For Immediate Release 26 November 2019

Victoria PLC

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

Interim Results
for the 26 weeks ended 28 September 2019

Continued Growth and Cash Generation

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 28 September 2019.

Financial and Operational Highlights

	H1 FY20	H1 FY19	**Growth**
Revenue	**£315.9m**	£273.4m	+16%
Underlying EBITDA[1,2]	**£58.5m**	£45.4m	+29%
Underlying EBITDA margin[1,2]	**18.5%**	16.6%	+190 bps
Underlying operating profit[1,2]	**£39.7m**	£34.0m	+17%
Operating profit[2]	**£23.8m**	£13.6m	+75%
Underlying profit before tax[1,2]	**£27.5m**	£28.2m	-2%
Earnings per share:			
- Basic adjusted[1,2]	**16.59p**	17.91p	-7%
- Basic[2]	**3.11p**	0.58p	+436%
Underlying free cash flow[3]	**£23.8m**	£23.2m	+6%
Net debt	**£364.3m**	£342.7m	
Capitalised operating leases	**£60.3m**	-	
Total net financial liability	**£424.6m**	-	
Net debt / EBITDA[4]	**3.3x**	3.1x	

Financial highlights

[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 stated before 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] IFRS 16 had a positive impact on EBITDA in the period of £4.7m, a positive impact on EBIT of £0.5m, an adverse impact on profit before tax of -£0.4m, and an adverse impact on EPS of 0.3p (see Chairman & Chief Executive's Statement for details).
[3] Underlying free cash flow represents cash flow after interest, tax and replacement capital expenditure, but before investment in growth, financing activities and exceptional items.
[4] Leverage measured as per our bank facility covenants.

- Revenue grew by 16% versus the same period in the prior year, driven by a combination of organic growth and contribution from the prior-year acquisition of Saloni.
- Underlying EBITDA margin rose by circa 190 bps (70bps on a like-for-like basis[5]) from the same period last year to a record 18.5%.
- Significantly lower exceptional restructuring costs in the period of £1.8m, being the finalisation of prior-year operational synergy projects as previously disclosed.
- Successful completion of debt refinancing in July, including the inaugural bond issue of €330m senior secured notes (£293.8m at the period-end exchange rate). Whilst incurring a higher rate of interest, the new bonds provide significant benefits and protection to the company with a fixed cost over five years, a more flexible and covenant-lite structure, and access to a new, deep and highly-liquid capital market.
- Increased interest costs from the recent bond issue and the additional borrowings following the acquisition of Saloni in August 2018, together with the accounting impact of IFRS 16, resulted in a 2% reduction in underlying profit before tax.
- Net capital expenditure in the period of £17.2m, broadly in line with depreciation.
- Strong cash generation continues with £23.8m of underlying free cash flow[3] for the period, a 6% increase over the previous year, which equates to a 60% conversion from underlying operating profit.
- Net debt as at 28 September 2019 was £364.3m (excluding lease liabilities), representing 3.3x EBITDA[4]. This followed the leverage-neutral acquisition of Iberoalcorense, S.L in August and is consistent with the Group's financial policy. Net debt has been adversely impacted by exchange rate movements in the period, causing a translational increase in Sterling terms of £5.9m.

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

Geoff Wilding, Executive Chairman of Victoria PLC commented:

"Victoria has delivered both revenue growth and margin growth in the first half of our 2020 financial year, in challenging market conditions. Alongside these organic-led gains, we also made a small acquisition in Spain, which, following completion of its integration in the first quarter of next year, is expected to contribute meaningful earnings to Victoria due to operational synergies that will result from the integration.

We were also pleased to successfully complete our bond issue in July, as this provides the Group with secure, long-term financing to support our continued organic and acquisition-based growth."

---

[5] *Adjusting for the effect of IFRS 16 and impact of small acquisition contribution.*

Analyst briefing

There will be a presentation for analysts at 10.00am on Tuesday 26 November 2019 at Buchanan, 107 Cheapside, London EC2V 6DN. A conference call facility will be available on the morning and an audio webcast will be made available later that day on the Group's website at www.victoriaplc.com.

Conference call:

UK Toll-Free: 0800 3589 473
PIN: 53910768#

For additional details and registration for the analyst briefing, please contact the team at Buchanan as detailed below.

For more information contact:

Victoria PLC Geoff Wilding, Executive Chairman Philippe Hamers, Chief Executive Michael Scott, Group Finance Director	+44 (0) 1562 749 610
Cantor Fitzgerald Europe (Nominated Adviser and Joint Broker) Rick Thompson, Phil Davies, Will Goode (Corporate Finance) Caspar Shand Kydd, Andrew Keith (Equity Sales)	+44 (0) 20 7894 7000
Berenberg (Joint Broker) Ben Wright, Mark Whitmore, Laure Fine (Corporate Broking)	+44 (0) 20 3207 7800
Peel Hunt (Joint Broker) Adrian Trimmings, George Sellar, Andrew Clark	+44 (0) 20 7418 8900
Buchanan Communications (Financial PR) Charles Ryland, Victoria Hayns, Tilly Abraham	+44 (0) 20 7466 5000

The person responsible for arranging the release of this information is Michael Scott, Group Finance Director of the Company.

CHAIRMAN & CHIEF EXECUTIVE'S STATEMENT

It is management's role to constantly build the value of the company as defined by its normalised earnings power and cash generation per share. At times this value will be over-estimated by the market and, at other times, under-estimated. Clearly the last year hasn't been the most rewarding period for shareholders in terms of the share price, but Victoria has continued its consistent progress during the first half of 2020 as illustrated by the table below, which summarises the interim operating results for the last five years:

H1, Financial Year	2016	2017	2018	2019	2020
Revenue	£105.6m	£153.4m	£189.5m	£273.4m	£315.9m
Underlying EBITDA	£12.6m	£20.2m	£24.6m	£45.4m	£58.5m

Although these numbers obviously reflect the impact of the various acquisitions we have made, operational synergies have also been an important contributor to overall growth and a primary driver of the significantly enhanced margins of the Victoria group. There is much more to achieve but the benefits of the Company's strategy of achieving scale through acquisitions and then using that scale to deliver operational synergies are demonstrable.

Turning to the results as presented, there are some particular items where shareholders may find additional comment helpful.

Earnings

Underlying pre-tax profits declined by 2% year-on-year due to increased interest charges from the additional borrowings required to fund the acquisition of Saloni in August 2018 and the interest cost of the bond, which is circa 150 bps higher than the bank funding it replaced. Whilst incurring a higher rate of interest, the new bonds provide significant benefits and protection to the company with a fixed cost over five years, a more flexible and covenant-lite structure, and access to a new, deep and highly-liquid capital market.

The adoption of IFRS 16 (as described more fully below) also adversely impacted earnings by £0.4 million for the period.

IFRS 16 impact

This is the first set of financial results presented by Victoria that reflect the mandatory adoption of the new accounting standard, IFRS 16, regarding the treatment of leases.

Victoria, like many businesses, operates with a mixture of operating and finance leases, in particular a combination of owned and rented real estate. As a broad policy, we tend to own our key factories (where the relocation cost would be prohibitive) and lease smaller sites and warehouses (to maintain flexibility as logistics requirements change and to improve our return on capital).

There are several effects of this new accounting standard, relating to the operating leases:

(i) Under IFRS 16, the right to occupy a building (or use an asset) is capitalised on the company's balance sheet as a 'right-of-use' asset and the future rental payments recognised as a lease liability. As a result, the total value of financial liabilities has, in accounting terms, increased, although it must be understood that there is no change in

the actual debt owed by the company, nor the method of assessing leverage for bank covenant or credit rating purposes.

(ii) EBITDA will increase, as rental costs no longer appear in the company's financial statements as an expense. Instead there is a depreciation charge against the new 'right-of-use' asset, and a financial charge to unwind the present-value discount of the lease liability. Rental payments will no longer be recognised directly in the income statement, and will instead reduce the lease liability over time.

(iii) Mathematically, IFRS 16 results in a small negative impact on reported earnings initially following adoption – in our case a £0.4 million reduction in profit before tax in the half-year – as the finance cost element reduces logarithmically instead of on a straight-line basis, although over the full period of each lease it will of course be earnings neutral.

The most important thing to remember is that this accounting policy change has absolutely no impact on cash flow and cash generation.

For complete clarity, below is a table setting out the impact of IFRS 16 on key items within the interim results:

H1, FY 2020	Pre IFRS 16	Post IFRS 16	Impact
Underlying EBITDA	£53.8m	£58.5m	+£4.7m
Underlying operating profit	£39.2m	£39.7m	+£0.5m
Underlying profit before tax	£27.9m	£27.5m	-£0.4m

Operating margins

Margins have continued to climb, as forecast. It is important to understand the headline increase in EBITDA margin from 16.6% to 18.5% is in part due to the adoption of IFRS 16 (as explained above). On a like-for-like basis, EBITDA margin for the 26 weeks to 28 September was circa 70bps higher than for the same period last year.

The continued growth in operating margins have come from two primary sources:

(i) Firstly, the integration of Saloni into our Spanish manufacturing business and the resulting operational synergies, which have benefited the margins being achieved by our European ceramics division.

(ii) Secondly, the capital expenditure and reorganisation in our UK & Europe Soft Flooring division completed during FY 2019, which have increased our gross margin by 150 bps in that division. Further upside is anticipated.

Some of the gains achieved in the UK and European markets have been offset by the margin decline in our Australian business during the last six months. Also, the acquisition of Ibero had a small negative margin impact as, until it is integrated into our Spanish businesses and the expected synergies realised, it is a lower margin business.

Given the challenging market conditions we are experiencing, we are very pleased to have contemporaneously achieved *both* revenue growth and margin growth.

Cash generation

Net operating cash flow before working capital movements was again very good at £55.6 million for the 26 weeks ending 28 September.

The Spanish management team have been doing an excellent job of reducing the working capital at Saloni as part of the integration project (there are further gains to come) but this was offset by a temporary increase in working capital in the UK due to Brexit planning (this is addressed in more detail in the Financing section of this Statement). Along with the normal seasonal working capital peaks at this time of year in the soft flooring business, working capital overall increased by £6.8 million.

A further £10.9 million was spent on interest and taxes, resulting in net cash generated from operations of £37.9 million.

Following our financing (including the bond issue) and investing (acquisitions, earn out payments, and capex) activities, the Group had £82.1 million in cash and cash equivalents (net of bank overdrafts) as at 28 September, up from the £60.2 million as at 30 March 2019. Clearly, this is more than is required to fund working capital and the cash is currently being held with a view to potential leverage-neutral acquisition opportunities. If appropriate opportunities do not arise, this cash will instead be used to pay down debt.

Intangible costs

Because we only acquire high quality businesses, almost all our acquisitions are achieving a high return on tangible assets at the point of completion. As a result, their value, and what we have paid, is significantly more than their net tangible assets. As required by IFRS, the difference is shown on our balance sheet as various categories of acquired intangibles and goodwill. This amount has become a substantial figure, £466.6 million in total.

Under IFRS we then amortise these assets (other than goodwill), at a cost of £12.1 million for the half year. However, it is important to understand that this 'expense' costs nothing whatsoever in cash terms (which is one of the reasons our cash generation is much higher than reported earnings), never requires any replacement capex (unlike plant and machinery, which must eventually be replaced with real money – although the annual depreciation charge itself is non-cash), and, finally and somewhat bizarrely, will result in an overnight increase in reported earnings at the point in the future when the intangible asset value has been amortised to zero – even though at that point the business will be exactly the same as it was the day previously.

Exceptional costs

Following some large one-off reorganisation costs in FY 2019, totalling £12.7 million, I'm pleased to confirm operational exceptional costs fell to just £1.8 million in the period to 30 September These costs consisted of the tail end of the FY 2019 restructuring projects that hadn't quite completed prior to the end of our financial year and therefore are expected to fall further during the second half of the financial year.

OPERATIONAL REVIEW

Aside from the small acquisition of Ibero (which, due to its timing, had a slightly negative effect on EBITDA margin and no meaningful impact on earnings for our interim results), we have been focused on organic growth in the current financial year. In FY 2019 we spent £20.9 million on growth capex

and £12.7 million on exceptional reorganisation costs and wanted management to secure the benefits of this investment (as explained in the next paragraph).

Within the underlying flooring market, demand comes from both construction and renovation. Overwhelmingly, in all our flooring categories, our products are bought (via various channels) by consumers renovating their homes. We consciously sell very little to the commercial/industrial market (hotels, offices, hospitals, etc) and almost nothing to new home builders. We believe there are two advantages to this: firstly, the renovation market – particularly at the mid-upper market level Victoria's products target – is less cyclical than new home construction, which was one of the main factors that caused Victoria's organic revenues to increase every year during the 2008-10 recession. Secondly, the renovation market is vastly larger than the construction market (in the UK, for example, it is consistently more than 12x the new home construction market). We like operating in larger markets.

Revenue growth was achieved in UK and Europe, while Australia saw a year-on-year decline.

Revenue	**H1 FY20**	**H1 FY19**	***% y-o-y growth***
UK & Europe – soft flooring	**£144.2m**	£138.6m	*+4%*
UK & Europe – ceramic tiles	**£122.0m**	£81.7m	*+49%*
Australia	**£49.7m**	£53.1m	*-6%*

UK & Europe – soft flooring

Although we would not pretend the sales environment was easy in the first half, demand has been consistent for our products and our UK revenues are up 4.0% and gross margin up 150 bps compared to the same period last year. Due to our significant expansion in Europe, the UK now contributes just circa 20% of earnings, but we expect our structural advantage (resulting from last year's investment in new plant, such as the backing line in Wales, and operational reorganisation, which enabled us to reduce employee numbers by more than 200 people) together with on-going self-help measures to continue to deliver performance well ahead of peers over the foreseeable future.

UK & Europe – ceramic tiles

Although some of our competitors who, perhaps, have structurally less efficient plants, are experiencing challenges, Victoria's ceramic tile business has continued to grow organically. Furthermore, we can look forward to the integration of Ibero into our existing Spanish operation. This project is scheduled to begin in January following careful planning since the completion of the acquisition in August and will deliver meaningful operational synergies in 2020. The management team in Spain has very successfully completed the integration of Saloni (acquired in August 2018) resulting in improved earnings and reduced working capital, and we have a high degree of confidence in this outcome being repeated with Ibero.

Our sole business in Italy, Ceramiche Serra, has also continued to grow. Its unique combination of price, design, and quality has hit a 'sweet spot' in the market and, with the new porcelain manufacturing line we installed 18 months ago completely full, we are looking at cost-effective options for increasing Serra's capacity to take advantage of demand for its products. We will update shareholders regarding this in due course.

Australia

As indicated at the time of our AGM, we are seeing the first signs of a revival in the Australian flooring market. Although revenues were circa 6% lower than the same period last year (-5.4% on a constant currency basis), demand has been steadier in recent months and H1 revenue was in fact 5.8% greater than in H2 last year. The Australian management have done very good work in improving operational efficiency at current levels of production and as revenues rise, profits will recover.

Overall, our markets are more challenging than the recent past but we continue to maintain tight control over costs and inventory to ensure that the Group is well positioned to secure more than its share of business and, should selling conditions change, the reorganisation and investment we have undertaken in the last 18 months will result in a rapid lift in earnings.

Market commentators frequently discuss (with varying insight) the value of an 'economic moat' around a business. Investment research firm Morningstar defines the key competitive advantages that provide companies with an economic moat as, inter alia, intangible assets (such as brands and patents), cost advantage, switching costs (the cost a customer incurs in changing to an alternative supplier), efficient scale, and service levels. We believe the concept of a defensive moat is sound and nearly three years ago identified how this might be achieved in our businesses to protect our business from competition and, particularly, in any economic downturn.

In the UK, for example, apart from our brand value (retailers – our customers – are incredibly loyal to our brands, some of which stretch back over 100 years) and scale-derived cost advantage, we identified that superiority in supplying cut length carpet (i.e. carpet that is cut to size for a specific consumer order prior to delivery to the retailer, instead of supplying full rolls of carpet) is an important competitive advantage because it allows retailers to hold less (and even zero) stock while offering a wider range of product. However, properly executed, it also creates an ever-widening defensive moat as retailers come to rely upon this service more and more and it becomes increasingly uneconomic for our rivals to compete. Here's why:
Supplying cut length carpet requires:

(i) substantial investment in logistics capabilities (something we did last year at a cost approaching £10 million) across Britain. This size of investment necessitates a certain scale to be economically viable, which excludes all our smaller competitors.
(ii) a one-to-one relationship with the, literally, thousands of independent flooring retailers (who are, importantly, growing their market dominance over the multi-store retailers) who do not have their own carpet-cutting machinery. This excludes off-shore manufacturers, none of whom have a meaningful sales presence in the UK (and it is vastly too expensive to build one from scratch).
(iii) next day or assured on-time delivery, which excludes off-shore manufacturers who cannot provide this without building their own warehouse complex in the UK, where they individually lack the scale for it to be viable.

The result of developing our economic moat has been continued revenue growth of 4% (following on from 7.3% growth in FY 2019) in the UK in difficult market conditions.

We aim to build our moats every year. That doesn't mean that profit will be more each year, because sometimes it may not be due to economic conditions (although I'm pleased to say that the Board is highly confident it will be this year). However, if the moat is widened every year, the business will, over time, do very well and will develop inherent resilience to competitive attacks.

ACQUISITIONS

As mentioned above, Victoria acquired Spanish ceramic tile manufacturer Iberoalcorense, S.L ("Ibero") in August. Based in Castellon (near Valencia), Ibero is close to the Group's existing Spanish ceramics businesses, Keraben and Saloni and we are confident of developing meaningful operational synergies

when integration begins in earnest in January. The price paid was very attractive with the initial consideration being less than 3x the last 12 months EBITDA and, including the maximum earn-out payment, total consideration will still be under 5x EBITDA – before considering the benefits of the expected synergies. The cash payment on completion was funded entirely from Victoria's cash reserves, requiring no incremental borrowing.

Notwithstanding that our emphasis this year has been on organic improvements, we have continued to prospect for opportunities – building our 'deal pipeline' – primarily in Europe, where we have seen a slight softening of price expectations. Despite our recent growth on the continent, Victoria still has an overall market share of less than 1% and there is no dominant (or even significant) competitor. Therefore, the opportunity to grow by acquisition remains very significant.

Acquisitions remains part of our core strategy as it has been my experience in several sectors over many years that well-executed acquisitions selected using very strict criteria and strong price discipline, such as those we have done to date, create significant shareholder wealth as they deliver scale, synergy opportunities, new products, and open new markets – strengthening the Group and creating wealth for our shareholders.

FINANCING

We were very pleased to successfully complete our offering of €330 million 5¼% senior secured notes due 2024 ("bonds") in July this year. The offering, which was leverage neutral, was 3x over-subscribed and the bonds have, very pleasingly, since traded up (i.e. the yield has fallen) indicating investors' confidence in Victoria's credit-worthiness.

Shareholders should, however, note that the bonds are more expensive than the bank debt they replace, by approximately 1.5ppts. Nonetheless, the Board is firmly of the view the additional interest cost is an expense worth paying given the covenant flexibility of the bond structure and its fixed interest rate, which considerably reduces the risk for equity investors in the (albeit unlikely) event of a severe recession across all Victoria's markets or an upturn in interest rates.

The Board believes these bonds provide the optimal mix of cost and flexibility to meet Victoria's long-term financing requirements and place the company on a secure footing for continued growth.

Our working capital (and therefore debt) levels were higher on 28 September than normal due to planning for Brexit, which was scheduled to happen on 31 October. We needed to be absolutely certain we had no shortage of raw materials in our UK business for what is the busiest trading period of the year and we were therefore carrying much more stock than normal to protect our production in the event of Brexit disruption. Of course, again Brexit did not happen, but the raw materials need to be ordered well in advance and by the time the delay was confirmed, we had already stockpiled the raw materials.

The additional stock is now rapidly turning back into cash but, depending on political events, may need to be built up again early in the New Year.

Nonetheless, as we have consistently demonstrated in earlier years, flooring businesses are capable of generating significant cash under normal conditions and, after heavy investment in capex to improve productivity in our factories and resulting restructuring costs in FY 2019, we are returning to our usual high levels of cash generation in the current financial year.

OUTLOOK

Unlike some industries, it is possible to make meaningful predictions about Victoria's underlying market. Most critically, the size of the flooring market itself will continue to grow. As sure as the sun rises, households will keep forming, industry will keep expanding, and the total area of flooring in existence will continue increasing to accommodate this growth. Revenues for flooring manufacturers such as Victoria comes from the construction of new floors and (overwhelmingly) the renovation of an ever-expanding existing flooring market. There will, of course, be periods of stronger and weaker growth but, over time, we can be confident the underlying market will continue to increase with more houses, more offices, more factories, and more retail/leisure space.

To ensure we are always placed to benefit from this expansion, one of the goals we had as part of our acquisition strategy is diversifying our product offering and geographic exposure. Originally a pure carpet manufacturer and distributor, Victoria now sells LVT (Luxury Vinyl Tile), underlay, artificial turf, and ceramic tiles to more than two dozen countries. We are therefore relatively agnostic as to what type of flooring is being bought by consumers, provided it is Victoria product. All we need to do to make sure we are in the right place with the right product at the right price with service to match.

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

In conclusion, there are a number of key operational actions we will be taking over the balance of the financial year that will contribute to further growth in EPS and free cash flow:

- Integrate Ibero into our existing Spanish ceramics business.to ensure the Group benefits from operational synergies next year

- Effect a cost-effective solution to Serra's needs for additional production capacity to avoid constraining its growth

- Further enhance our UK logistics service, widening our economic moat

- Deploy the concentrated yarn bank system developed by Quest (our Australian subsidiary) throughout our UK soft flooring business in all new product development. This innovation reduces working capital and produces better production margins

I have a high level of confidence in our operational management to deliver these objectives and therefore, once again, I am pleased to say the Board faces the balance of the financial year with a positive outlook and believes the Company will meet market expectations for the year ended March 2020.

Condensed Consolidated Income Statement

For the 26 weeks ended 28 September 2019 (unaudited)

		26 weeks ended 28 September 2019			26 weeks ended 29 September 2018			52 weeks ended 30 March 2019 (Audited)		
		Under lying perfor mance	**Non-under lying items**	**Reported numbers**	Under lying perfor mance	Non-under lying items	Reported numbers	Under lying perfor mance	Non-under lying items	Reported numbers
	Notes	**£m**	**£m**	**£m**	£m	£m	£m	£m	£m	£m
Continuing operations										
Revenue	3	**315.9**	**-**	**315.9**	273.4	-	273.4	574.4	-	574.4
Cost of sales		**(200.2)**	**-**	**(200.2)**	(177.9)	-	(177.9)	(370.1)	-	(370.1)
Gross profit		**115.7**	**-**	**115.7**	95.5	-	95.5	204.3	-	204.3
Distribution costs		**(38.3)**	**-**	**(38.3)**	(33.3)	-	(33.3)	(71.1)	-	(71.1)
Administrative expenses		**(39.2)**	**(15.9)**	**(55.1)**	(29.4)	(20.4)	(49.8)	(66.0)	(48.1)	(114.1)
Other operating income		**1.5**	**-**	**1.5**	1.2	-	1.2	3.1	1.8	4.9
Operating profit	3	**39.7**	**(15.9)**	**23.8**	34.0	(20.4)	13.6	70.3	(46.3)	24.0
Comprising:										
Operating profit before non-underlying and exceptional items	3	**39.7**	**-**	**39.7**	34.0	-	34.0	70.3	-	70.3
Amortisation of acquired intangibles	4	**-**	**(12.1)**	**(12.1)**	-	(9.8)	(9.8)	-	(22.5)	(22.5)
Other non-underlying items	4	**-**	**(1.6)**	**(1.6)**	-	(1.8)	(1.8)	-	(3.4)	(3.4)
Exceptional items	4	**-**	**(2.2)**	**(2.2)**	-	(8.8)	(8.8)	-	(20.4)	(20.4)
Finance costs	5	**(12.2)**	**(6.1)**	**(18.3)**	(5.8)	(3.2)	(9.0)	(13.1)	(14.6)	(27.7)

Comprising:											
Interest payable on loans and notes		5	**(9.8)**	**-**	**(9.8)**	(4.9)	-	(4.9)	(11.2)	-	(11.2)
Amortisation of prepaid finance costs and accrued interest		5	**(1.3)**	**(2.8)**	**(4.1)**	(0.8)	(3.0)	(3.8)	(1.6)	(3.1)	(4.7)
Interest charge on right-of-use leases		5	**(0.9)**	**-**	**(0.9)**	-	-	-	(0.1)	-	(0.1)
Net interest expense on defined benefit pensions		5	**(0.2)**	**-**	**(0.2)**	(0.1)	-	(0.1)	(0.2)	-	(0.2)
Other non-underlying finance items		5	**-**	**(3.3)**	**(3.3)**	-	(0.2)	(0.2)	-	(11.5)	(11.5)
Profit / (loss) before tax			**27.5**	**(22.0)**	**5.5**	28.2	(23.6)	4.6	57.2	(60.9)	(3.7)
Taxation		6	**(6.7)**	**5.1**	**(1.6)**	(6.7)	2.8	(3.9)	(13.9)	9.7	(4.2)
Profit / (loss) for the period			**20.8**	**(16.9)**	**3.9**	21.5	(20.8)	0.7	43.3	(51.2)	(7.9)
Earnings / (loss) per share - pence	basic	7	**16.59**		**3.11**	17.91		0.58	35.27		(6.44)
	diluted	7	**16.59**		**3.11**	17.88		0.58	35.25		(6.44)

Condensed Consolidated Statement of Comprehensive Income

For the 26 weeks ended 28 September 2019 (unaudited)

	26 weeks ended 28 September 2019	26 weeks ended 29 September 2018	52 weeks ended 30 March 2019
	£m	£m	£m
Profit / (loss) for the period	**3.9**	0.7	(7.9)
Other comprehensive (expense) / income			
Items that will not be reclassified to profit or loss:			
Actuarial (loss) / gain on defined benefit pension scheme	**(1.9)**	2.0	1.8
Increase / (decrease) in deferred tax asset relating to pension scheme liability	**0.3**	(0.4)	(0.3)
Items that will not be reclassified to profit or loss	**(1.6)**	1.6	1.5
Items that may be reclassified subsequently to profit or loss:			
Retranslation of overseas subsidiaries	**0.5**	0.3	(0.6)
Items that may be reclassified subsequently to profit or loss	**0.5**	0.3	(0.6)
Other comprehensive (expense) / income	**(1.1)**	1.9	0.9
Total comprehensive income / (expense) for the period attributable to the owners of the parent	**2.8**	2.6	(7.0)

Condensed Consolidated Balance Sheet

As at 28 September 2019 (unaudited)

	28 September 2019	29 September 2018	30 March 2019
			(Audited)
	£m	£m	£m
Non-current assets			
Goodwill	**229.9**	227.3	223.7
Intangible assets other than goodwill	**236.7**	251.0	241.4
Property, plant and equipment	**202.3**	179.8	187.9
Right-of-use lease assets	**63.8**	3.0	2.7
Investment property	**0.2**	0.8	0.2
Investments in associates	**-**	1.0	-
Deferred tax assets	**5.5**	4.5	5.8
Total non-current assets	**738.4**	667.4	661.7
Current assets			
Inventories	**149.5**	137.2	140.5
Trade and other receivables	**135.9**	118.0	116.0
Cash and cash equivalents	**85.5**	74.0	66.4
Total current assets	**370.9**	329.2	322.9
Total assets	**1,109.3**	996.6	984.6
Current liabilities			
Trade and other current payables	**174.2**	152.8	168.6
Current tax liabilities	**-**	1.4	-
Obligations under right-of-use leases - current	**10.2**	0.9	0.9
Other financial liabilities	**8.2**	2.6	9.5
Total current liabilities	**192.6**	157.7	179.0
Non-current liabilities			
Trade and other non-current payables	**26.9**	39.0	19.5
Obligations under right-of-use leases – non-current	**51.8**	0.9	0.7
Other non-current financial liabilities	**439.9**	411.4	391.6
Deferred tax liabilities	**64.7**	52.1	66.1
Retirement benefit obligations	**9.7**	7.1	7.8
Total non-current liabilities	**593.0**	510.5	485.7
Total liabilities	**785.6**	668.2	664.7
Net assets	**323.7**	328.4	319.9
Equity			

Share capital	**6.3**	6.3	6.3
Share premium	**288.7**	288.7	288.7
Retained earnings	**22.9**	29.3	20.6
Foreign exchange reserve	**2.8**	3.2	2.3
Other reserves	**3.0**	0.9	2.0
Total equity	**323.7**	328.4	319.9

Condensed Consolidated Statement of Changes in Equity

For the 26 weeks ended 28 September 2019 (unaudited)

	Share capital	Share premium	Retained earnings	Foreign exchange reserve	Other reserves	Total equity
	£m	£m	£m	£m	£m	£m
At 1 April 2018	5.9	229.8	26.7	2.9	0.3	265.6
Loss for the period to 30 March 2019	-	-	(7.9)	-	-	(7.9)
Other comprehensive profit for the period	-	-	1.5	-	-	1.5
Retranslation of overseas subsidiaries	-	-	-	(0.6)	-	(0.6)
Total comprehensive loss	-	-	(6.4)	(0.6)	-	(7.0)
Issue of share capital	0.4	58.9	-	-	-	59.3
Exercise of share options	-	-	0.3	-	(0.3)	-
Share-based payment charge	-	-	-	-	2.0	2.0
Transactions with owners	0.4	58.9	0.3	-	1.7	61.3
At 30 March 2019	6.3	288.7	20.6	2.3	2.0	319.9
Profit for the period to 28 September 2019	-	-	3.9	-	-	3.9
Other comprehensive loss for the period	-	-	(1.6)	-	-	(1.6)
Retranslation of overseas subsidiaries	-	-	-	0.5	-	0.5
Total comprehensive profit	-	-	2.3	0.5	-	2.8
Share-based payment charge	-	-	-	-	1.0	1.0
Transactions with owners	-	-	-	-	1.0	1.0
At 28 September 2019	**6.3**	**288.7**	**22.9**	**2.8**	**3.0**	**323.7**

	Share capital	Share premium	Retained earnings	Foreign exchange reserve	Other reserves	Total equity
At 1 April 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
Exercise of share options	-	-	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

Condensed Consolidated Statement of Cash Flows

For the 26 weeks ended 28 September 2019 (unaudited)

	26 weeks ended 28 September 2019	26 weeks ended 29 September 2018	52 weeks ended 30 March 2019 (Audited)
	£m	£m	£m
Cash flows from operating activities			
Operating profit	**23.8**	13.6	24.0
Adjustments For:			
Depreciation and amortisation of IT software	**18.8**	11.4	25.9
Amortisation of acquired intangibles	**12.1**	9.8	22.8
Asset impairment	**-**	-	0.5
Amortisation of government grants	**(0.3)**	(0.2)	(0.7)
Profit on disposal of property, plant and equipment	**(0.1)**	-	(0.1)
Profit on disposal of investment property	**-**	-	(1.8)
Loss on disposal of associates	**-**	-	0.7
Share incentive plan charge	**1.0**	0.9	1.9
Acquisition-related performance plan charge	**0.6**	0.9	1.5
Defined benefit pension	**(0.3)**	(0.2)	0.3
Net cash flow from operating activities before movements in working capital	**55.6**	36.2	75.0
Change in inventories	**3.2**	(4.9)	(13.8)
Change in trade and other receivables	**(10.1)**	1.7	7.1
Change in trade and other payables	**0.1**	1.8	16.8
Cash generated by operations	**48.8**	34.8	85.1
Interest paid	**(6.5)**	(4.9)	(16.5)
Income taxes paid	**(4.4)**	(7.3)	(16.2)
Net cash inflow from operating activities	**37.9**	22.6	52.4
Investing activities			
Purchases of property, plant and equipment	**(17.0)**	(20.6)	(43.7)
Purchases of intangible assets	**(0.6)**	-	(0.7)
Proceeds on disposal of property, plant and equipment	**0.4**	0.4	0.9
Deferred consideration and earn-out payments	**(5.3)**	(3.9)	(8.9)
Acquisition of subsidiaries net of cash acquired	**(13.9)**	(82.8)	(82.6)
Proceeds from disposal of investment property	**-**	-	2.0
Net cash used in investing activities	**(36.4)**	(106.9)	(133.0)
Financing activities			
Increase in long-terms loans (net of refinancing costs)	**25.0**	42.9	43.9
Issue of share capital	**-**	59.3	59.3
Repayment of reverse factoring facility acquired with Saloni	**-**	-	(13.4)
Payments under right-of-use lease obligations	**(5.7)**	(0.4)	(1.0)

Net cash generated in financing activities	**19.3**	101.8	88.8
Net increase in cash and cash equivalents	**20.8**	17.5	8.2
Cash and cash equivalents at beginning of period	**60.2**	53.1	53.1
Effect of foreign exchange rate changes	**1.1**	1.6	(1.1)
Cash and cash equivalents at end of period	**82.1**	72.2	60.2
Comprising:			
Cash and cash equivalents	**85.5**	74.0	66.4
Bank overdrafts	**(3.4)**	(1.8)	(6.2)
	82.1	72.2	60.2

1. General information

These condensed consolidated financial statements for the 26 weeks ended 28 September 2019 have not been audited or reviewed by the Auditor. They were approved by the Board of Directors on 25 November 2019.

The information for the 52 weeks ended 30 March 2019 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 30 March 2019, which were prepared in accordance with IFRSs as adopted by the European Union.

With the exception of the adoption of IFRS 16 on 31 March 2019, 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 52 weeks ended 30 March 2019.

The Group's results have been impacted by the adoption of IFRS 16, which introduces a single, on-balance sheet lease accounting model for lessees. A lessee now recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. At the start of the current accounting period, on 31 March 2019, the Group recognised an initial right-of-use asset and liability of £65.3m.

As a result of adopting IFRS 16, Group PBT for the period was adversely impacted by £0.4m. Charges relating to operating leases, which previously were recognised on a straight-line basis have been replaced with a depreciation charge to the right-of-use asset, plus an interest expense representing the unwinding of discount on the lease liability. The interest follows a logarithmic profile resulting in a higher initial charge, and reduces over the period of the lease. This change in treatment has no impact on the cash flows of the business.

The Group is using the Standard's modified retrospective approach and therefore the comparative figures in these interim financial statements have not been restated as a consequence of adopting IFRS 16 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 three operating divisions: the sale of soft flooring products in UK & Europe; ceramic tiles in the UK & Europe and the sale of soft flooring products in Australia. The entities that comprise each division are combined into one reporting segment on the basis that they share economic characteristics.

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

Income statement

	26 weeks ended 28 September 2019					26 weeks ended 29 September 2018				
	UK & Europe Soft Flooring	**UK & Europe Ceramic Tiles**	**Australia**	**Unallocated central expenses**	**Total**	UK & Europe Soft Flooring	UK & Europe Ceramic Tiles	Australia	Unallocated central expenses	Total
	£m	**£m**	**£m**	**£m**	**£m**	£m	£m	£m	£m	£m
Income statement										
Revenue	**144.2**	**122.0**	**49.7**	**-**	**315.9**	138.6	81.7	53.1	-	273.4
Underlying operating profit	**10.5**	**26.8**	**3.3**	**(0.9)**	**39.7**	8.9	21.7	4.1	(0.7)	34.0
Non-underlying operating items	**(2.1)**	**(9.7)**	**(1.0)**	**(0.9)**	**(13.7)**	(2.0)	(8.1)	(1.0)	(0.5)	(11.6)
Exceptional operating items	**(0.6)**	**(1.2)**	**(0.3)**	**(0.1)**	**(2.2)**	(1.0)	(1.4)	-	(6.4)	(8.8)
Operating profit	**7.8**	**15.9**	**2.0**	**(1.9)**	**23.8**	5.9	12.2	3.1	(7.6)	13.6
Underlying net finance costs					**(12.2)**					(5.8)
Non-underlying finance costs					**(6.1)**					(3.2)
Profit before tax					**5.5**					4.6
Tax					**(1.6)**					(3.9)

Profit for the period					**3.9**	0.7

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

Other segmental information

	26 weeks ended 28 September 2019					26 weeks ended 29 September 2018				
	UK & Europe Soft Flooring	**UK & Europe Ceramic Tiles**	**Australia**	**Unallocated central liabilities**	**Total**	UK & Europe Soft Flooring	UK & Europe Ceramic Tiles	Australia	Unallocated central liabilities	Total
	£m	**£m**	**£m**	**£m**	**£m**	£m	£m	£m	£m	£m
Depreciation and amortisation of IT software (including depreciation of right-of-use lease assets)	**8.9**	**7.6**	**2.3**	**-**	**18.8**	5.7	4.5	1.3	-	11.4
Amortisation of acquired intangibles	**1.9**	**8.9**	**0.8**	**0.5**	**12.1**	2.2	6.6	0.9	-	9.8
	10.8	**16.5**	**3.1**	**0.5**	**30.9**	7.9	11.1	2.2	-	21.2

	26 weeks ended 28 September 2019					26 weeks ended 29 September 2018				
	UK & Europe Soft Flooring	**UK & Europe Ceramic Tiles**	**Australia**	**Unallocated central expenditure**	**Total**	UK & Europe Soft Flooring	UK & Europe Ceramic Tiles	Australia	Unallocated central expenditure	Total
	£m	**£m**	**£m**	**£m**	**£m**	£m	£m	£m	£m	£m
Capital expenditure (cash-flow)	**6.7**	**9.7**	**1.2**	**-**	**17.6**	11.6	8.6	1.7	-	21.9

4. Exceptional and non-underlying items

	26 weeks ended 28 September 2019	26 weeks ended 29 September 2018
	£m	£m
Exceptional items		
(a) Acquisition related costs	**(1.0)**	(1.1)
(b) Reorganisation costs	**(1.8)**	(2.7)
(c) Bond issue and related structuring costs	**-**	(5.0)
(d) Negative goodwill arising on acquisition	**0.6**	-
	(2.2)	(8.8)
Non-underlying items		
(e) Acquisition-related performance plan charge	**(0.6)**	(0.9)
(f) Non-cash share incentive plan charge	**(1.0)**	(0.9)
(g) Amortisation of acquired intangibles	**(12.1)**	(9.8)
	(13.7)	(11.6)

All exceptional items are classified within administrative expenses.

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

(b) Various fees, redundancy and other one-off costs in relation to synergy projects and performance improvement programmes.

(c) One-off advisory, legal and structuring costs incurred in the prior year.

(d) Negative goodwill arising on consolidation of subsidiaries acquired during the period.

(e) Charge relating to the accrual of expected liability under the acquisition-linked performance plan with the Keraben senior management team.

(f) Non-cash, IFRS2 share-based payment charge in relation to the long-term management incentive plan that was put into place in April 2018. As a result of movements in the Company's share price over the last year, the Directors will no longer benefit from this scheme in the future. Despite this, in accordance with the accounting standards, this charge continues within the income statement.

(g) Amortisation of intangible assets, primarily brands and customer relationships, recognised on consolidation as a result of business combinations.

5. Finance costs

	26 weeks ended 28 September 2019	26 weeks ended 29 September 2018
	£m	£m
Interest payable on bank loans and notes	**9.5**	4.6
Cash interest payable on BGF loan	**0.3**	0.3
Total interest payable on loans and notes	**9.8**	4.9
Amortisation of prepaid finance costs	**1.2**	0.7
Interest rolled up into BGF loan	**0.1**	0.1
Interest charge on right-of-use leases	**0.9**	-
Net interest expense on defined benefit pensions	**0.2**	0.1

Underlying interest costs	**12.2**	5.8
(a) Release of prepaid finance costs	**2.8**	2.9
(b) Underwriting fees and costs relating to previous bank facilities	**6.2**	-
(c) BGF loan and option, redemption premium charge	**0.1**	0.1
(d) Unwinding of present value of deferred and contingent consideration liabilities	**1.4**	1.5
(e) Other adjustments to present value of contingent earn-out liabilities	**1.2**	0.2
(f) Mark to market adjustments on foreign exchange forward contracts	**(1.6)**	(0.5)
(g) Translation difference on foreign currency loans	**(4.0)**	(1.0)
	18.3	9.0

(a) Non-cash charge relating to the release of prepaid costs on previous bank facilities.

(b) Fees paid in relation to an underwritten bank facility that was obtained to provide certainty around the recent refinancing process plus deferred costs relating to the previous bank facilities and refinancing process.

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

(d) Non-cash costs relating to the revaluation of deferred consideration and continent 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 in relation to the appropriateness of the discount factor and the unwind of this discount.

(e) Non-cash 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.

(f) Non-cash fair value adjustments on foreign exchange forward contracts.

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

6. Taxation

	26 weeks ended 28 September 2019	26 weeks ended 29 September 2018
	£m	£m
Current tax (credit) / charge		
- Current year UK	**(1.2)**	1.5
- Current year overseas	**4.3**	3.5
	3.1	5.0
Deferred tax		
- Credit recognised in the current year	**(1.5)**	(1.1)
Total tax	**1.6**	3.9

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 29% in Belgium.

The overall effective corporation tax rate on underlying profit is 24.5% (2018: 24.0%), representing the best estimate of the weighted average annual corporation tax rate expected for the full financial year.

Current tax in the UK for the period was impacted by one-off refinancing costs.

7. Earnings per share

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

	Basic 26 weeks ended 28 September 2019	**Adjusted 26 weeks ended 28 September 2019**	Basic 26 weeks ended 29 September 2018	Adjusted 26 weeks ended 29 September 2018
	£m	**£m**	£m	£m
Profit attributable to ordinary equity holders of the parent entity	**3.9**	**3.9**	0.7	0.7
Exceptional and non-underlying items:				
Amortisation of acquired intangibles	**-**	**12.1**	-	9.8
Other non-underlying items	**-**	**1.6**	-	1.8
Exceptional items	**-**	**2.2**	-	8.8
Amortisation of prepaid finance costs	**-**	**2.8**	-	3.0
Other non-underlying finance items	**-**	**3.3**	-	0.2
Tax effect on adjusted items where applicable	**-**	**(5.1)**	-	(2.8)
Earnings for the purpose of basic and adjusted earnings per share	**3.9**	**20.8**	0.7	21.5

Weighted average number of shares

	26 weeks ended 28 September 2019 Number of shares	26 weeks ended 29 September 2018 Number of shares
	(000's)	(000's)

Weighted average number of shares for the purpose of basic and adjusted earnings per share	**125,398**	120,066
Effect of dilutive potential ordinary shares	**-**	189
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**125,398**	120,255

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 28 September 2019	26 weeks ended 29 September 2018
	Pence	Pence
Earnings per share		
Basic earnings per share	**3.11**	0.58
Diluted earnings per share	**3.11**	0.58
Basic adjusted earnings per share	**16.59**	17.91
Diluted adjusted earnings per share	**16.59**	17.88

8. Acquisition of subsidiary

Iberoceramica S.L.U.

On 6 August 2019 the Group acquired the business and certain assets of Iberoalcorense, S.L ("Ibero"). Founded in 1958, Ibero manufactures high-quality porcelain ceramic flooring, which is sold to a combination of wholesalers, retail groups, and independent stores throughout Continental Europe, North America, and the Middle East. Operating from a site in Castellon (near Valencia), Spain, it is located strategically close to the Group's existing Spanish ceramics manufacturers, Keraben and Saloni.

For the year ended 31 December 2018, Ibero generated revenues of €30.9 million (£28.3 million) and adjusted EBITDA (earnings before interest, tax, depreciation and amortisation) of €3.1 million (£2.8 million).

Cash consideration paid on completion represented less than 3x the historical EBITDA of Ibero. There is an additional contingent payment, representing less than 2x historical EBITDA, due to be paid in May 2020 subject to the business meeting a specific performance target.

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 28 March 2020 together with the IFRS 3 disclosures.

9. Rates of exchange

The result 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 28 September 2019	26 weeks ended 29 September 2018	52 weeks ended 30 March 2019
Australia (A$) - average rate	**1.8137**	1.7952	1.8049
Australia (A$) - period end	**1.8169**	1.8038	1.8377
Europe (€) - average rate	**1.1245**	1.1293	1.1344
Europe (€) - period end	**1.1232**	1.1222	1.1624

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 15 of the Group's 2019 Annual Report, a copy of which is available on the Group's website – www.victoriaplc.com. The Chairman and Chief Executive's Statement includes consideration of uncertainties affecting the Group in the remaining six months of the year.