For Immediate Release 27 November 2018

Victoria PLC

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

Interim Results
for the 26 weeks ended 29 September 2018

Continued successful execution of strategy

Victoria PLC (LSE: VCP) the international designers, manufacturers and distributors of innovative floorcoverings, is pleased to announce its interim results for the 26 weeks ended 29 September 2018.

Financial and Operational Highlights

	H1 FY19	H1 FY18	**Growth**
Revenue	**£273.4m**	£189.5m	+44%
Underlying EBITDA[1]	**£45.4m**	£24.6m	+85%
Underlying EBITDA margin	**16.6%**	13.0%	+360 bps
Underlying operating profit[1]	**£34.0m**	£18.2m	+87%
Operating profit	**£13.6m**	£12.9m	+5%
Underlying profit before tax[1]	**£28.2m**	£15.5m	+82%
Earnings per share:			
- Basic adjusted[1]	**17.91p**	13.10p	+37%
- Basic	**0.58p**	6.55p	-91%
Cash generated by operations	**£34.8m**	£17.4m	+100%
Net debt	**£342.7m**	£98.6m	
Net debt / EBITDA[2]	**3.09x**	1.77x	

Financial highlights

- Revenue grew by 44% versus the same period in the prior year, from £189.5m to £273.4m
- Like-for-like revenue growth[3] (LFL) of more than 5% in UK & Europe soft flooring, where there have been no acquisitions in the period, and more than 3% across the Group

[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, earn-out liability fair value adjustments, release of prepaid finance costs and exchange rate differences on foreign currency loans).
[2] As measured in line with our bank facility covenants.
[3] LFL revenue growth adjusted to remove the impact of acquisitions, translational currency differences and other exceptional items.

Revenue	H1 FY19	H1 FY18
UK & Europe, soft flooring	**£138.6m**	£130.7m
UK & Europe, ceramic tiles	**£81.7m**	-
Australia (AUD)	***A$95.3m***	*A$98.8m*
Australia (GBP)	**£53.1m**	£58.8m
Group	**£273.4m**	£189.5m

- Underlying EBITDA margin rose to a record 16.6%, from 13.0% for the same period last year (and 15.2% at the year-end)
- 82% increase in underlying profit before tax, from £15.5m to £28.2m
- An increase in one-off exceptional costs in the period, resulting from the acquisition of Ceramica Saloni and other corporate M&A activity, as well as ongoing operational synergy projects as previously disclosed
- Total capital expenditure in the period of £20.9m, comprising:
    - £8.8m of replacement capex, plus
    - £12.1m of expansionary capex, with key areas of being: a new backing & finishing line at our carpet factory in South Wales (c. £4m), further investment in the new UK distribution centres as a continuation of the logistics project that commenced last year and is expected to complete early next year (c. £1.5m), and expansion of atomising and press capacity in Keraben (c.£5m)
- Continued strong cash generation, with cash generated by operations of £34.8m, being over 100% of underlying operating profit, and double that of the comparative period last year
- Following the period end, the Group considered a Bond issue to refinance its existing bank facilities but the rates available at that time were not in Shareholders' best interests. The Group may consider revisiting this in the future if appropriate
- Net debt as at 29 September 2018 of £342.7m, representing 3.09x EBITDA[2], following the acquisition of Ceramica Saloni in August, with significant headroom against covenants remaining

The Board expects the full year result to be in line with market expectations.

Operational highlights

- Continued progress achieved against strategic priorities, including:
    - achieving LFL growth and gains in market share in soft flooring, driven by new value-orientated products and brands, and
    - adding further scale in branded, mid-high end ceramic tiles with the acquisition of Ceramica Saloni in August
- Identified operational synergies between Keraben Grupo and Ceramica Saloni ahead of original expectations
- In Italy, the planned investment in production facilities at Ceramiche Serra completed in May 2018 and now delivering a significant improvement in performance

Geoff Wilding, Executive Chairman of Victoria PLC commented:

"Victoria continued to make strong operational progress during the period. We again delivered against our strategy designed to grow market share, improve cash generation, and increase earnings per share, via both acquisition and organically, and we continue to focus on synergies and integration to ensure operational excellence within the Group.

"Our progress was made against a backdrop of a challenging market and our strategy of achieving product and market diversification over the last few years has enabled us to adapt well to various market conditions and tailor our offering accordingly. This remains a key strength of the Group relative to its competitors. In the UK, for example, we have been able to materially grow market share by introducing new value-orientated products and brands (alongside existing, predominantly mid-upper priced, products), safe in the knowledge that, although our margin growth is a little slower this year – albeit expected to be some 200 basis points higher than FY2018 – growth will be continued next year driving returns for our shareholders.

"With the Group's focus on generating cash, driving earnings, and continued operational integration, I look forward to the second half of the year with confidence and to updating our shareholders on our progress in due course."

For more information contact:

Victoria PLC Geoff Wilding, Executive Chairman Philippe Hamers, Group Chief Executive Michael Scott, Group Finance Director	+44 (0) 15 6274 9610
Cantor Fitzgerald Europe Rick Thompson, Phil Davies, Will Goode (Corporate Finance) Caspar Shand-Kydd (Sales), Andrew Keith (Equity Sales)	+44 (0) 20 7894 7000
Berenberg (joint broker) Ben Wright, Mark Whitmore, Laura Fine (Corporate Broking)	+44 (0) 20 3207 7800
Buchanan Communications Charles Ryland, Maddie Seacombe, Tilly Abraham	+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, UK, designs, manufactures and distributes a range of carpet, flooring underlay, ceramic tiles, LVT (luxury vinyl tile), artificial grass and flooring accessories. Victoria has operations in the UK, Spain, Italy, Belgium, the Netherlands and Australia and employs approximately 3,000 people across more than 20 sites. Victoria is the UK's largest carpet manufacturer and the second largest in Australia, as well as the largest manufacturer of underlay in both regions.

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

The Group's trading subsidiaries, as set out segmentally, include:

UK & Europe:	A. & A. Carpets Ltd, Abingdon Flooring Ltd, Alliance Distribution Ltd, Avalon B.V, Ceramica Saloni, S.A.U, Ceramiche Serra S.p.A., Distinctive Flooring Ltd, Ezi Floor Ltd, Grass Inc. B.V, Interfloor Ltd, Keraben Grupo S.A., Millennium Weavers N.V, Sanicova, S.L.U, Victoria Carpets Ltd, View Logistics Ltd, Westex (Carpets) Ltd
Australia:	Primary Flooring Pty Ltd, Quest Flooring Pty Ltd, The Victoria Carpet Co. Pty Ltd

Chairman's Statement

H1 trading review

The Board is pleased to report that trading in the first half year to September 2018 continued to be good – especially given the market backdrop – with like-for-like ("LFL") organic revenue growth[3] of more than 3% across the Group, and Victoria winning market share as planned. Overall, the Group has delivered revenue of £273.4 million, versus £189.5 million in the comparative period last year, and underlying EBITDA margin of 16.6% compared to 13.0% last year.

UK & Europe

Soft flooring

The UK flooring market has seen a mid-high single-digit decline in volume over the past 12 months. However, Victoria has achieved more than 5% LFL organic revenue growth[3] in the six months to September by taking advantage of these conditions to materially grow market share. This growth is expected to continue for the balance of the year, albeit at the temporary expense of some potential margin gains, as previously announced. (It is important to understand the Group's margin is, however, still growing and will be some 200 basis points higher than in FY 2018, in line with guidance provided in October). To clarify, this slower margin gain is not the result of price cutting; Victoria has no intention of diluting our high-quality brands. Instead, the Group has introduced new value-orientated products and brands to increase our share of wallet at existing retailers and to attract new retailers to our products.

This strategy has been, and continues to be, successful and therefore the Board is firmly of the view that it is the right approach to consolidate the Group's position as the largest, most successful flooring manufacturer and distributor in the UK. Furthermore, the Group is implementing several internal, proactive measures during the second half of the year and next year. These will resume the margin growth whilst maintaining the market share gains, such that the medium-term outcome will be a larger, more profitable and more stable business.

Ceramic tiles

Following the acquisition of Ceramica Saloni in August, the Group's operational management in Spain are firmly focused on delivering the identified synergies in raw materials procurement, utilisation of Keraben's atomisation capacity, and production efficiencies. These actions are now well advanced and are expected to be fully delivered by the end of the current financial year. I am pleased to advise that the outcome of these synergies is likely to be better than the Board had initially expected, which will make a material contribution to achieving continued growth in FY 2019.

Our Italian ceramic tile business, Ceramiche Serra, is having a very strong year. For the last 25 years Serra has operated a unique production model employing a number of patented technologies to manufacture a cost-effective product tailored for specific end markets (100% of the company's production output is exported from Italy). When Victoria acquired this company in December 2017, Serra had begun the process of replacing one of its existing production lines – all of which produced red body tiles – with a new line designed to manufacture higher margin porcelain tiles. This was a very substantial project and quite disruptive to the business for a number of months, but the installation was completed as planned by the end of May and the new products are selling well, which is driving significant improvement of the performance of Serra.

The Group is also looking at potential initiatives to broaden our export markets in ceramic tiles, including to increase sales of our products into the UK, which is currently a very small market for our businesses.

Australia

Australia represents around 13% of operational profits. Following a period of very strong growth, the Australian market has been a little softer this year following the tightening of mortgage lending and some decline in consumer confidence. Victoria's Australian operations recorded LFL revenue of -4% in H1. However, the Australian economy is still growing and the Group is fortunate in having very strong management at Victoria Australia, Quest, and Dunlop Flooring, who have developed plans to ensure improved performance next year. The Board has a high degree of confidence in them to deliver these improvements.

Strategy

Victoria has executed a simple strategy to create wealth for shareholders over the last six years: use carefully selected acquisitions to build scale, market position, and diversification; focus on synergies and integration to drive higher margins and increase cash flow; deploy the cash flow to pay down debt arising from the acquisitions; and then repeat.

Our pace of growth has been steady and measured and includes 13 businesses acquired over the last six years. All are performing as anticipated, reflecting the highly selective nature of our acquisition process. A successful acquisition typically takes nine to twelve months to complete given the intense nature of our due diligence and for every acquisition that is announced, there are many that are not pursued for a wide variety of reasons. *Value isn't created by doing deals, it's by doing good deals*.

Accompanying the acquisition activity, we have carefully built the most effective operational management team in the sector, which has ensured an intense management focus on further developing the high-quality businesses that have been acquired.

At this stage of Victoria's development and following the sizeable acquisition of Ceramica Saloni in August of this year, our efforts are now firmly on delivering the potential synergies (progress is very encouraging and all workstreams are expected to be completed by the end of the current financial year) and generating cash across the Group to pay down debt as per the strategy described above.

Capital expenditure

The Board and management of Victoria are committed to building a long-term successful business. Although we would clearly be willing to trim capex budgets during difficult economic conditions, the policy is to ensure that our businesses remain well invested and to broadly match capex to depreciation over an economic cycle. This approach should reassure shareholders that the Group will remain operationally competitive and sustainable into the future.

In addition, the Group selectively invests in organic expansion projects where the Board determines there is a meaningful benefit in terms of growth in capacity or ongoing cost reduction. For example, this month Victoria commissioned a new backing and finishing line at its carpet manufacturing plant in South Wales. This is a significant investment and as a result, Victoria now has the fastest, most productive manufacturing facility, with operational savings that will deliver a significant improvement in margins next year and a payback period of only about 2.5 years.

Exceptional and other non-underlying costs

As discussed above, Victoria's strategy is to make carefully qualified acquisitions and then to integrate them in order to deliver synergies to drive higher margins and improved cash generation. Of necessity, this acquisition and integration activity produces large, one-off costs as well as some accounting adjustments that are not representative of the underlying business. While we continue to execute our strategy such costs will continue to be generated, but this will stop the moment that we stop pursuing acquisitions or undertaking synergy projects.

The notes to the accounts provide further details, but these costs fall into the following key categories:

1. Acquisition activity. Pursuing acquisitions comes with prospecting costs, acquisition advisory costs, legal fees, due diligence fees (often covering financial, tax compliance, legal and environmental amongst other areas), as well as costs associated with intercompany and capital structure advice. Furthermore, as we are extremely selective with the acquisitions that we undertake, unfortunately, but inevitably, costs are incurred on deals that we choose not to complete.

2. Reorganisation costs. Delivering operational integration and cost synergies requires restructuring activity, producing large, one-off costs in terms of redundancies, plant and machinery relocation, reconfiguration and planning, site disruption, etc. These are unavoidable if the incremental benefits from the acquisitions are to be achieved, but are also genuinely non-recurring (a factory can only be closed once, for example). These costs have increased in the last 12-18 months because, whilst earlier in the development of the Group the synergies being delivered were 'softer' (procurement savings, application of best practice, etc), once the Group reached a certain scale in a number of product areas, we were able to look at more substantial synergy projects involving consolidation of physical operations. However, accepting the one-off costs today, the positive impact on margins going forward are material – building a stronger, more profitable Group for the future.

3. Intangible amortisation. The goodwill and other intangible assets on Victoria's balance sheet are a product of the Group's strategy to only buy the very best businesses it can find. Therefore, because acquisition prices reflect profitability and cash flow, the price paid will often exceed the net asset value of the target, resulting in intangible assets, some of which are then amortised over a fixed period in line with accounting standards. This amortisation cost is entirely non-cash, and of course these assets do not need to be 'physically' replaced once they are fully amortised.

4. Adjustments to earn-outs and deferred consideration. Wherever possible, the Board includes deferred consideration within the structure of the Group's acquisitions, often contingent on the ongoing performance of the target over a number of years (an "earn-out"). Such structures pass risk from the Group back to the vendor, as well as serving to incentivise management. The fair value of these liabilities is fully recognised in the Group's balance sheet, with any variations over time charged to the income statement. Whilst the final payment of earn-outs is of course made in cash, these adjustment items are themselves non-cash and not related to the underlying operating business.

5. Write-down of pre-paid financing costs. As the Group has made acquisitions over the last few years, its debt has been refinanced on a few occasions to update its capital structure as the Board deems appropriate for the enlarged business. Accounting standards require

that up-front financing fees are held on the balance sheet and amortised over the term of the loan. So, if a loan is replaced early with a new facility on making an acquisition, the entire outstanding fee that has not yet been amortised is written-down in one go. This is, of course, not a normal occurrence and also a non-cash event.

In summary, acquisitions and operational integration will result in exceptional costs from time to time. However, by setting these out in detail in the financial statements we hope to help shareholders better understand these items and be encouraged by what is actually happening at an operational level in the Group.

Borrowings and cash generation

Following the acquisition of Ceramica Saloni in August, the Group had net debt of £342.7 million at 29 September 2018, which represents 3.09x adjusted EBITDA[2]. The Group has significant headroom in its covenants at this level, but the Board sees this level as an internal ceiling and is therefore emphasising paying down debt at this time.

Victoria has consistently demonstrated over the last five years that, while there is seasonality in its net debt (our working capital levels generally peak in September due to building stock levels to meet increases in demand during the pre-Christmas rush), overall cash generation is aligned to annual earnings. Flooring manufacturers structured like Victoria can generate large amounts of cash, with the Group generating pre-tax operating cash flow of between 95% and 100% of underlying EBITDA over the last three years. Management across the entire Victoria Group is very focused on cash generation with favourable supplier arrangements, manufacturing matched to demand, customer payment terms, and longevity of key items of plant all contributing to a very high percentage of reported earnings turning to net cash, which we have been able to use to make acquisitions, invest in capex, and reduce debt.

Operational cash generation across the Group is, and will continue to be, strong.

Brexit

I am somewhat reluctant to add to the almost limitless verbiage on Brexit. Nonetheless, given Victoria's next full report to shareholders will be following Brexit, I thought I should share some comments on the matter and its likely minimal impact on Victoria.

Firstly, there is very little trade of product manufactured in the UK by Victoria into Europe or vice-versa. Therefore, any tariffs or other trade barriers between Europe and the UK are not expected to have a negative effect on the Group's general trading. Indeed, given some 60% of the soft flooring sold in the UK is imported (and almost entirely from Europe), any trading barriers which have the practical effect of reducing imports represent a material opportunity for the Group to further grow its UK market share.

Secondly, whilst any marked depreciation in the value of Sterling will have an impact on certain raw material costs for our UK factories, clearly this will also affect the raw material costs of our UK competitors and, importantly, this will have a much more severe impact on our European competitors who supply around 60% of the UK market, making them less competitive with UK manufacturers. In addition, the Board is comfortable that Victoria is able to pass on the impact of increased raw material prices - exactly as we did following the 20% drop in Sterling after the Brexit referendum in July 2016 (shareholders will recall our margins improved that year by 1.1%, despite the drop in Sterling).

Furthermore, most of the raw materials that we import into the UK come from countries outside of the EU and therefore, to the extent there are tariff or non-tariff trading barriers between the UK and the EU, the direct impact on Victoria will be minimal. However, to be prudent and protect our UK factories' supply chains from any delays in the delivery of raw materials, we plan to carry a greater quantity of certain raw materials than usual for a period of time.

Finally, as I explained in the 2018 Annual Report, general economic downturn in the UK (or elsewhere) is something we are always mindful of, Brexit or no-Brexit. To that end I would remind shareholders of the following:

1. Low operational gearing. 54% of Victoria's cost base is made up of raw materials, which, of course, are wholly variable with revenue. A further 31% of costs (labour, marketing, logistics) are semi-variable. The result is that in the event of a decline in sales, the overwhelming majority of costs fall as well, reducing the impact of lower sales on profits.

2. Historical resilience during the 2007-09 recession. Every year between FY 2006 and FY 2011 Victoria recorded organic growth (6% CAGR) in sales (no acquisitions were done during this period) due to its mid-upper market product positioning and strong sales focus. The Group today is a much larger, more resilient and more diversified business, but the same characteristics remain.

3. Victoria has a highly effective operational management team. The importance of this strength is difficult to overstate. Their decades of experience mean that they have lived through several economic cycles and they know how to respond to changing conditions to protect the business.

4. Effective use of outsourcing. The Group has long practised outsourcing a small percentage (up to 5%) of its product manufacturing requirements to provide operational flexibility and a production buffer in the event of a downturn, and therefore more time for management to respond to changing conditions.

5. Diverse economic exposure. Although the Group has manufacturing facilities in four countries (Spain, the UK, Australia, and Italy), it exports a significant amount of product all over the world. As a result, 40% of earnings come from other countries, reducing the Group's exposure to any one economy.

Outlook

In conclusion I, the Board and management are confident in the outlook for the Group, and believe that Victoria is on track to meet its objectives for the current financial year.

Material market share gains in the UK will secure long-term earnings growth. The Group's Australian businesses are expected to return to growth next year as a result of actions being taken today. In Europe, we are achieving greater than expected operational synergies in our Spanish businesses, which will add to earnings in FY 2020, together with strong performance from our Italian business which is producing record profits.

Victoria's operational management teams are firmly focused on the delivery of our organic strategy while we will continue to seek and review high-quality companies to ensure there are suitable acquisition opportunities when the time is right to execute them.

Finally, I am acutely aware that Victoria's share price is not where I believe it should be given our current trading and prospects. As one of the largest shareholders, you can be assured that I, and the other directors and management, are focused on building the confidence of investors and delivering the financial results expected of Victoria.

It is important to remember, together we own a very robust, well-managed, and growing business with over 3,000 employees who manufacture and sell some of the finest flooring in the world. The events of the last couple of months have not distracted management from delivering and for that reason I am highly confident of Victoria's continued long-term success.

Geoffrey Wilding
Executive Chairman
26 November 2018

Condensed Consolidated Income Statement

For the 26 weeks ended 29 September 2018 (unaudited)

		26 weeks ended 29 September 2018			26 weeks ended 30 September 2017			52 weeks ended 31 March 2018 (audited)		
		Underlying performance	**Non-underlying items**	**Reported numbers**	Underlying performance	Non-underlying items	Reported numbers	Underlying performance	Non-underlying items	Reported numbers
	Notes	**£m**	**£m**	**£m**	£m	£m	£m	£m	£m	£m
Continuing Operations										
Revenue	3	**273.4**	**-**	**273.4**	189.5	-	189.5	424.8	-	424.8
Cost of Sales		**(177.9)**	**-**	**(177.9)**	(127.6)	-	(127.6)	(279.4)	-	(279.4)
Gross profit		**95.5**	**-**	**95.5**	61.9	-	61.9	145.4	-	145.4
Distribution costs		**(33.3)**	**-**	**(33.3)**	(28.4)	-	(28.4)	(59.4)	-	(59.4)
Administrative expenses		**(29.4)**	**(20.4)**	**(49.8)**	(15.4)	(5.3)	(20.7)	(38.6)	(22.4)	(61.0)
Other operating income		**1.2**	**-**	**1.2**	0.1	-	0.1	1.4	-	1.4
Operating profit/(loss)		**34.0**	**(20.4)**	**13.6**	18.2	(5.3)	12.9	48.8	(22.4)	26.4
Comprising:										
Operating profit before non-underlying and exceptional items		**34.0**	**-**	**34.0**	18.2	-	18.2	48.8	-	48.8
Amortisation of acquired intangibles		**-**	**(9.8)**	**(9.8)**	-	(3.0)	(3.0)	-	(11.2)	(11.2)
Exceptional and other non-underlying items	4	**-**	**(10.6)**	**(10.6)**	-	(2.3)	(2.3)	-	(11.2)	(11.2)
Finance Costs	5	**(5.8)**	**(3.2)**	**(9.0)**	(2.7)	(1.4)	(4.1)	(8.0)	(5.0)	(13.0)
Comprising:										
Interest payable on loans	5	**(4.9)**		**(4.9)**	(2.2)	-	(2.2)	(6.6)	-	(6.6)

		Note									
Amortisation of prepaid finance costs		5	**(0.7)**	**(2.9)**	**(3.6)**	(0.3)	-	(0.3)	(1.0)	(0.2)	(1.2)
Interest accrued on BGF loan		5	**(0.1)**	**(0.1)**	**(0.2)**	(0.1)	(0.1)	(0.2)	(0.1)	(0.3)	(0.4)
Net interest expense on defined benefit pensions		5	**(0.1)**	**-**	**(0.1)**	(0.1)	-	(0.1)	(0.3)	-	(0.3)
Other non-underlying finance costs		5	**-**	**(0.2)**	**(0.2)**	-	(1.3)	(1.3)	-	(4.5)	(4.5)
Profit/(loss) before tax			**28.2**	**(23.6)**	**4.6**	15.5	(6.7)	8.8	40.8	(27.4)	13.4
Taxation		6	**(6.7)**	**2.8**	**(3.9)**	(3.6)	0.8	(2.8)	(9.2)	4.4	(4.8)
Profit/(loss) for the period			**21.5**	**(20.8)**	**0.7**	11.9	(5.9)	6.0	31.6	(23.0)	8.6
Earnings per share - pence	basic	7	**17.91**		**0.58**	13.10		6.55	31.38		8.58
	diluted	7	**17.88**		**0.58**	12.64		6.44	30.61		8.37

Condensed Consolidated Statement of Comprehensive Income

For the 26 weeks ended 29 September 2018 (unaudited)

	26 weeks ended 29 September 2018	26 weeks ended 30 September 2017	52 weeks ended 31 March 2018 (audited)
	£m	£m	£m
Profit for the period	**0.7**	6.0	8.6
Other comprehensive income / (expense):			
Items that will not be reclassified to profit or loss:			
Actuarial gains on defined benefit pension scheme	**2.0**	1.8	2.0
Increase in deferred tax asset relating to pension scheme liability	**(0.4)**	(0.4)	(0.4)
Items that will not be reclassified to profit or loss	**1.6**	1.4	1.6
Items that may be reclassified subsequently to profit or loss:			
Retranslation of overseas subsidiaries	**0.3**	(0.7)	(2.1)
Items that may be reclassified subsequently to profit or loss	**0.3**	(0.7)	(2.1)
Other comprehensive income / (expense)	**1.9**	0.7	(0.5)
Total comprehensive income for the year attributable to the owners of the parent	**2.6**	6.7	8.1

Condensed Consolidated Balance Sheet

As at 29 September 2018 (unaudited)

	29 September 2018	30 September 2017	31 March 2018 (audited)
	£m	£m	£m
Non-current assets			
Goodwill	**274.8**	58.3	188.1
Intangible assets other than goodwill	**203.5**	63.1	210.3
Property, plant and equipment	**182.8**	44.6	142.9
Investment property	**0.8**	0.2	0.8
Investments in associates	**1.0**	-	1.0
Deferred tax assets	**4.5**	4.9	4.6
Total non-current assets	**667.4**	171.1	547.7
Current assets			
Inventories	**137.2**	77.4	100.3
Trade and other receivables	**118.0**	53.9	88.2
Cash at bank and in hand	**74.0**	28.7	54.0
Total current assets	**329.2**	160.0	242.5
Total assets	**996.6**	331.1	790.2
Current liabilities			
Trade and other current payables	**152.8**	75.5	121.5
Current tax liabilities	**1.4**	3.3	1.0
Other financial liabilities	**3.5**	0.7	3.0
Total current liabilities	**157.7**	79.5	125.5
Non-current liabilities			
Trade and other non-current payables	**39.0**	16.9	29.2
Other non-current financial liabilities	**412.3**	125.0	306.1
Deferred tax liabilities	**52.1**	14.4	54.7
Retirement benefit obligations	**7.1**	9.2	9.1
Total non-current liabilities	**510.5**	165.5	399.1
Total Liabilities	**668.2**	245.0	524.6
Net Assets	**328.4**	86.1	265.6
Equity			
Share capital	**6.3**	4.5	5.9
Share premium	**288.7**	52.5	229.8

Retained earnings	**29.3**	23.9	26.7
Foreign exchange reserve	**3.2**	4.3	2.9
Other reserves	**0.9**	0.9	0.3
Total Equity	**328.4**	86.1	265.6

Condensed Consolidated Statement of Changes in Equity

For the 26 weeks ended 29 September 2018 (unaudited)

	Share capital	Share premium	Retained earnings	Foreign exchange reserve	Other reserves	Total equity
	£m	£m	£m	£m	£m	£m
At 1 April 2017	4.5	52.5	16.5	5.0	0.8	79.3
Profit for the period to 31 March 2018	-	-	8.6	-	-	8.6
Other comprehensive profit for the period	-	-	1.6	-	-	1.6
Retranslation of overseas subsidiaries	-	-	-	(2.1)	-	(2.1)
Total comprehensive profit / (loss)	-	-	10.2	(2.1)	-	8.1
Issue of Share capital	1.4	176.6	-	-	-	178.0
BGF equity transfer	-	0.7	-	-	(0.7)	-
Share-based payment charge	-	-	-	-	0.2	0.2
Transactions with owners	1.4	177.3	-	-	(0.5)	178.2
At 31 March 2018	5.9	229.8	26.7	2.9	0.3	265.6
Profit for the period to 29 September 2018	-	-	0.7	-	-	0.7
Other comprehensive profit for the period	-	-	1.6	-	-	1.6
Retranslation of overseas subsidiaries	-	-	-	0.3	-	0.3
Total comprehensive profit	-	-	2.3	0.3	-	2.6
Issue of Share capital	0.4	58.9	-	-	-	59.3
Equity transfer on exercise of B growth shares	-	-	0.3	-	(0.3)	-
Share-based payment charge	-	-	-	-	0.9	0.9
Transactions with owners	0.4	58.9	0.3	-	0.6	60.2
At 29 September 2018	**6.3**	**288.7**	**29.3**	**3.2**	**0.9**	**328.4**

At 1 April 2017	4.5	52.5	16.5	5.0	0.8	79.3
Profit for the period to 1 July 2017	-	-	6.0	-	-	6.0
Other comprehensive profit for the period	-	-	1.4	-	-	1.4
Retranslation of overseas subsidiaries	-	-	-	(0.7)	-	(0.7)
Total comprehensive profit / (loss)	-	-	7.4	(0.7)	-	6.7
Issue of Share capital	-	-	-	-	-	-
Share-based payment charge	-	-	-	-	0.1	0.1
Transactions with owners	-	-	-	-	0.1	0.1
At 30 September 2017	4.5	52.5	23.9	4.3	0.9	86.1

Condensed Consolidated Statements of Cash Flows

For the 26 weeks ended 29 September 2018 (unaudited)

	26 weeks ended 29 September 2018	26 weeks ended 30 September 2017	52 weeks ended 31 March 2018 (audited)
	£m	£m	£m
Cash flows from operating activities			
Operating profit	**13.6**	12.9	26.4
Adjustments For:			
Depreciation charges	**11.4**	6.4	15.8
Amortisation of intangible assets	**9.8**	3.0	11.3
Amortisation of government grants	**(0.2)**	(0.1)	(0.3)
Loss on disposal of property, plant and equipment	**-**	-	0.1
Share-based employee remuneration	**0.9**	0.1	0.2
Defined benefit pension	**(0.2)**	(0.2)	(0.2)
Net cash flow from operating activities before movements in working capital	**35.3**	22.1	53.3
Change in inventories	**(4.9)**	(2.5)	(8.0)
Change in trade and other receivables	**1.7**	2.5	2.6
Change in trade and other payables	**2.7**	(4.7)	6.4
Cash generated by operations	**34.8**	17.4	54.3
Interest paid	**(4.9)**	(2.2)	(6.7)
Income taxes paid	**(7.3)**	(5.0)	(10.6)
Net cash inflow from operating activities	**22.6**	10.2	37.0
Investing activities			
Purchases of property, plant and equipment	**(20.6)**	(6.9)	(25.9)
Purchases of intangible assets	**-**	-	(0.7)
Proceeds on disposal of property, plant and equipment	**0.4**	0.1	2.1
Deferred and contingent consideration payments	**(3.9)**	(9.4)	(15.3)
Acquisition of subsidiaries net of cash acquired	**(82.8)**	(3.1)	(276.5)
Net cash used in investing activities	**(106.9)**	(19.3)	(316.3)
Financing activities			
Increase in long-terms loans	**42.9**	10.1	128.8
Issue of share capital	**59.3**	-	178.1
Repayment of obligations under finance leases / hire purchase	**(0.4)**	(0.4)	(0.3)
Net cash generated in financing activities	**101.8**	9.7	306.6
Net increase in cash and cash equivalents	**17.5**	0.6	27.3
Cash and cash equivalents at beginning of period	**53.1**	28.0	28.0
Effect of foreign exchange rate changes	**1.6**	0.1	(2.2)

Cash and cash equivalents at end of period	**72.2**	28.7	53.1
Comprising:			
Cash at bank and in hand	**74.0**	28.7	54.0
Bank overdrafts	**(1.8)**	-	(0.9)
	72.2	28.7	53.1

Notes

1. General information

These condensed consolidated financial statements for the 26 weeks ended 29 September 2018 have not been audited by the Auditor.

The information for the 52 weeks ended 31 March 2018 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 Auditor's 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 31 March 2018, which were prepared in accordance with IFRSs as adopted by the European Union.

With the exception of the adoption of IFRS 15 on 1 April 2018, these interim financial statements have been prepared on a consistent basis and in accordance with the accounting policies set out in the group's Annual Report and Financial Statements for the year ended 31 March 2018. There was no material impact on the group's results as a consequence of the transition to IFRS 15 as the group's activities are primarily the sale of flooring products, the revenue for which was previously recognised at a point in time when the transfer of risks and rewards occurs which is consistent with IFRS 15. The comparative figures in these interim financial statements have not been restated as a consequence of adopting IFRS 15 for the first time this period.

Having reviewed the Group's projections and taking account of reasonably 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 & Europe and Australia.

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

Income statement

	26 weeks ended 29 September 2018				26 weeks ended 30 September 2017			
	UK & Europe	**Australia**	**Unallocated central expenses**	**Total**	UK & Europe	Australia	Unallocated central expenses	Total
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Revenue	**220.3**	**53.1**	**-**	**273.4**	130.7	58.8	-	189.5
Underlying operating profit	**30.6**	**4.1**	**(0.7)**	**34.0**	12.5	6.4	(0.7)	18.2
Non-underlying operating items	**(8.9)**	**(0.9)**	**-**	**(9.8)**	(2.7)	(0.3)	-	(3.0)
Exceptional operating items	**(9.6)**	**(0.1)**	**(0.9)**	**(10.6)**	(1.5)	(0.1)	(0.7)	(2.3)
Operating profit	**12.1**	**3.1**	**(1.6)**	**13.6**	8.3	6.0	(1.4)	12.9
Underlying finance charge				**(5.8)**				(2.7)
Non-underlying finance charge				**(3.2)**				(1.4)
Profit before tax				**4.6**				8.8
Tax				**(3.9)**				(2.8)
Profit for the period				**0.7**				6.0

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

Other segmental information

	26 weeks ended 29 September 2018				26 weeks ended 30 September 2017			
	UK & Europe	**Australia**	**Unallocated central expenditure**	**Total**	UK & Europe	Australia	Unallocated central expenditure	Total
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Depreciation	**10.1**	**1.3**	**-**	**11.4**	4.9	1.5	-	6.4
Amortisation of acquisition intangibles	**8.9**	**0.9**	**-**	**9.8**	2.7	0.3	-	3.0
	19.0	**2.2**	**-**	**21.2**	7.6	1.8	-	9.4

	26 weeks ended 29 September 2018				26 weeks ended 30 September 2017			
	UK & Europe	**Australia**	**Unallocated central expenditure**	**Total**	UK & Europe	Australia	Unallocated central expenditure	Total
	£m	**£m**	**£m**	**£m**	£m	£m	£m	£m
Capital expenditure	**20.2**	**1.7**	**-**	**21.9**	6.0	0.9	-	6.9

4. Exceptional and non-underlying items

	26 weeks ended 29 September 2018 £m	26 weeks ended 30 September 2017 £m
Exceptional items		
(a) Acquisition and structuring related costs	**(6.1)**	(0.5)
(b) Reorganisation costs	**(2.7)**	(1.8)
Non-underlying items		
(c) Acquisition-related performance plan charge	**(0.9)**	-
(d) Share incentive plan charge	**(0.9)**	-
	(10.6)	(2.3)

All of the items in the table above are classified within administrative expenses.

(a) Professional fees in connection with prospecting, structuring and completing acquisitions during the period, as well as review of the Group's capital structure.

(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. This primarily relates to further restructuring and improvements and operational synergies at the Group's Abingdon carpet factory following consolidation of our UK manufacturing operations last year, plus further set up costs in relation to our new UK logistics network. Both of these projects are expected to be completed by the year end.

(c) Charge relating to the accrual of expected liability under the acquisition-linked performance plan with the Keraben senior management team. As part of the Keraben acquisition terms, the senior management team were required to invest €8.3 million into a performance plan linked to the financial results of the target business over a five year period. The value of this plan can go up or down from the original €8.3 million subscription, depending on performance. Customary good and bad leaver provisions apply during the five year period. This investment by management was rolled over from their exit value under a scheme with the previous private equity owners.

(d) Non cash share-based payment charge in relation to the long-term management incentive plan that was put into place in April 2018.

5. Finance costs

	26 weeks ended 29 September 2018 £m	26 weeks ended 30 September 2017 £m
Interest payable on bank loans and overdrafts	**4.6**	1.7
Cash interest payable on BGF loan	**0.3**	0.5
Total interest payable on loans	**4.9**	2.2
Amortisation of prepaid finance costs	**0.7**	0.3
Interest rolled up into BGF loan	**0.1**	0.1
Net interest expense on defined benefit pensions	**0.1**	0.1
Underlying interest costs	**5.8**	2.7
(a) BGF loan and option, redemption premium charge	**0.1**	0.1
(b) Unwinding of present value of contingent earn-out liabilities	**1.6**	1.1
(b) Unwinding of present value of deferred consideration liabilities	**0.1**	0.2
(c) Mark to market adjustment on foreign exchange forward contracts	**(0.5)**	-
(d) Retranslation of foreign currency loans	**(1.0)**	-
(e) Release of prepaid finance costs	**2.9**	-
	9.0	4.1

The non-underlying items classified within finance costs are as follows:

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

(b) Non-cash costs relating to the revaluation of deferred consideration and contingent earn-outs. Deferred consideration is measured at amortised cost, while contingent consideration is measured under IFRS 3 at fair value. Both are discounted for the time value of money. The present value is then remeasured at each half-year and year-end

in relation to the appropriateness of the discount factor and the unwind of this discount. In addition, any changes to contingent earn-outs arising from actual and forecast business performance are reflected as other adjustments to present value of contingent earn-out liabilities.

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

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

(e) Non-cash charge in the period relating to the release of the prepaid costs on previous bank facilities which were refinanced in August 2018.

6. Tax

	26 weeks ended 29 September 2018 £m	26 weeks ended 30 September 2017 £m
Current tax		
- Current year UK	**1.5**	1.6
- Current year overseas	**3.5**	2.1
	5.0	3.7
Deferred Tax		
- Credit recognised in the current year	**(1.1)**	(0.9)
Total tax	**3.9**	2.8

Corporation tax is calculated at the applicable percentage of the estimated assessable profit for the year in each respective geography. This is 19% in the UK; 25% in the Netherlands and Spain; 27.9% in Italy; 30% in Australia; and 34% in Belgium.

The overall effective corporation tax rate on underlying profit is 24.0% (2017: 22.9%), representing the best estimate of the weighted average annual corporation tax rate expected for the full financial year.

7. Earnings per share

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

	Basic	**Adjusted**	Basic	Adjusted
	26 weeks ended	**26 weeks ended**	26 weeks ended	26 weeks ended
	29 September 2018	**29 September 2018**	30 September 2017	30 September 2017
	£m	**£m**	£m	£m
Profit attributable to ordinary equity holders of the parent entity from continuing operations	**0.7**	**0.7**	6.0	6.0
Exceptional and non-underlying items:				
Amortisation of acquired intangibles	**-**	**9.8**	-	3.0
Acquisition and structuring related cost	**-**	**6.1**	-	0.5
Acquisition-related performance plan charge	**-**	**0.9**	-	-
Share incentive plan charge	**-**	**0.9**	**-**	**-**
Reorganisation costs	**-**	**2.7**	-	1.8
Release of prepaid finance costs	**-**	**2.9**	-	-
BGF loan and option, redemption premium charge	**-**	**0.1**	-	0.1
Unwinding of present value of deferred and contingent consideration	**-**	**1.7**	-	1.3
Mark to market adjustment on foreign exchange forward contracts	**-**	**(0.5)**	-	-
Retranslation of foreign currency loans	**-**	**(1.0)**	**-**	-
Tax effect on adjusted items where applicable	**-**	**(2.8)**	-	(0.8)
Earnings for the purpose of basic and adjusted earnings per share	**0.7**	**21.5**	6.0	11.9

7. Earnings per share (continued)

Weighted average number of shares

	26 weeks ended 29 September 2018 Number of shares (000's)	26 weeks ended 30 September 2017 Number of shares (000's)
Weighted average number of shares for the purpose of basic and adjusted earnings per share	**120,066**	90,969
Effect of dilutive potential ordinary shares:		
BGF share options and growth shares	**189**	3,266
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**120,255**	94,235

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:	**26 weeks ended 29 September 2018 Pence**	26 weeks ended 30 September 2017 Pence
Earnings per share		
Basic adjusted	**17.91**	13.10
Diluted adjusted	**17.88**	12.64
Basic	**0.58**	6.55
Diluted	**0.58**	6.44

8. Acquisition of subsidiaries

Ceramica Saloni

On 7 August 2018 the Group acquired 100% of the equity of Ceramica Saloni, SAU and Sanicova, S.L.U (together "Saloni"). Saloni operates from near Castellon and the Group's Keraben business, in the heart of the Spanish ceramics industry, manufacturing mid to high-end ceramic and porcelain tiles, which are sold domestically and exported internationally. Its main markets are Spain and France, where it sells its products predominantly to direct markets.

Cash consideration of €96.7m (£86.2m[1]) was paid on completion. This was satisfied in part through a placing of 7,314,626 new Ordinary Shares at a price of 827 pence per Ordinary Share, raising gross proceeds of approximately £60.5 million, and new bank facilities with Barclays and HSBC. There is no deferred or contingent consideration.

The valuation exercise to identify intangible assets acquired, as required under IFRS 3, has not been finalised as at the half year. The valuation will be reflected in the Annual Report and Accounts for the Group for the year ending 30 March 2019 together with the IFRS 3 disclosures. Accordingly, an element of the Goodwill recorded on the balance sheet as at 29 September 2018 will be reclassified to Intangible assets once the IFRS 3 valuation has been completed. The provisional goodwill recognised on the acquisition is €95.1m (£84.7m[1]).

[1] *Applying the GBP to € exchange rate at the date of acquisition of 1.1220.*

[2] *Applying the average GBP to € exchange rate over the half year period of 1.1293.*

9. Rates of exchange

	26 weeks ended 29 September 2018	26 weeks ended 30 September 2017	52 weeks ended 31 March 2018
Australia (A$) - average rate	**1.7952**	1.6805	1.7206
Australia (A$) - period end	**1.8038**	1.7104	1.8246
Euro (€) - average rate	**1.1293**	1.1417	1.1373
Euro (€) - period end	**1.1222**	1.1341	1.1370

10. 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 12 of the Group's 2018 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

26 November 2018