purpose of basic and adjusted earnings per share	**5,956**	**11,914**	5,974	9,489

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	**90,969**	90,967
Effect of dilutive potential ordinary shares:		
BGF share options	**3,266**	2,973
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**94,235**	93,940

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 Pence	2016 Pence
Earnings per share		
Basic adjusted earnings per share	**13.10**	10.43
Diluted adjusted earnings per share	**12.64**	10.10
Basic earnings per share	**6.55**	6.57
Diluted[1] earnings per share	**6.44**	6.46

[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.

8 Rates of exchange

The results of the Group's 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:

	26 Weeks ended 30 Sep 2017	26 Weeks ended 1 Oct 2016	52 weeks ended 1 April 2017
Australia (A$) - average rate	**1.6805**	1.8196	1.7435
Australia (A$) – period end	**1.7104**	1.6942	1.6448
Euro (€) – average rate	**1.1417**	n.a	1.1785
Euro (€) - period end	**1.1341**	n.a	1.1777

9 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 11 of the Group's 2017 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

27 November 2017