VICTORIA PLC

Annual Report and Accounts for the 53 weeks ended 3 April 2021

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VICTORIA PLC

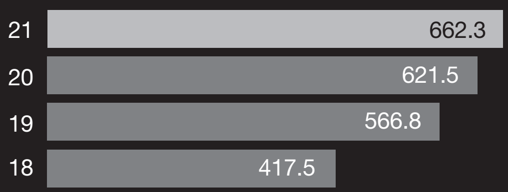
WELCOME TO VICTORIA PLC

Victoria is a designer, manufacturer and distributor of innovative flooring products.

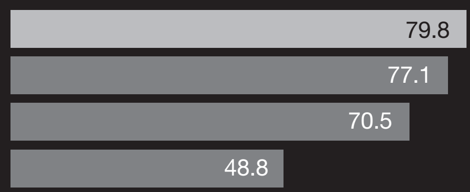
BY APPOINTMENT TO
HER MAJESTY THE QUEEN
CARPET MANUFACTURERS
VICTORIA CARPETS LTD
KIDDERMINSTER

GROUP FINANCIAL AND OPERATIONAL HIGHLIGHTS

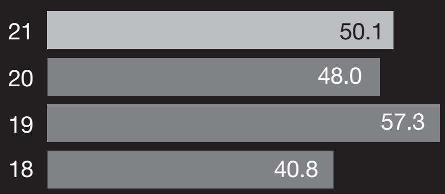
REVENUE FROM CONTINUING OPERATIONS (£m)



OPERATING PROFIT* (£m)

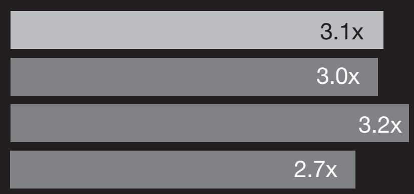


PRE-TAX PROFIT* (£m)



** Underlying and before exceptional items*

ADJUSTED NET DEBT / EBITDA **



*** Applying our banks' adjusted measure of financial leverage*

- 2021 was the eighth consecutive record year for Victoria – despite challenging operational conditions due to the pandemic.
- Record revenues of £662.3m were achieved, despite very material (as much as 80%) revenue declines in Q1 due to Covid-19 lockdowns.
- Record underlying EBITDA of £127.4m (FY20: £118.1m) and margin of 19.2% (FY20: 19.0%).
- Strong cash generation continues with £38.8m of underlying free cash flow, which equated to a 49% conversion from underlying operating profit.
- The Group successfully refinanced all of its outstanding debt plus raised additional capital for acquisitions, reducing the coupon by c.150bps and extending the duration so that the earliest of the Group's senior debt does not now fall due until August 2026, and approximately one-third of the total will not be due until March 2028.
- Five further earnings-enhancing acquisitions completed post year-end, during the first quarter of the new year.

Read the **Victoria snapshot** on pages 02 and 03

OUR MISSION STATEMENT

TO CREATE WEALTH FOR OUR SHAREHOLDERS

CONTENTS

Read the **Financial review** on pages 18 to 29

Visit our corporate website www.victoriaplc.com

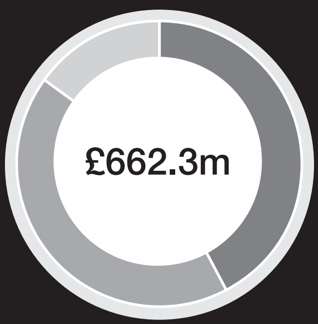
A snapshot of Victoria PLC

OVERVIEW

The Group designs, manufactures and distributes a wide range of carpets, ceramic tiles, underlay, LVT (luxury vinyl tile), artificial grass and flooring accessories.

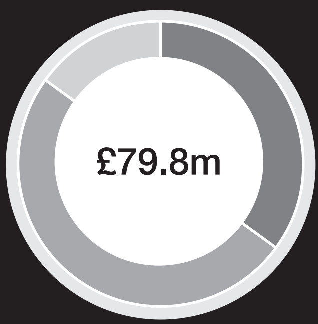
REVENUE

UK & Europe Soft Flooring	42%
UK & Europe Ceramic Tiles	43%
Australia	15%



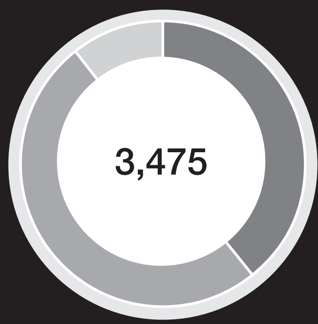
OPERATING PROFIT*

UK & Europe Soft Flooring	35%
UK & Europe Ceramic Tiles	50%
Australia	15%



EMPLOYEES

UK & Europe Soft Flooring	39%
UK & Europe Ceramic Tiles	51%
Australia	10%



UNITED KINGDOM & EUROPE SOFT FLOORING

REVENUE	OPERATING PROFIT*	Employees	m^2 flooring sold	m^2 underlay sold
£280.4m	£28.7m	1,360	26.6m	47.1m

UNITED KINGDOM & EUROPE CERAMIC TILES

REVENUE	OPERATING PROFIT*	Employees	m^2 flooring sold
£282.4m	£40.4m	1,755	40.6m

AUSTRALIA

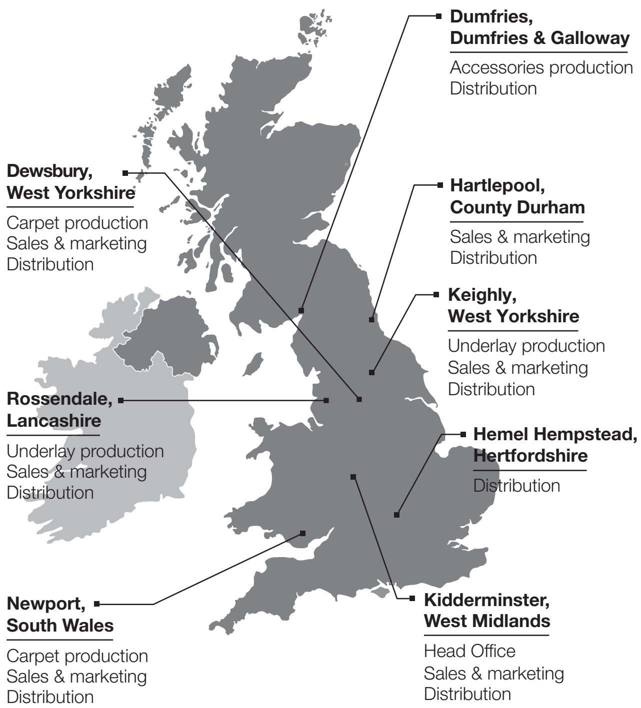
REVENUE	OPERATING PROFIT*	Employees	m^2 flooring sold	m^2 underlay sold
£99.6m	£11.9m	360	8.4m	14.5m

** Segmental operating profit on an underlying basis before exceptional items, and before unallocated central expenses*

LOCATION OF OPERATIONS

The Group has operations in the UK, Europe and Australia, employing approximately 3,500 people at more than 20 sites.

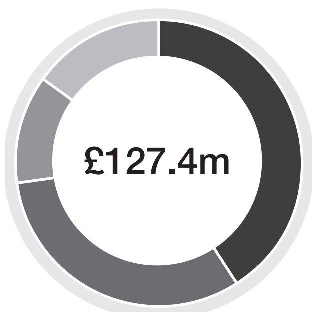
UNITED KINGDOM AND EUROPE



AUSTRALIA

EBITDA BY GEOGRAPHY

Europe	41%
UK	32%
Australia	12%
Rest of World	15%



Based on underlying EBITDA split by selling destination

Chairman and CEO's Review

INTRODUCTION

Victoria has been manufacturing and selling flooring for 125 years. It is a remarkably resilient business, having ultimately prospered through two world wars, three global pandemics, and numerous economic recessions. We are delighted to say, thanks to the remarkable efforts of our operational managers, Victoria has not only survived the extraordinary events of this past year, but produced record operating profits and cash generation. As set out in previous Annual Reports, the historical progression of some KPIs has been summarised in the table below:

Year	Underlying EBITDA per share[1,2] £	Underlying EBITDA margin[1] %	Diluted adjusted EPS[2] Pence	Underlying operating cash flow per share[2] £	EBITDA by geography[1] UK %	Aus %	Eur %
FY15	0.27	12.5%	10.47	0.30	79.5%	20.5%	–
FY16	0.39	12.6%	16.32	0.40	79.3%	20.7%	–
FY17	0.50	13.8%	24.42	0.48	75.1%	23.6%	1.3%
FY18	0.64	15.2%	30.61	0.64	48.3%	22.0%	29.7%
FY19	0.78	16.8%	35.25	0.86	25.8%	9.7%	64.5%
FY20	0.86	17.3%	28.42	0.78	26.9%	7.5%	65.6%
FY21	0.91	16.9%	30.21	0.77	33.6%	13.0%	53.4%

The KPIs in the table above are alternative performance measures used by management along with other figures to measure performance. Full financial commentary is provided in the Financial Review section along with a reconciliation to IFRS measures in the appendix to this report.

1. *In this review, underlying EBITDA in FY20 and FY21 is stated before the impact of IFRS 16 for consistency of comparison with earlier years. FY20 is stated before the exceptional increase in credit loss provision at the year-end following the start of the Covid-19 pandemic; all other years including FY21 are shown after any credit loss expense.*
2. *Number of shares based on diluted, weighted-average calculation consistent with diluted EPS. FY15 adjusted for 5-for-1 share split; FY16 and FY20 figures for continuing operations. FY21 adjusted to remove dilution impact of unutilised preferred equity funding at the year-end (employed for post-year end acquisitions).*

The business is a lot less cyclical than is often thought. Aside from acquisitive growth, revenues have consistently grown organically over the last 15 years – a period which includes the 2008 financial crisis and, of course, the Covid-19 pandemic. Together with the inherent low operational gearing of the business (just 10% of the total cost base is truly fixed) and the high cash conversion of earnings, this has important positive implications for the risk profile of Victoria, which is possibly not always fully appreciated by investors.

One of the objectives of this review is to help investors better understand the business and, perhaps, better appreciate some of its unique characteristics that the Board believes makes it an attractive investment.

FY2021 OPERATIONAL REVIEW

Overview

What matters most for business performance - outside of talent - is culture. A strong corporate culture means people know what is expected of them even in a completely new situation. It means the company does not have to suffer the inefficiencies of excessive formal rules and procedures, nor management waiting for orders before reacting. A rule book tells people what they can't do; a culture tells people what they should do. Victoria's culture begins with our mission statement, "To create wealth for shareholders", and it meant that during the pandemic crisis of the last year, right across the Group, people knew how to act – that their decisions and actions needed to reflect the outcome required by the mission statement. Accordingly, unlike previous years, where we have commented on specific managers' actions, in this extraordinary year, we want to give credit to all Victoria's management team, who, when it really mattered, delivered an extraordinary outcome for shareholders.

The legendary CEO of Intel, Andy Grove once said, "Bad companies are destroyed by crisis. Good companies survive them. Great companies are improved by them." The brilliant performance of our operational managers gave us the opportunity to strengthen the business during FY2021, improving its market position, sustainably improving productivity and margins, and taking advantage of some unique acquisition opportunities from motivated sellers.

However, before commenting specifically on each of the different operating divisions, there were three Group-wide events that we think are worth highlighting.

Bond Refinancing

In previous Annual Reports we have observed that not all debt is created equal (shareholders may recall the pastry chef versus rugby forward analogy) and simplistic analysis can be misleading. Whilst Victoria's board is comfortable deploying debt due to the Group's strong cash generation, it has given careful consideration to the structure of that debt to ensure the robust financial stability of the Group.

The advantages of the Group's financing structure were stark in 2021 and ensured shareholders were protected from value-destroying discounted equity issuance. The long duration and covenant-lite features of our debt, coupled with ample cash reserves and committed credit-lines meant the Group maintained more than adequate liquidity throughout the year. (In fact, negative operating cash flow was just £6 million in Q1, during the total lockdown in all our main markets).

Having demonstrated the unquestionable resilience of its business during the year, Victoria took advantage of strong bond markets in early calendar 2021 to refinance all its outstanding debt plus raise additional capital for acquisitions. This action has three significant benefits for Victoria:

(i) We were able to reduce the coupon rate, saving the Group c.£7 million of annual interest cost versus the original 2024 senior notes;

(ii) The earliest of the Group's senior debt does not now fall due until August 2026, and approximately one-third of the total will not be due until March 2028; and

(iii) The additional capital raised, alongside the preferred equity funding from Koch Equity Development (see further below), enables us to move quickly on potential acquisitions in the short-term. Indeed, we have already managed to conclude five acquisitions since the year-end.

The bond offers were heavily oversubscribed, demonstrating the credit market's support of Victoria, and we are pleased to note that the bonds have consistently traded at a premium since their issue (at the time of writing the yield is just 3.3%).

It is the Board's view that these long-dated bonds, in conjunction with the Group's strong cash generation, maintains Victoria's robust financial position.

Chairman and CEO's Review

Koch Equity Investment

One of the significant events of this year was the commitment by Koch Equity Development, a division of US$115 billion (revenues) Koch Industries, to invest £175 million into Victoria via convertible preferred equity, alongside the purchase of 12.5 million ordinary shares from an existing institutional shareholder.

The commercial terms of this October 2020 investment are detailed in Note 16 to the accounts and we do not propose to repeat them here. However, part of Koch's investment return on their preferred equity is expected to come from attached ordinary share warrants and we thought it would be helpful for shareholders to update the table provided in the Interim Report illustrating the maximum number of ordinary shares that can be issued, if the warrants are exercised:

Number of ordinary shares issued on exercise of warrants

Share Price at exercise date	£10.00	£12.00	£14.00	£16.00	£18.00	£20.00
£75m preferred shares*	**1.01m**	**0.84m**	**0.72m**	**0.63m**	**0.56m**	**0.50m**
% of shares on issue	*0.9%*	*0.7%*	*0.6%*	*0.5%*	*0.5%*	*0.4%*
£175m preferred shares*	**5.11m**	**4.26m**	**3.65m**	**3.19m**	**2.84m**	**2.56m**
% of shares on issue	*4.4%*	*3.6%*	*3.1%*	*2.7%*	*2.4%*	*2.2%*

** Assuming the follow-on £100m preferred equity is either cancelled or drawn in July 2021, respectively, and the warrants are exercised 36 months after the initial funds were received and net settled*

Koch have proven to be excellent partners – going far beyond their contractual obligations to help build value at Victoria. For example, they have saved us money by sharing their deep knowledge of the petro-chemical markets, which has allowed us to base our raw material purchases and hedging on their insights alongside hard data. Separately, they have actively helped Victoria source growth opportunities in the US, and then rolled their sleeves up and helped with diligence and negotiations. We are delighted to have them as shareholders.

200bps Margin Growth

FY2021 was a year in which we completed no major acquisitions and therefore the record trading results, including the c.200bps expansion in underlying EBITDA margin following the end of the first national lockdowns in May-June 2020, were driven by organic performance (further details provided in the Financial Review section of this report).

Previous Annual Reports have set out in detail the productivity and operational initiatives we have undertaken to drive our margin. These projects were all completed on time and on budget during FY2020, but the impact was masked by the Covid crisis in the final quarter of that year. However, they have delivered exactly as planned and have driven meaningful and sustainable margin expansion post lockdown. The Group's H2 underlying EBITDA margin exceeded 20%, delivering a full year margin of 19.2%.

The Group's management has firm plans to further grow the operating margin, but shareholders should note that many even well-run businesses that are potential acquisitions have operating margins of less than 20%. Therefore, until the businesses are fully integrated and synergies realised, some acquisitions could be margin dilutive – albeit given the likely difference in size between Victoria and the acquired business, the impact will likely be small.

The second function of the reorganisation and capex projects was to enhance Victoria's service proposition to retailers (our customers) and, by making us a more attractive supplier, grow our share of wallet. This has succeeded beyond the Board's expectations. Despite divisional revenues declining by as much as 80% in the first two months of the financial year due to the lockdowns, the Group grew revenues in FY2021 by more than £40 million (+6.6%).

UK & Europe Soft Flooring – record underlying EBITDA margin of 17.5%

	FY21	FY20	Growth
Revenue	£280.4 million	£282.0 million	-0.6%
Underlying EBITDA	£49.0 million	£41.3 million	+18.7%
Underlying EBITDA margin	*17.5%*	*14.6%*	*+290bps*
Underlying EBIT	£28.7 million	£21.7 million	+32.3%
Underlying EBIT margin	10.2%	*7.7%*	*+250bps*

** Alternative performance measures are reconciled to IFRS measures in the appendix to this report.*

The UK & Europe Soft Flooring division delivered an extraordinarily strong performance, wholly due to organic growth:

- Revenues in the second half were nearly £155 million,
- Despite lockdown for the first 10 weeks of FY2021 during which UK revenues fell by more than 80%, underlying EBITDA for the full year was higher than that of the prior year at £49.0 million,
- Underlying EBITDA margin for the full year was a record 17.5%, 290bps higher than that of the previous year, with post-lockdown EBITDA margin some 470bps higher on a like-for-like basis[3].

There were three reasons for this very pleasing result, which led Victoria's carpet and underlay divisions outperforming all our key competitors – domestic and overseas – in the market:

(i) The successful execution of a thorough capex and reorganisation plan (set out in detail in previous shareholder communications) over the last two years, which have delivered precisely as planned and sustainably improved our logistics efficiency and factory productivity – driving both market share growth and meaningful margin expansion.

(ii) Management actions taken during the pandemic to minimise the impact of lockdowns and ensure rapid recovery once manufacturing was again permitted.

(iii) Strong post-lockdown demand from consumers.

Carpet and underlay Manufacturing

- There was a continued focus on margin and removal of margin dilutive products. Also, strong consumer demand for carpet meant the focus across the business was on production – servicing the existing best-selling SKU's – and we limited the launch of new products during FY2021. We will be catching up in the current financial year to continue to drive profitable growth.
- During Q4 of FY2021, the global market for synthetic yarns experienced meaningful price inflation driven by short-term supply constraints, as well as inflation in global shipping prices. However, Victoria was able to mitigate the impact of this through competitive supplier negotiations and immediate increases in selling prices.
- The Group invested in brand new production facilities in Dewsbury, Yorkshire for its prestigious Westex brand during FY2021 and closed the old factory at nearby Cleckheaton. The significantly improved productivity at the new site has lifted operating margins, and a full payback on the capital cost is expected in less than three years.
- Given our objective of constantly increasing factory productivity and reducing working capital, the Group installed carpet-tufters on beams, which have enabled the efficient manufacture of smaller production runs.
- Over the year we worked to develop "RENU", a sustainable carpet underlay made from 98% recycled materials and is itself 100% recyclable at end-of-life (this includes the use of bio-film made from sugar cane by-product and PU derived from post-consumer waste).

Logistics

- The investment in our logistics capacity has proven to be the perfect strategy to differentiate Victoria from the continental carpet suppliers by meaningfully enhancing our service proposition. On-Time-Delivery for available stock across the country within three days further increased to 94%, resulting in retailers favouring Victoria Group products over those from competitors with slower and less certain delivery.
- The productivity of the three distribution centres also jumped as the impact of our investment in FY19 and FY20 arrived. We are now cutting and delivering 52% more orders with 33% fewer employees.
- We have increased the capacity of the fleet to 270 vehicles to meet demand.
- The reorganisation and productivity enhancements have also delivered more spare capacity – allowing for future growth of more than 15% without further capex investment required.

3. *UK & Europe Soft Flooring profits in the period include £6.5 million received under the UK Coronavirus Job Retention Scheme, of which the majority was received during the first national lockdown in April and May 2020, reducing losses in that period and enabling the company to avoid taking more significant cost cutting actions.*

Chairman and CEO's Review

UK & Europe Ceramic Tiles – revenue growth of 15.8%

	FY21	FY20	Growth
Revenue	282.4 million	£243.9 million	+15.8%
Underlying EBITDA	£63.1 million	£68.3 million	-7.7%
Underlying EBITDA margin	*22.3%*	*28.0%*	*-570bps*
Underlying EBIT	£40.4 million	£51.5 million	-21.4%
Underlying EBIT margin	*14.3%*	*21.1%*	*-680bps*

** Alternative performance measures are reconciled to IFRS measures in the appendix to this report.*

The Group's ceramic tile division delivered strong revenues following the first national lockdowns in May-June 2020.

With regard to margin performance, it is important to note that the main reason for the difference between FY2020 and FY2021 is the pro-forma effect of acquisitions. We acquired two ceramic tile businesses in the prior year (Ibero in August 2019 and Ascot in March 2020), and one in the current year (Keradom in December 2020), all of which were producing lower margins than the incumbent businesses in this division. In particular, Ascot was acquired right at the end of FY2020 (so had little impact on that year) and, at the time (before integration and synergies), had an EBITDA margin of less than 5%.

Furthermore, like-for-like average margin performance during FY2021 was impacted by three factors:

- Firstly, there is a higher degree of operational leverage inherent in the ceramic tile manufacturing process compared to soft flooring (for example, kilns operating at volcano-type temperatures cannot just be turned off and on at will) and together with nominal government support during the different lockdowns, margins suffered.
- Secondly, although the acquisition of Italian ceramics factory Ascot in March 2020 delivered immediate production capacity (as detailed below), full integration was delayed by several months due to the lockdowns, which resulted in duplicated costs for part of the year.
- Finally, during the second phase of national lockdowns across Europe in the first quarter of calendar 2021 (Q4 of FY2021), consumers based in Europe were more adversely affected than their UK counterparts, and this had a much greater impact on our ceramic tiles business than it did our soft flooring business, the significant majority of which is a UK business.

Italy

- Following the successful integration of the factory and assets we acquired from a neighbouring business (Ascot Gruppo Ceramiche) in March 2020, substantial production capacity was added to our Italian business, Ceramiche Serra, which enabled it to more than double output – adding 1.2m m^2 of red body tiles and 0.7m m^2 of porcelain tiles – whilst reducing employee numbers from 368 to 250 FTE across the businesses.
- All the additional production was sold, and with DIY customer demand still increasing and some manufacturing again being outsourced, we recently (post year-end) repeated the move of adding capacity by acquiring the factory and assets of a nearby business facing closure (Ceramica Santa Maria).
- This is a highly efficient way of adding production capacity as it provides more-or-less instantaneous increase in capacity versus the 18-24 months it would take to build a factory, instal the plant, and acquire emission rights.

Spain

- Extended lockdown durations and nominal government support meant our Spanish businesses were more significantly adversely affected by Covid-19 lockdown than our Italian ceramics factories.
- In order to be able to quickly restart operations when permitted to do so, we decided not to take certain short-term operational actions to cut costs that would have been slow to reverse (for example shutting down kilns take several days to shut down and then restart carefully).
- Nonetheless, a strong recovery in consumer demand post-lockdowns, delivered a very good second half to the year, once inventory shortages were overcome, which has flowed into the current financial year.

Due to the nature of its raw materials, the Group's ceramics businesses have seen little inflation in raw material prices or disruption to the supply chain.

Australia – underlying EBITDA margin growth +590bps

	FY21	FY20	Growth
Revenue	£99.6 million	£95.6 million	+4.1%
Underlying EBITDA	£16.6 million	£10.3 million	+60.7%
Underlying EBITDA margin	*16.7%*	*10.8%*	*+590bps*
Underlying EBIT	£11.9 million	£5.8 million	+105.4%
Underlying EBIT margin	12.0%	*6.1%*	*+590bps*

** Alternative performance measures are reconciled to IFRS measures in the appendix to this report.*

Our Australian management had to cope with a particularly uncertain operating environment during FY2021, with numerous short-term, yet highly disruptive, local lockdowns being imposed throughout the period. Nonetheless, with the support of loyal retailers (the Victoria brand is particularly strong in Australia), new products across our various brands in carpet, underlay and LVT sustained the post-lockdown momentum seen in the interim results. Also, the previously announced consolidation of underlay production into a new factory to Sydney was completed during the year, which contributed to the margin uplift.

The result was revenues that exceeded the previous year alongside an extraordinary increase in underlying operating margins. As with the Group's other divisions, this great result was purely organic.

ACQUISITIONS

Given the importance of acquisitions to the development of our business and the creation of shareholder wealth, we thought we would spend a little more time on it in this review to shareholders.

Criteria

We meet with dozens of possible acquisition opportunities each year, seeking to find *businesses that generate free cash and with definable synergy opportunities* – whether that be in productivity, capacity, or distribution. As and when we find a business that meet the key criteria set out below, we will endeavour to acquire it, subject to a sensible valuation. This list is not exhaustive and sometimes we will not acquire a business despite it meeting all our criteria because of some indefinable factor that makes us uncomfortable with proceeding.

1. **We never buy failing turnarounds.** The time and energy expended on a standalone turnaround is rarely worth it and the outcome is always sufficiently uncertain to make it too risky for us;
2. **Modern, well-equipped factories.** As a company, Victoria is extremely focussed on cash generation. It is free cash that enables us to pay down debt, fund growth, whether acquisitions or organic, and in due course progressively return capital to shareholders through dividends or share buybacks. So, the last thing we want to have to do after buying a business is spend all the cash it generates bringing the factory up to standard;
3. **Committed, talented, and honest management.** Any fool can lease a factory and buy the machinery to make flooring (and quite a few have!). The difference between the average business and the extraordinary businesses Victoria acquires is the quality of their management;
4. **Broad distribution channels.** Victoria's sales are overwhelmingly made to literally thousands of retailers. We like the security this diversity provides; and pay close attention to customer concentration when considering a potential acquisition;
5. **A fair price.** In many ways, Victoria's Board is in the same position as equity investors in that we must carefully choose the companies we acquire in order to optimise our return on the capital we invest. Although shareholders can have confidence that we will never overpay, quality businesses are rarely 'cheap' and we are mindful of the observation of Buffett's partner, Charlie Munger, that,

   > "Over the long term, it's hard for a stock to earn a much better return than the business which underlies it earns. If the business earns 6% on capital over 40 years and you hold it for that 40 years, you're not going to make much different than a 6% return – even if you originally buy it at a huge discount. Conversely, if a business earns 18% on capital over 20 or 30 years, even if you pay an expensive-looking price, you'll end up with one hell of a result."

   If one plans to hold a share for the long term (and Victoria obviously plans to own the shares of companies it buys indefinitely), the rate of return on capital the business generates – after synergies – is far more important than the headline multiple one buys or sells at.

Finally, one thing we don't do. We are investing – building a business – for the long term. Therefore, when assessing an acquisition, we do not spend inordinate time on short-term cycles in top-down factors like monetary policy, macro-economic outlook, consumer confidence, durable goods orders, and market sentiment.

Chairman and CEO's Review

Valuation Multiples

We are frequently asked about the multiples we pay for acquisitions. It is conventional to announce acquisition valuations as a multiple of EBITDA and, rightly or wrongly, we do the same.

However, this is not the methodology we use internally to assess value. Victoria's board strongly believes shareholder value is best created over time by consistently growing underlying free cash flow per share and this is the key metric used in capital allocation decisions – including acquisitions. Consequently, the cash return (earnings after capex, after tax, after working capital movements, etc.) on capital – which is what matters in terms of wealth creation – may lead to significantly different EBITDA multiples being announced, although the cash return will be similar.

Other factors that influence what we are prepared to pay include opportunities for cost synergies, growth rates, risk, etc. And, of course, ultimately, the price paid will also reflect the negotiation process.

Victoria is also a fan of Benjamin Graham's famous 'margin of safety'. Having arrived at a view of what a particular business is worth to us, we ensure that the price we pay is a sufficient discount to this value to provide us with a margin of safety if future trading isn't what we expect it to be.

Of course, this means we miss out on some potential acquisitions. This is where the size of the market opportunity and our active prospecting becomes invaluable – we never feel pressured to do a particular deal – there is always another one. As one of our colleagues is fond of reminding us, "The opportunity of a lifetime comes along about twice a year".

Origination

Almost all our potential acquisition opportunities result from cold-calling business owners. Victoria has a very good reputation in the industry as a reliable and honourable buyer and we spend time building a one-to-one relationship with successful owners. Sometimes we are able to conclude a deal immediately, at other times the timing isn't right for the owner. However, the effort invested in getting to know a business and its owner is rarely wasted, as we build a virtual 'bank' of future opportunities.

The reasons owners decide to sell are almost as numerous as there are deals. However, many owners are facing succession issues and Victoria represents an opportunity to sell at a fair price to a friendly buyer, who is known to treat the business and employees well, post-completion. Together with the opportunity to keep working in the business for as long as they wish, Victoria's characteristics can be compelling to owners – many of whom established the business, perhaps 30 years previously, and feel a strong emotional connection to it. On more than one occasion, Victoria's offer has not been the highest, and yet owners have chosen to sell to us. Our reputation is important and valuable.

Scale of opportunity

Victoria has grown a lot in the last eight years and we are increasingly asked if we will shortly run out of acquisition opportunities. So let us reassure shareholders that this is a low (extremely low!) probability risk factor. The global flooring market is US$226 billion[4]. Restricting it to the markets in which we are already active, it is as follows:

- North America: US$34 billion[4]
- UK/Europe: US$35 billion[4]
- Australasia: US$4 billion[5]

Collectively, our existing markets are some 65x larger than Victoria's current size. It is highly likely we can maintain our growth rate for many years to come.

Return on Tangible Assets

Finally, whilst on the subject of acquisitions, it is worth highlighting that, because we focus on buying high quality flooring businesses, the return on tangible assets (such as working capital and plant and machinery) is invariably excellent. The 'trade-off' is that a significant proportion of the purchase price is invariably goodwill and other intangible assets.

This is of more than academic interest. It is important to understand that the higher the return achieved on tangible assets, the better it is for wealth creation. This is for two related reasons: firstly, the goodwill 'cost' never needs to be replaced whereas plant and machinery wears out and needs to be replaced, consuming cash; and, secondly, as revenues grow, less cash needs to be invested into working capital and less cash is consumed in adding new fixed assets to manufacture the increased sales. (This advantage becomes even more acute in times of sustained inflation). Consequently, businesses achieving a high return on tangible assets generate more free cash, which is then available to further grow the value of the business.

So, what does this mean in practice for Victoria's shareholders? Below is a table setting out Victoria's Return on Tangible Assets for the last five years. This shows the ability of the company to generate consistent returns in excess of 20% - despite a very substantial increase in the capital base – over the long term, producing cash that we can continue to deploy to grow the value of the company.

4. *Freedonia 2021 Global Flooring Report*
5. *Company Estimates*

(£millions)	Pro-forma underlying EBIT	Net tangible assets	RoTA*
FY 2016	28.2	83.4	33.9%
FY 2017	40.3	102.6	39.3%
FY 2018	76.7	228.1	33.6%
FY 2019	76.9	280.3	27.4%
FY 2020	82.0	309.4	26.5%
FY 2021	84.9	324.4	26.2%

** Alternative performance measures are reconciled to IFRS measures in the appendix to this report.*

DIVIDENDS

It is our view that, in a desperate search for yield, in recent years some investors are failing to see the wood for the trees. Investors should be trying to maximise their total returns (share appreciation plus dividends), rather than focussing excessively on dividend return alone.

Since October 2012, when the current board was appointed, every £1,000 invested in Victoria[6] has become £66,060.54, a compounded annual gain of 61.7% per annum. Had a shareholder instead sold shares each year to produce a 'dividend yield' of 4%[7] (a yield comfortably in excess of the average FTSE250 yield over the same period), then as at today, that shareholder would have received a total income of £6,125.13 and still have shares worth £49,634.17, compared with the FTSE250 investor, who would have received an income of £362.68 and have shares worth £1,910.23. (This is even before taking into account the more advantageous taxation of capital gains on share sales rather than taxation of dividends, which has been discussed in a previous Annual Report). Furthermore, following that policy, that same shareholder would today be receiving an annual 'income' greater than their original total investment.

It remains the Board's view (as it has been for the last eight years) that it can continue to deploy capital to optimise the creation of wealth for shareholders and therefore it has again resolved not to pay a final dividend for FY2021.

ENVIRONMENTAL MATTERS

The environment matters.

In the last couple of years many annual reports have been awash with a plethora of pious platitudes about environmental sustainability or aspirations to the same. Objectively, many of the vacuous commitments are unsustainable, unmeasurable, and ultimately meaningless.

Victoria's approach is different. We take our obligations seriously and to ensure our commitments are sustainable, we seek ways to meet those obligations that also deliver on our mission statement, "To create wealth for shareholders" by lowering production and distribution costs or enhancing our product offering.

For example, we actively seek opportunities to incorporate recycled raw materials or consumer waste in our product. A significant proportion of our ceramic tiles use patented technology (Victoria owns the patents) to incorporate recycled bricks and tiles, and we manufacture our own tile glaze from discarded computer and television screens. We recycle mattress components and sneaker soles in our underlay production and recycled soft drink bottles in our artificial grass, which is itself 100% recyclable. "RENU", our new sustainable carpet underlay is made from 98% recycled materials (including the use of bio-film made from sugar cane) and is itself is 100% recyclable at end-of-life.

Waste heat from our ceramic kilns is used to drive turbines in co-generation plants – making the factories largely self-sufficient in electricity (in fact we sell surplus generation back to the national grid). We capture and recycle waste water in our factories. 85% of the delivery fleet (270 vehicles) is now 'EURO 6' compliant and we are trialling HVO-fuelled vehicles (Hydrotreated Vegetable Oil made from 100% renewable raw materials such as fat, waste vegetables and other oils).

These actions (and numerous others) may not be as flashy as some of the more headline-grabbing announcements we have observed, but, because all these changes improve our earnings and return on capital, there is no risk of backsliding or quietly dropping them in the future.

6. *Assumes that the dividends declared on 20 December 2012 and 3 October 2013 and the special dividend declared on 25 June 2014 were re-invested in Victoria plc shares on the respective dates.*
7. *Calculated on the gross value of shares held at the end of each calendar year.*

Chairman and CEO's Review

OUTLOOK

Operations

The foreseeable outlook for the existing business is encouraging. Demand remains strong and traditional leading indicators suggest this demand will be sustained:

- Home price appreciation, savings rates, and consumer confidence are key for stable and growing residential spending on flooring. Residential renovation and maintenance spending is strongly correlated with these factors – in other words the ability and willingness of home owners to access cash to purchase flooring. Across our key markets home prices are increasing and consumer savings rates are at record levels. Therefore, continued growth in residential renovation and repair spending is likely in the years ahead.
- Increased wear and tear. Not surprisingly, with more people spending more time at home, flooring has suffered from increased use. Also, the more time people spend at home, the more house proud they become and consequently, the more aware of faults they become.
- Housing transactions are a longer-term guide to residential flooring demand. Home owners frequently replace the flooring in their new (to them) home 12-18 months post-purchase. Whether driven by concerns around hygiene or style preferences, the correlation is remarkable and, given the high levels of housing sales in many of our markets, demand is likely to hold up for the medium term.
- Anecdotally, we understand consumers are buying better quality flooring than normal, which fits Victoria's product profile.

Acquisitions

Victoria has completed several high-quality acquisitions since the end of FY2021. Our operational management team are fully engaged in integrating them into our business and it is expected they will have a meaningful impact on Victoria's cash flow and operating profits this financial year.

Nonetheless, we continue to look at additional opportunities. We have highlighted earlier in this review the size of the market in which we operate and our way of identifying potential acquisitions. We are very confident we will be able to continue to make value-creating acquisitions in the years ahead.

CONCLUSION

Victoria does not have detailed five- or 10-year plans. We have a mission ("To create wealth for shareholders") and a fundamental strategy to deliver on it: to use acquisitions to build manufacturing and distribution scale, and leverage that scale to deliver operating synergies and generate cash. Outside of that we avoid the straitjacket of detailed long-term plans.

Truth be known, we think precise forecasts and excessive planning are of very limited use. Prussian military theorist, Carl Von Clausewitz, argued that plans do not survive contact with the enemy (or, as Mike Tyson, so memorably expressed it, "Everyone has a plan until they get punched in the mouth"). Therefore, Victoria focuses on its objective, whilst retaining the necessary flexibility to adapt to conditions and opportunities.

As part of our mission, we strive for ways to manage risk – our financing is long-dated and covenant lite, acquisitions incorporate contingent earnouts, our focus is on the less cyclical residential repair and redecorating market, we maintain low operational gearing, our customer base is highly diversified, we outsource a portion of our manufacturing to create a buffer in demand downturns, we are geographically diversified, managers are empowered to take meaningful decisions so they can react quickly to changing circumstances, the list is almost endless. Yet, this risk management approach, which is an integral part of our business model, stood us in good stead during the tumult of 2020 – and shareholders have benefitted.

Ultimately, we believe Victoria is a good business because it earns a very good return on capital and, just as importantly, with its business model, has the opportunity to continue to deploy the capital it generates at these excellent returns. As a Board and management team we strive to thoughtfully invest the capital generated by operations to maximise the long-term value of the business. Einstein once remarked that compounding return was the eighth wonder of the world and it is a mathematical certainty that, if we are able to continue to do this, the effect on shareholder wealth over time will be remarkable.

Geoffrey Wilding
Executive Chairman

Philippe Hamers
Chief Executive Officer

20 July 2021

Strategic report

BUSINESS OVERVIEW

Victoria PLC is a designer, manufacturer and distributor of innovative flooring products. The Group is headquartered in the UK, with operations across the UK, Spain, Italy, the Netherlands, Belgium and Australia, employing approximately 3,500 people at more than 20 sites.

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

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

BUSINESS MODEL

VICTORIA'S BUSINESS MODEL IS UNDERPINNED BY FIVE INTEGRATED PILLARS:

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

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

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

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

5. Entrepreneurial leadership
A flat and transparent management structure, with income statement 'ownership' and linked incentivisation, operating within a framework that promoted close links with each other and with the PLC Board to plan and implement the short and medium-term strategy.

Strategic report

STRATEGY

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

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

Organic growth is fundamentally driven by the five pillars of the business model highlighted above. In addition, the Group continues to seek and deliver synergies and transfer best operating practice between acquired businesses, both in terms of commercial upside, and cost and efficiency benefits to drive like-for-like margin improvement.

KEY PERFORMANCE INDICATORS

The KPIs monitored by the Board and the Group's performance against these are set out in the table below and further commented upon in the Chairman and CEO Review and the Financial Review.

	2021 £'m	2020 £'m
Revenue	**662.3**	621.5
% growth at constant currency	**7.4%**	10.2%
Underlying EBITDA[1]	**127.4**	118.1
% Margin[1]	**19.2%**	19.0%
Underlying operating profit	**79.8**	77.1
% margin	**12.0%**	12.4%
Operating cash flow[2]	**93.9**	97.6
% conversion against underlying EBITDA[1]	**83%**	92%
Free cash flow[3]	**38.8**	39.2
% conversion against underlying operating profit	**49%**	51%
Underlying EBITDA per share[1,4]	**91.21p**	85.52p
Earnings per share (diluted, adjusted)[4]	**30.21p**	28.42p
Operating cash flow per share[2,4]	**76.59p**	77.78p
Adjusted net debt / EBITDA[5]	**3.10x**	3.04x

* *Alternative performance measures are reconciled to IFRS measures in the appendix to this report.*

1. *FY20 EBITDA is stated before the extraordinary increase in credit loss provision at the start of the Covid pandemic (£2.8m); FY21 stated after credit losses. EBITDA per share stated on a pre IFRS 16 basis for consistency with pre 2020 periods.*
2. *Operating cash flow shown before interest, tax and exceptional items.*
3. *Free cash flow shown before investment in growth capex, acquisitions and exceptional items.*
4. *The number of shares applied does not include dilution impact of unutilised preferred equity funding at the year-end (employed for post-year end acquisitions).*
5. *Applying our banks' adjusted measure of financial leverage.*

SECTION 172(1) STATEMENT

Section 172 of the Companies Act 2006 requires a Director of a company to act in the way they consider, in good faith would be most likely to promote the success of the company for the benefit of the members as a whole. In doing this, section 172 requires a Director to have regard, among other matters, to:

- The likely consequences of any decisions in the long-term;
- The interests of the company's employees;
- The need to foster the company's business relationships with suppliers, customers and others;
- The impact of the company's operations on the community and the environment;
- The desirability of the company maintaining a reputation for high standards of business and conduct; and
- The need to act fairly between shareholders of the company.

During the year ended 3 April 2021 the Directors consider they have, individually and collectively, acted in a way that is most likely to promote the success of the Company for the benefit of its shareholders as a whole and have given due consideration to each of the above matters in discharging their duties under section 172. The stakeholders we consider in this regard are our employees, our shareholders, bondholders and other investors, and our customers and suppliers. The Board recognises the importance of the relationships with our stakeholders in supporting the delivery of our strategy and operating the business in a sustainable manner.

When considering key corporate decisions, such as material acquisitions or financing arrangements the Board considers the interests and objectives of the Company's stakeholders, in particular its shareholders. In doing so, the potential risk and rewards of these transactions are carefully balanced. A careful and consistent financial policy is employed, in particular focusing on maintaining a level of financial leverage that the Board consider to be sustainable through economic cycles, and long-dated and flexible financing terms in relation to covenants and restrictions. Where there are potential material financial costs or redemption requirements within financing arrangements, for example the make-whole provisions in the Company's senior notes and preferred equity, or the change in control provisions in the preferred equity, the Board considers the likelihood of these scenarios and any potential mitigating actions

Directors are briefed on their duties as part of their induction and they can access professional advice on these from an independent advisor throughout the period a director holds office. The directors fulfil their duties partly through a governance framework; the Board has adopted the Quoted Companies Alliance ("QCA") Code and the Group's application of this code is detailed on the Group's website.

The Board recognises the importance of building and maintaining relationships with all of its key stakeholders in order to achieve long-term success.

Further details on the Company's strategy and long-term decisions are set out in the Chairman and CEO's Review.

Further details of our stakeholder engagement are set out in the Directors Report on pages 33 to 36:

PRINCIPAL RISKS AND UNCERTAINTIES

The Board and senior management team of Victoria identifies and monitors principal risks and uncertainties on an ongoing basis. These include:

Covid-19 – The issues surrounding Covid-19 have the capacity to impact companies' earnings by interrupting supply chains, workforce sustainability, and demand. Unquestionably a decline in demand is the most relevant risk to Victoria.

The Group is well positioned to manage this short-term risk and uncertainty; the key reasons being:

1. Victoria enjoys comparatively low operational gearing across its businesses;
2. The Group's supply chain is highly diversified and invariably localised to the key manufacturing plants. Our access to raw materials remains secure and we will be able to meet demand as it arises;
3. The Group have a highly experienced and motivated operational management team with a track record of successfully navigating through deep economic downturns;
4. The wide geographic spread of both our manufacturing operations and, more importantly, our customers means that the virus's impact on Group revenue (and its subsequent recovery) is likely to occur at varying times and not simultaneously;
5. Victoria currently has €750 million of Senior Secured Notes ("bonds") in issue, of which €500m falls due in August 2026 and €250m falls due in March 2028. These bonds carry no maintenance financial covenants;

Strategic report

6. Victoria has a strong balance sheet with sufficient cash on hand to support the business in even the most severe scenarios we have modelled. Victoria has not accessed any government credit-line schemes and does not foresee any current need to raise capital for normal operating activities.

Competition – the Group operates in mature and highly competitive markets, resulting in pressure on pricing and margins. Management regularly review competitor activity to devise strategies to protect the Group's position as far as possible.

Economic conditions – the operating and financial performance of the Group is influenced by specific economic conditions within the geographic areas within which it operates, in particular the Eurozone, the UK and Australia. Economic risks in any one region is mitigated by the independence of the Group's three divisions. The Group remains focused on driving efficiency improvements, cost reductions and ongoing product development to adapt to the current market conditions.

Key input prices – material adverse changes in certain raw material prices – in particular wool and synthetic yarn, polyurethane foam, and clay – could affect the Group's profitability. A proportion of these costs are denominated in US Dollars, a currency in which the Group has no income. Key input prices are closely monitored and the Group has a sufficiently broad base of suppliers to remove arbitrage risk, as well as being of such a scale that it is able to benefit from certain economies arising from this. Whilst there is some foreign exchange risk beyond the short-term hedging arrangements that are put in place, the Group experiences a natural hedge from multi-currency income as the vast majority of the Group's cost base remains in domestic currency (Euros, Sterling and Australian Dollars).

Acquisitions – acquisition-led growth is a key part of the Group's ongoing strategy, and risks exist around the future performance of any potential acquisitions, unforeseen liabilities, or difficulty in integrating into the wider Group. The Board carefully reviews all potential acquisitions and, before completing, carries out appropriate due diligence to mitigate the financial, tax, operational, legal and regulatory risks. Risks are further mitigated through the retention and appropriate incentivisation of acquisition targets' senior management. Where appropriate the consideration is structured to include deferred and contingent elements which are dependent on financial performance for a number of years following completion of the acquisition.

Other operational risks – in common with many businesses, sustainability of the Group's performance is subject to a number of operational risks, including Health & Safety, major incidents that may interrupt planned production, cyber security breaches and the recruitment and retention of key employees. These risks are monitored by the Board and senior management team and appropriate mitigating actions taken.

CORPORATE RESPONSIBILITY

Victoria PLC is committed to being an equal opportunities employer and is focused on hiring and developing talented people.

The health and safety of our employees, and other individuals impacted by our business, is taken very seriously and is reviewed by the Board on an ongoing basis.

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

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

On behalf of the Board

Geoffrey Wilding
Executive Chairman

20 July 2021


INTERIORS
NOW!

Financial review

HIGHLIGHTS

The financial year to March 2021 was characterised by the Covid-19 pandemic, the resultant social and economic lockdowns in various countries, and Victoria's reaction to this in terms of operations and sales. It was a year where the Company demonstrated its financial robustness in the face of a one-off significant decline in sales (which occurred during the initial lockdown in March to June 2020) and its operational flexibility to react quickly in unpredictable conditions to meet changing customer needs, fulfil spikes in demand, and conserve cash. It was also a year where the significant benefits of past restructuring and synergy-driven investment were clearly apparent.

Victoria is primarily focused on the residential end-market across all of its product categories. Global residential markets have proven to me much more resilient than commercial markets through the pandemic, as household consumers adjusted quickly to a new way of working and living and have continued to invest in home improvement, whereas commercial investment decision making – particularly property-related – stalled. Furthermore, Victoria operates across numerous geographical end-markets and all of the key residential distribution channels within these markets. This diversity has helped the business to remain robust by minimising individual country, channel and customer risk.

As a result, despite the adverse impact of Covid lockdowns, Victoria had an extremely strong year in FY21 in terms of operational and financial performance, delivering higher revenue, underlying EBITDA and operating profit than in the previous financial year. This involved a huge, co-ordinated effort from everyone in the business, across commercial, operational, finance and administrative teams.

	2021 £'m	2020 £'m	Growth
Revenue	**£662.3m**	£621.5m	+6.6%
Gross Profit	**£234.9m**	£226.4m	+3.7%
Margin %	***35.5%***	*36.4%*	
Operating Profit	**£45.9m**	(£8.5m)	-
Margin %	***6.9%***	*-1.4%*	
Exceptional and non-underlying EBITDA items	**(7.1m)**	(£57.8m)	-87.7%
Amortisation of acquired intangibles	**(£26.8m)**	(£25.0m)	-
Underlying EBITDA	**£127.4m**	£118.1m	+7.9%
Margin %	***19.2%***	*19.0%*	
Underlying Operating Profit	**£79.8m**	£77.1m	+3.5%
Margin %	***12.0%***	*12.4%*	
Free cash flow[6]	**£38.8m**	£39.2m	-
% conversion against underlying operating profit	**49%**	51%	-

* *Alternative performance measures are reconciled to IFRS measures in the appendix to this report.*

The underlying EBITDA and operating profit figures shown above are inclusive of charges relating to credit losses (bad debts). These amounted to 0.23% of revenue in FY21 (FY20: 0.45%, due to some Covid-specific additional provisions), which is a normal level for the business. This strong performance reflects the very low customer concentration of the Group, the financial resilience of our customers, and the additional efforts from our credit control teams in the past year to work constructively with them.

Non-underlying items in the year – other than non-cash amortisation of acquired intangibles recognised on the balance sheet (primarily brands and customer relationships), which in any case are below EBITDA – totalled £7.1 million (FY20: £57.8 million). Further details are provided below.

Cash conversion from underlying operating profit to free cash flow[6] was 49% (FY20: 51%). This small reduction was driven by increased interest payments (including due to a change in timing of payments at the point of the bond refinancing shortly before year-end, and therefore payments in the period reflecting more than 12 months' worth of interest) and a slightly larger than usual adverse swing in working capital due to Covid-related timing differences, offset by lower capital expenditure and lower corporation tax. Further details and provided below.

PERFORMANCE THROUGH THE YEAR – COVID IMPACT

March to May 2020 – First UK and Europe national lockdowns

During the first two months of the financial year, there was significant global uncertainty in the face of a new pandemic with unknown consequences. Our business saw varying impacts in different territories – whilst in the UK it was a sharp reduction in demand (as retailers, our customers, were forced to shut), in Europe it was a mixture of demand and, at times, limited ability to manufacture as both our Spanish and Italian operations went through periods of mandatory closure enforced by local governments on their entire respective regions. Conversely, the Australia division saw a far smaller impact from Covid during this period.

A set of emergency operational and treasury measures were implemented across the Group designed to conserve cash and maximise liquidity. These measures included:

- Cancellation of all non-essential and uncommitted capital expenditure;
- Cancellation of all non-essential expenditure relating to sales, marketing and administration;
- Selective shutting down of manufacturing and distribution operations – continuing to operate only where and when profitable and safe to do so;
- Postponing of raw material purchases;
- Reduction in direct labour costs – through removal of overtime, reduction in the number of shifts and removal of agency staff, whilst avoiding any longer-term redundancies;
- Reduction in manager and senior manager salaries;

6. *Cash flow after interest, tax and net replacement capex, but before exceptional items and investment in growth capital projects and acquisitions*

Financial review

- Implementation of enhanced credit control – working with our customers to understand their cash flow situation, collect cash where possible and support struggling customers where appropriate;
- Close collaboration with suppliers and credit insurers to ensure understanding of our strong financial standing and agreed continuation of payment terms;
- More frequent, daily monitoring at Group level of overdue debtor and creditor balances in addition to other regular treasury data;
- Full draw of the Group's £75 million bank revolving credit facility (in mid-March 2020) for six months, as at that time we didn't know if a liquidity-squeeze would follow – this was repaid in September 2020 and the Group incurred some exceptional interest costs for that period;
- Increases where available in local working capital facility limits for the operating businesses across the Group.

The primary objective of these measures was focused on cash and not profit. Whilst cash and profit are positively correlated in the medium-to-long term, they are often inversely correlated in the very short-term. For example, maximising profit within the period would have involved continuing to manufacture throughout in order to avoid adverse variances taking production overheads directly to the income statement (as long as one expects to sell the resulting stock in the future at above cost), whereas this would have clearly been detrimental to cash.

Nevertheless, whilst revenues during this two-month period saw a temporary significant drop – in line with the rest of the industry and many other industries – of approximately 50%, the Group's ability to quickly implement the above measures and its resultant low operational gearing meant that EBITDA over this period remained positive. To give a simple illustrative example for context, mathematically a business that normally delivers a c. 20% margin would break-even when falling to 50% revenue if 25% of its costs were fixed and 75% of its costs were fully variable with revenue – so this provides some colour as to the level of operational flexibility that we retain in the Group, being far higher than in many businesses and industries.

Covid employment support schemes

The Group did benefit in the year from certain government-backed schemes designed to support employment, in particular the UK Coronavirus Job Retention Scheme. It received a total of £6.9m, of which £6.5m in the UK, the majority of which related to the first national lockdown. It is important to note that as a result of this scheme the Group thankfully did not have to consider any Covid-related restructuring of its UK operations during that period in order to further reduce costs. Since that time – as discussed further below – trading has picked up significantly in all key geographies and government-backed Covid grants or similar schemes are no longer required or utilised.

Remainder of H1 – Summer 2020

After the conservation of cash, the secondary objective of the Group's emergency Covid measures described above was to ensure maximum flexibility to re-start sales quickly in response to a return of the market, both operationally and financially. This took the form of, for example, supporting the Group's staff and avoiding any structural changes that may have cut costs further but would have been more difficult to reverse, ensuring that a minimum operational team were available even when manufacturing and distribution sites were fully closed, and supporting our customers and suppliers with a conservative yet sustainable working capital policy.

Indeed, June 2020 saw rapid change in Victoria's UK and European markets as retailers started to adjust and re-open and consumers very quickly ramped-up demand for our products. The Group wholly capitalised on this change as a result of the initiatives noted above, leading the industry in reaction time and therefore positioning itself optimally to service retailers in generating new sales as early as possible.

Group revenue outside of lockdown during the following four months to September 2020 was almost 10% up on the prior year on a like-for-like basis[7], driven in particular by very strong growth in the UK. In Australia, due to different timings and severity of the spread of the pandemic compared to Europe, a national Covid lockdown was in place much later, from late August and through September resulting in lower overall revenue in the period for that segment. Albeit prior to this lockdown, Australia divisional revenue was up by a similar amount on the prior year.

7. *Like-for-like revenue growth on a constant-currency basis, after removing the impact of prior year acquisitions, and the extra trading week in the current year*

UK & Europe Soft Flooring

	Jun to Sep FY21	Jun to Sep FY20	Growth
Revenue	**£116.1m**	£90.9m	+27.8%
Underlying EBITDA	**£21.5m**	£11.8m	
Margin %	**18.5%**	13.0%	+500 bps LFL

UK & Europe Ceramics

	Jun to Sep FY21	Jun to Sep FY20	Growth
Revenue	**£100.5m**	£78.9m	+27.4%
Underlying EBITDA	**£24.3m**	£21.5m	
Margin %	**24.2%**	27.3%	+150 bps LFL

Australia

	Jun to Sep FY21	Jun to Sep FY20	Growth
Revenue	**£32.3m**	£33.1m	-2.4%
Underlying EBITDA	**£4.5m**	£3.3m	
Margin %	**14.0%**	10.1%	+260 bps LFL

Margins delivered during this period were at all-time record highs, with underlying EBITDA margin in excess of 20%, a circa 300bps improvement over the same period in the prior year on a LFL basis[8]. The margin of the UK & Europe Ceramic Tiles division is not directly comparable due to the margin-dilutive full-year effect of prior year acquisitions (being Ibero, which was acquired in August 2019 and was a circa 13% EBITDA margin business prior to acquisition and synergies, and Ascot, which was acquired in March 2020 and was a circa 3% EBITDA margin business prior to acquisition and synergies).

Margin improvement was delivered across all divisions, enabled by the 2018-19 investments in manufacturing and distribution synergy projects. In fact, not only did these investments drive improved margins, they also allowed for the increased capacity and efficiency required to deliver the level of sales seen post-lockdown.

H2 – Regional lockdowns in Q3, followed by second national lockdowns in Q4

From October 2020 onwards, the UK and European governments started to implement new regional-based lockdown systems. However this did not have a major impact on the sales and financial performance of the business given, by this time, retailers had developed their sales approach to consumers, with a greater focus on:

- Mailing of samples (which until this year was less common at the higher-end of the market and with soft flooring);
- Online or over-the-phone collation of order information regarding room sizes and required product characteristics;
- Appointment-based sales (whether at home or in store, subject to the rules);
- Where appropriate, a full e-commerce model.

8. *Like-for-like margin variance assessed after removing the impact of prior year acquisitions*

Financial review

UK & Europe Soft Flooring

	Oct to Mar FY21	Oct to Mar FY20	Growth
Revenue	**£154.4m**	£137.8m	+12.0%
Underlying EBITDA	**£29.9m**	£21.0m	
Margin %	**19.3%**	15.2%	+420 bps LFL

UK & Europe Ceramics

	Oct to Mar FY21	Oct to Mar FY20	Growth
Revenue	**£149.9m**	£121.8m	+23.1%
Underlying EBITDA	**£35.4m**	£33.0m	
Margin %	**23.6%**	27.1%	+40 bps LFL

Australia

	Oct to Mar FY21	Oct to Mar FY20	Growth
Revenue	**£52.6m**	£45.9m	+14.4%
Underlying EBITDA	**£10.4m**	£5.1m	
Margin %	**19.8%**	11.1%	+870 bps LFL

Strong Group revenue performance continued throughout the second half of the year, with overall LFL growth in excess of 5% over the prior year. Continued high growth was seen in the UK in particular as the business' product, manufacturing and logistics strategies all came together to provide customers with an optimised offering. This dynamic continued through the second full lockdown in the UK, starting in January 2021, which didn't have a substantive effect on the Group's UK sales. Revenues in Australia also remained robust throughout the period. European markets, mainly relevant to the Group's UK & Europe Ceramic Tiles division, were the most adversely impacted in H2 by ongoing lockdowns across various countries, with the slower decline in Covid cases (and potentially slower uptake of vaccination) having an impact.

Margin performance in H2 followed a similar story to revenue. Covid lockdown challenges in Europe meant that the full benefits of previous Ceramic Tile synergy projects could not yet be seen, and in addition the integration of Ascot into the incumbent Italian ceramic tile business was delayed versus the original plan, hence full margin benefits of these initiatives will not be apparent until sometime during the current year, FY22. As a result, UK & Europe Ceramic Tile margins in H2 fell back to prior year levels on a like-for-like basis[9]. On the other hand, the UK & Europe Soft Flooring and Australia divisions continued to improve their margins on the H1 post-lockdown period and deliver incredibly strong results.

ACQUISITIONS

FY21 was not significantly impacted by new acquisitions.

The Group made only two small acquisitions, both late in the financial year – Keradom in December 2020, an Italian ceramic tiles manufacturer making approximately €3.2 million (£2.8 million) of underlying operating profit on an annual basis, and Hanover in January 2021, a UK-based flooring distributor making approximately £2.2 million of operating profit on an annual basis. Total operating profit contribution from these acquisition in FY21 was £0.7 million.

Following the year-end, the Group has also acquired two small ceramic tile distributors based in Italy, one small ceramic tile manufacturer based in Italy, a manufacturer of artificial grass based in the Netherlands and a distributor of hard flooring wood and vinyl products in the US. Material synergy benefits are expected to be delivered from the integration of all of these acquisitions into the existing business and operations of the Group.

Further details of these acquisitions are provided in Note 23 to the accounts.

9. *Like-for-like margin performance in H2 was analysed by removing the impact of current year acquisitions, but including a full year effect of prior year acquisitions in the comparative figures due to ongoing integration making disaggregation of prior year acquisitions challenging.*

RESTATEMENT OF ACQUISITION ACCOUNTING

A decision has been made to change the accounting treatment of contingent earn-out consideration payable in certain circumstances. This change has no impact on the underlying results, the cash flow or the tax position of the Group.

Earn-outs are deferred elements of consideration, typically paid in cash over a three to four-year period following acquisition, that are contingent on the financial performance of the target business meeting pre-determined targets over that period. Whilst these form part of the purchase price that is negotiated with each respective seller and are contractually payments in exchange for the shares or assets of a business, on review of guidance regarding interpretation of the relevant standard, IFRS 3 (business combinations), the accounting treatment has been remedied where leaver provisions exist that result in the earn-out effectively being contingent on the continued employment of the seller(s) following the acquisition.

Such leaver provisions are included in our acquisitions in order to protect the goodwill being acquired over the first few years of ownership. However, in accordance with the interpretation noted above, in such circumstances the relevant earn-outs are now being treating as non-underlying remuneration costs, accrued over the earn-out period. Previously they were fully recognised at fair value at the point of acquisition, thereby forming part of goodwill. We have restated our prior year accounts accordingly, as shown in the comparative numbers within the financial statements.

Further details are provided in Note 29 to the accounts.

FINANCING – PREFERRED EQUITY

On 22 October 2020, the Company announced the issuance of convertible preferred equity to Koch Equity Development, LLC (‘KED’), initially for £75 million but with the ability to increase this to £175 million at the Company’s option. This financing is for the sole purpose of funding acquisitions.

At the time, with a depressed share price due to the Covid pandemic, it was not attractive to the Board to issue new ordinary equity, hence the issuance of preferred equity was an ideal solution to raising funds for acquisitions whilst not breaching the Board’s financial policy, around leverage in particular. In addition, KED is an ideal financing and strategic partner for the Group, given Koch Industries’ scale and firepower, broader industry experience and existing interests in the flooring sector (in the US). At the same time as receiving the preferred equity, KED also acquired a meaningful stake in the ordinary equity of the Company on the secondary market.

As part of the preferred equity financing, KED was also issued with ordinary equity warrants vesting after three years with an exercise price of £3.50 (the share price at the time of issue). Whilst technically these allow a subscription of up to a maximum of 12.402 million shares, the maximum number of shares that will be issued depends on the share price at the time and, in any case, is much lower. This is due to two factors: the Company’s ability to net settle the warrants (which is the current intention), and a built-in cap mechanism limiting the overall returns av ailable to KED. For example, the number of shares that would be issued if exercised after three years and if the share price at the time is the same as the year end (£8.46) would be 1.19 million.

This preferred equity is legally structured as an equity instrument and, whilst it ranks ahead of ordinary equity, it has many equity-like features, including:

- Being a perpetual instrument – the Company never has to repay (ultimately KED’s protection is that they are convertible into ordinary equity after six years);
- No enforced cash servicing – the Company can choose whether to settle the preferred dividends in cash (9.35% per annum) or by way of a Payment In Kind (‘PIK’) issuance of further preferred shares (9.85% per annum, PIK every quarter);
- Ranking behind debt, with no ability for the Company to default, or for the preferred shares to accelerate a claim alongside any debt instruments.

Despite the above, the preferred equity is classed as a financial instrument under IFRS 9 rather than equity on the balance sheet, one of the key reasons being that the conversion price into ordinary shares (convertible after six years) is based on the prevailing share price at the time, rather than being fixed at the outset. Whilst this reduces any potential dilution of ordinary equity in the future as the share price grows, from an accounting perspective it means that the instrument cannot be classified as equity in accordance with the standards, given that it results in a variable number of converted ordinary shares for a fixed number of preferred shares.

As required under IFRS 9, the preferred equity is being accounted for as a host contract (net of pre-paid fees), carried in the balance sheet at amortised cost, along with a number of separate ‘non-closely related’ embedded derivatives.

Financial review

There are two embedded derivatives that have been deemed, from an accounting perspective, to have to be valued separately from the host:

1. the ability of the Company to cash redeem the preferred equity at any time (for a premium), held at fair value through profit and loss; and
2. the ability of KED to convert the preferred equity into ordinary equity after six years or longer, however this is valued at £nil.

Separately, financial instruments have also been recognised for

1. the ability of the Company to issue an additional £100m of preferred equity to KED for a period of 18 months, held at amortised cost; and
2. the ordinary equity warrants described above, held at fair value through profit and loss.

Further details are provided in the Accounting Policies and in Note 16 to the accounts.

FINANCING – BONDS

On 23 February 2021 and 9 March 2021, the Company announced two new bond issuances of €500 million maturing in August 2026, and €250 million maturing in March 2028, respectively. The proceeds from these bonds were for two purposes: (1) the refinance of the previous €500 million 2024 bonds (including payment of the associated early redemption premium), and (2) to hold on balance sheet alongside the preferred equity proceeds for short-term future anticipated acquisitions (as it happens, since that time several acquisitions have been made).

Whilst the previous bonds did not mature until 2024, the reason for refinancing at that time was the materially improved terms that the Company was able to achieve. These deliver significant benefits to the Company over the medium-term despite it having to pay an early redemption premium. Hence the Company made an opportunistic approach to the market. The new coupon rates are 3.625% and 3.75% on the 2026 and 2028 bonds, respectively. This compares to 5.25% on the previous bonds that have now been redeemed. As a result, the Company is now paying additional annualised cash interest on the bonds of only €1.25 million (£1.1 million) whilst having additional financing of €250 million (+50%) in gross terms.

Under IFRS 9, as with the previous bonds last year, the new bonds are accounted for with a separately-identified embedded derivative asset, being the ability of the Company to redeem at any time (for a premium). The underlying bond instruments are carried in the balance sheet at amortised cost, whilst the embedded derivatives are carried in the balance sheet at fair value (with fair value differences at each reporting date going through the income statement as an income or expense, depending on the movement). Further details are provided in Note 16 to the accounts.

EXCEPTIONAL AND NON-UNDERLYING ITEMS

This section of the Financial Review runs through all of items classified as exceptional or non-underlying in the financial statements. The nature of these items is, in many cases, the same as the prior year as the financial policy around these items has remain unchanged, for consistency. Hence, whilst the quantum of these items are all slightly different to FY20, many of the explanations below are identical to those given previously.

Exceptional costs relate entirely to third-party expenditure. Victoria does not treat any recurring internal costs (such as employee time spent on restructuring or acquisition projects) as exceptional, given these resources are recurring.

The Group incurred £7.8 million of exceptional costs during the year (FY20: £49.9 million). Exceptional items are one-offs that will not continue or repeat in the future, for example the legal and due diligence costs for a business acquisition, as whilst further such costs might arise if new acquisitions are undertaken, they will not arise again on the same business and would disappear if the Group adopted a purely organic strategy.

These main reason for the significant year-on-year decrease was a £50 million goodwill impairment recognised in the prior year following the start of the Covid pandemic. No further goodwill impairment was recognised in FY21 as the market outlook is now significantly different compared to during the first national lockdown last year.

	2021 £'m	2020 £'m
Exceptional items		
Acquisition and disposal related costs	**(3.0)**	(2.2)
Reorganisation costs	**(5.5)**	(3.5)
Negative goodwill arising on acquisition	**6.5**	5.8
Contingent consideration linked to positive tax ruling	**(5.7)**	-
Exceptional goodwill impairment	**-**	(50.0)
Total exceptional items	**(7.8)**	(49.9)

Other than the prior-year goodwill impairment, exceptional costs in FY21 were £7.9 million higher than in FY20, primarily due to a one-off charge in the year reflecting the final instalment of contingent consideration on the acquisition of Keraben, which was linked to a positive ruling over the tax deductibility of certain pre-acquisition costs.

In addition, exceptional reorganisation costs were £2.0 million higher than in FY20. During the year, there was a significant restructuring project in the UK relating to the amalgamation of the Westex and G Tuft carpet manufacturing operations, involving significant redundancy costs. Furthermore, the delivery of synergies between Ascot's manufacturing site and the Group's incumbent operations in Italy (albeit delayed versus the original timeline due to Covid as noted above) involved redundancy and other operational restructuring costs.

Non-underlying items are ones that do continue or repeat, but which are deemed not to fairly represent the underlying business. Typically, they are non-cash in nature and / or will only continue for a finite period of time. There were three non-underlying items in the year:

- *Acquisition-related performance plan charge* – this represents the accrual of contingent earn-out liabilities on historical acquisitions where those earn-outs are linked to the ongoing employment of the seller(s), resulting from an accounting restatement implemented this year, as described above.
- *Non-cash share incentive plan charge* – the charge under IFRS 2 relating to the pre-determined fair value of existing senior management share incentive schemes, including the share options plan announced on 26 June 2020. This charge is non-cash as these schemes cannot be settled in cash. The charge in FY21 was significantly lower than the prior year due to FY20 containing an 'accelerated' accounting charge under IFRS 2 resulting from certain participants exiting a historical scheme.
- *Amortisation of acquired intangibles* – the amortisation over a finite period of time of the fair value attributed to, primarily, brands and customer relationships on all historical acquisitions under IFRS. It is important to note that these charges are non-cash items and that the associated intangible assets do not need to be replaced on the balance sheet once fully written-down. Therefore, this cost will ultimately disappear from the Group income statement. The charge has increased in FY21 due to additional acquisitions having been completed (coupled with the fact that the intangible assets from the original acquisitions starting in 2013 are not yet fully written-down).

	2021 £'m	2020 £'m
Other non-underlying operating items		
Acquisition-related performance plan charge	**1.7**	(2.0)
Non-cash share incentive plan charge	**(1.0)**	(5.9)
Amortisation of acquired intangibles	**(26.8)**	(25.0)
	(26.1)	(32.9)

Further details of exceptional and non-underlying operating items are provided in the Accounting Policies and in Note 2 to the accounts.

Financial review

In addition to the above operating items, there were a number of non-underlying financial items in the year.

	2021 £'m	2020 £'m
Non-underlying financial costs		
Release of prepaid finance costs	**7.3**	4.4
Net cost of redemption premium on refinancing of previous senior notes	**6.3**	-
Underwriting fees and costs relating to previous bank facilities	**–**	6.5
One-off refinancing related	**13.6**	10.9
Finance items related to preferred equity	**13.1**	-
Acquisition related items	**2.1**	3.0
Interest on short term draw of Group Reveloving credit facilitiy	**1.4**	-
Fair value adjustment to notes redemption option	**(4.6)**	7.3
Unsecured loan redemption premium charge / (credit)	**0.2**	(0.2)
Mark to market adjustments and gains on foreign exchange forward contracts	**4.2**	3.2
Translation difference on foreign currency loans	**(6.3)**	13.0
Other non-underlying	**(5.1)**	16.9
	23.7	30.8

The significant items are described below:

- *Release of prepaid finance costs* – when any new debt funding is raised, we account for the attributable one-off, up-front costs (e.g. bank or bookrunner fees, legal costs, accounting and rating fees) as a prepayment that is amortised over the expected life of the debt. If that debt is then refinanced earlier than originally expected, any remaining prepayment is 'released' in one go as a financial cost in the income statement. This 'release' is a non-cash item, as the associated costs were already paid at the time of the new funding. Whilst a refinancing occurred in FY20 and therefore was not expected at that time to re-occur for a number of years, a further refinancing was undertaken in March 2021 to capitalise on strong credit markets and highly-positive credit sentiment towards Victoria. Whilst this resulted in a short-term subsequent release of prepaid finance costs as shown in the table, this was deemed to be worth the significant upside of a reduction in coupon of more than 160bps as well as extended maturity.
- *Net cost of redemption premium on refinancing of previous senior notes* – as described above, in March 2021 the Group refinanced its 2024 senior secured notes with new 2026 and 2028 notes due to materially improved pricing and maturity, which outweighed the cost of early redemption. This charge represents the redemption premium on the 2024 notes, offset in part by the release of the liability premia attached to the host debt, which were extinguished.
- *Preferred equity finance charge* – the preferred equity issued in November 2020 is treated under IFRS 9 as a financial instrument with a number of associated embedded derivatives (as discussed above). There are a number of resulting financial items taken to the income statement in each period, including the cost of the underlying host contract, amortisation of pre-paid costs and fees, and the income or expense related to the fair-valuation of the warrants and embedded derivatives. However, the preferred equity is legally structed as equity and is also equity-like in nature (see further details above), including the fact that it never has to be serviced in cash.
- *Acquisition related items* – costs that relate to value adjustments to deferred consideration and contingent earn-outs on historical acquisitions (including acquisition-related performance plans under the new accounting treatment described above), comprising the unwinding of present value discounts and adjustments in relation to forecast performance against earn-out targets.
- *Interest charge on exceptional RCF draw-down* – as noted above, in March 2020 the Company fully drew its £75 million bank revolving credit facility for a period of six months, as a one-off Covid-related emergency treasury measure at the start of the pandemic. This cash sat untouched on the balance sheet for the duration and was repaid in September 2020.

- *Fair value adjustment to notes redemption option* – the corporate bonds originally issued in FY20 matured in FY25, and the two tranches of bonds subsequently issued in FY21 mature in FY27 and FY28, respectively. However, the company can choose to repay early if it pays a redemption premium, the level of which varies over time (a very high cost within the first two to three years, followed by comparatively lower costs, stepping-down over the remaining term). Under IFRS 9, this 'embedded call option' must be separately disclosed as a financial asset on the balance sheet and fair-valued at each reporting date. The income or charge resulting from this revaluation exercise at each reporting is a non-cash item.
- *Mark to market adjustments on foreign exchange forward contracts* – across the group we analyse our upcoming currency requirements (for raw material purchases) and offset the exchange rate risk via a fixed, diminishing profile of forward contracts out to 12 months. This non-cash cost represents the mark-to-market movement in the value of these contracts as exchange rates fluctuate.
- *Translation difference on foreign currency loans* – this represents the impact of exchange rate movements in the translation of non-Sterling denominated debt into the Group accounts. The key items in this regard are the Euro-denominated €500m 2026 corporate bonds, and €250m 2028 corporate bonds.

Further details of non-underlying finance items are provided in the Accounting Policies and in Note 3 to the accounts.

OPERATING PROFIT AND PBT

The table below summarises the underlying and reported profit of the Group, further to the commentary above on underlying performance and non-underlying items.

Operating profit and PBT	**2021 £'m**	2020 £'m
Underlying operating profit	**79.8**	77.1
Reported operating profit (after exceptional items)	**45.9**	(8.5)
Underlying profit before tax	**50.1**	48.0
Reported loss before tax (after exceptional items)	**(7.5)**	(65.6)

Reported operating profit (earnings before interest and taxation) increased to £45.9 million (FY20: loss of £8.5 million), driven by strong operating and financial performance as described above. In addition, the prior year was impacted by a one-off £50 million impairment of goodwill following the start of the Covid pandemic. After removing the exceptional and non-underlying items described above, underlying operating profit was £79.8 million, representing a 3.5% increase over the prior year.

TAXATION

The reported tax credit in the year of £10.3 million was distorted by the impact of the exceptional and non-underlying costs, many of which have been treated as non-deductible for tax purposes. On an underlying basis, the tax charge for the year was £13.0 million against adjusted profit before tax of £50.1 million, implying an underlying effective tax rate of 25.9%.

EARNINGS PER SHARE

The Group delivered basic earnings per share of 2.30p (FY20: loss per share of 57.22p). However, adjusted earnings per share (before non-underlying and exceptional items) on a fully-diluted basis was 30.21p (FY20: 28.42p). This figure does not include the diluted impact of unutilised preferred equity funding, which was deployed for acquisitions post year-end. This represents a 6.3% increase in earnings over the prior year.

Earning per share	**2021**	2020
Basic earnings/ (loss) per share	**2.30p**	(57.22p)
Diluted adjusted earnings per share	**28.66p**	28.42p
Diluted adjusted earnings per share (excluding dilution of unutilised preferred equity funding at year end)	**30.21p**	28.42p

Financial review

OPERATING CASH FLOW

Cash flow from operating activities before interest, tax and exceptional items was £93.9 million which represents a conversion of 83% of underlying EBITDA (pre-IFRS 16).

Operating and free cash flow	2021 £'m	2020 £'m
Underlying operating profit	**79.8**	77.1
Add back: underlying depreciation & amortisation	**47.6**	41.0
Underlying EBITDA	**127.4**	118.1
Payments under right-of-use lease obligations	**(14.4)**	(11.6)
Non-cash i tems	**(0.8)**	(0.8)
Underlying movement in working capital	**(18.3)**	(8.0)
Operating cash flow before interest, tax and exceptional items	**93.9**	97.6
% conversion against underlying operating profit	**118%**	127%
% conversion against underlying EBITDA (pre-IFRS 16)	**83%**	92%
Interes t paid	**(30.4)**	(25.0)
Corporation tax paid	**(5.0)**	(8.6)
Capital expenditure - replacement / maintenance of existing capabilities	**(20.9)**	(25.4)
Proceeds from fixed asset disposals	**1.2**	0.7
Free cash flow before exceptional items	**38.8**	39.2
% conversion against underlying operating profit	**49%**	51%
% conversion against underlying EBITDA (pre-IFRS 16)	**34%**	37%

Pre-exceptional free cash flow of the Group – after interest, tax and net replacement capex – was £38.8 million. Compared with underlying operating profit (i.e. post-depreciation), this represents a conversion ratio of 49%. The difference in free cash flow conversion versus the prior year is primarily due to slightly larger adverse working capital absorption in the year due to Covid (which is ultimately expected to unwind) and higher interest cash payments, in part resulting from the timing of refinancing meaning that more than 12 months' worth of interest was paid in the year.

A full reported statement of cash flows, including exceptional and non-underlying items, is provided in the Consolidated Statement of Cash Flows.

NET DEBT

As at 3 April 2021, the Group's net debt position (excluding IFRS 16 right-of-use leases and preferred equity) was £20.2 million lower than at the prior year-end. Free cash flow of £38.8 million was generated in the year, of which £13.1 million was invested in organic growth / synergy initiatives and £12.7 million in acquisition-related expenditure (including debts assumed on acquisition). In terms of financing activities, net cash proceeds from the preferred equity (after fees) were £65.3 million, and £30.0 million was spent on the share buy-back that immediately followed as part of that transaction. The redemption premium on refinancing of the bonds, plus other associated fees, totalled a further £17.6 million.

Applying our banks' adjusted measure of financial leverage, the Group's year end net debt to EBITDA ratio was 3.10x (FY20: 3.04x).

Current leverage is consistent with our financial strategy to use a sensible but cautious level of debt in the overall funding structure of the Group.

Free cash flow to movement in net debt	2021 £'m	2020 £'m
Free cash flow before exceptional items (see above)	**38.8**	39.2
Capital expenditure - growth	**(7.6)**	(8.4)
Exceptional reorganisation cash cost	**(5.5)**	(3.5)
Investment in organic growth / synergy projects	**(13.1)**	(11.8)
Acquisitions of subsidiaries	**(2.8)**	(11.0)
Total debt acquired or refinanced	**(9.9)**	(1.5)
Deferred and contingent consideration payments	**(21.3)**	(12.1)
Exceptional M&A costs	**(3.0)**	(2.2)
Proceeds from discontinued operations	**-**	1.0
Acquisition-related expenditure	**(37.0)**	(25.8)
Buy back of ordinary shares	**(30.0)**	-
Preferred equity	**65.3**	-
Refinanced bonds – redemption premia	**(17.6)**	-
Net refinancing cash flow	**17.7**	-
Other debt items including prepaid finance costs	**(6.8)**	(2.8)
Translation differences on foreign currency cash and loans	**20.6**	(24.8)
Other exceptional items	**13.8**	(27.6)
Total movement in net debt	**20.2**	(26.0)
Opening net debt	**(365.9)**	(339.9)
Closing net debt	**(345.7)**	(365.9)

Net debt	2021 £'m	2020 £'m
Net cash and cash equivalents	**344.8**	174.7
Senior secured debt (at par)	**(637.7)**	(523.4)
Unsecured loans	**(51.7)**	(15.6)
Finance leases and hire purchase arrangements (pre IFRS 16)	**(1.1)**	(1.6)
Net debt before obligations under right-of-use leases	**(345.7)**	(365.9)
Adjusted net debt / EBITDA	**3.10x**	3.04x
Bond embedded redemption option	**9.0**	-
Bond issue premium - cash	**-**	(7.5)
Bond issue premium - non-cash (related to embedded redemption option)	**(4.3)**	(6.8)
Pre paid finance costs on senior debt	**10.9**	9.9
Preferred equity, associated warrants and embedded derivatives	**(76.2)**	-
Obligations under right-of-use leases (incremental)	**(86.0)**	(78.2)
Statutory net debt (net of prepaid finance costs)	**(492.2)**	(448.5)

ACCOUNTING STANDARDS

The financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. There have been no changes to international accounting standards this year that have a material impact on the Group's results. No forthcoming new international accounting standards are expected to have a material impact on the financial statements of the Group

GOING CONCERN

The consolidated financial statements for the Group have been prepared on a going concern basis.

Michael Scott
Group Finance Director

20 July 2021

Environmental, Social and Governance Report

INTRODUCTION

The Group is evolving its strategy in a range of areas as it continues to grow organically and through acquisition, building on the existing policies of the integrated businesses. Environmental, social and governance (ESG) matters form a key part of this exercise, alongside process improvement and compliance initiatives. The Group is working with various specialists and experts to consider performance metrics and relevant benchmarks in order to develop standardised policies across all relevant ESG areas, and to ensure that these are aligned with commercial and financial objectives.

Victoria is committed to being an equal opportunities employer. The Group has clear policies around diversity and inclusion and provides family-friendly working practices for its employees. Victoria is extremely focused on health and safety, with above industry-average performance and a commitment to continued improvement.

Victoria adopted the Quoted Companies' Alliance governance code in 2018 and is committed to the continued development of governance practices and reporting.

ENVIRONMENTAL MATTERS

As a global manufacturer and distributor, the Board has identified the management of the Group's environmental footprint as a key focus area.

Streamlined Energy and Carbon Reporting

The section below presents the energy usage and associated carbon dioxide emissions for Victoria Plc global operations. This section has been prepared in compliance with the SECR Framework as implemented in the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018.

GHG Emissions (1st April 2020 to 31st March 2021)	**Units**	**UK & Europe soft flooring**	**Australia**	**Ceramics**	**Total**
Emissions from combustion of gas (Scope 1)	tCO_2e	9,778	2,818	190,828	203,424
Emissions from combustion of fuel for transport purposes (Scope 1)	tCO_2e	7,611	415	1,888	9,914
Emissions from purchased electricity (Scope 2)	tCO_2e	4,590	4,801	29,255	38,646
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing fuel (Scope 3)	tCO_2e	31	–	20	51
Total Gross emissions	**tCO_2e**	**22,009**	**8,034**	**221,992**	**252,036**
Energy consumption used to calculate above emissions	kWh	104,174,824	22,651,400	1,113,652,154	1,240,478,377

Within the UK, total gross emissions for the year were 21,842 tCO_2e and total energy consumption was 103,569,298 kWh.

The intensity ratios have been calculated for the three reporting divisions. These have been calculated from sales volumes for each division and include all energy usage and emissions stated within the above emissions figures and the methodology.

Emissions (1st April 2020 to 31st March 2021)	**Units**	**UK & Europe soft flooring**	**Australia**	**Ceramics**	**Total**
Intensity Ratios	$tCO_2e/1000m^2$	0.299	0.351	5.652	1.856

Quantification and reporting methodology

Victoria Plc have followed the 2019 HM Government Environmental Reporting Guidelines. Emissions factors used are tonnes of CO_2 equivalent and data has been calculated using the 2020 UK Government's Conversion Factors for Company Reporting, Australian Government National Greenhouse Accounts Factors and the Association of Issuing Bodies conversion factors.

Scope 1 emissions relate to on-site gas usage and emissions from Company owned and long-term lease vehicles. Scope 2 emissions relate to on-site electricity usage and the emissions calculated are associated to generation only. Scope 3 emissions relate to grey fleet. Where CHP engines are operated on site, the emissions reported have been associated and calculated from the natural gas input.

The primary source for energy consumption data is supplier invoices and supplier consumption data. The majority of the transport usage has been calculated from record of litres used. The remainder of the transport data has been taken from mileage records, some of which have been estimated where records did not exist.

The usage and emissions presented align with monthly supplier invoices and are calculated and presented for 1st April 2020 to 31st March 2021. The emissions reporting includes all of Victoria Plc sites globally, this reflects the activities and financial information presented within the financial reporting.

Energy efficiency

The Group continues to focus on reducing energy consumption and carbon emissions. Energy Saving Opportunity Scheme audits have been completed and recommendations implemented. Significant investments have been made over the past few years to improve efficiency and reduce carbon intensity by volume of product manufactured and distributed, and reviews of new and evolving technologies form an integral part of a continuous operational review program.

Other environmental initiatives

Along with continuous investment in efficient plant, equipment and vehicles, a number of initiatives and processes have been established by the Group in order to further improve the efficiency of its operations and reduce energy consumption and waste.

The incorporation of recycled raw materials into manufacturing processes has both environmental and cost benefits. For example: recycled bricks, tiles, and glass are used in the production of certain ceramic tile products; and discarded scrap foam from other industries is used in the manufacturing of our flooring underlay products.

Furthermore, various initiatives are in place across the Group to reduce waste during manufacturing and to recycle waste back into the process where possible. The reduction of packaging waste and use of recycled and recyclable materials is also a key priority, with the Group having already met the necessary threshold set by HMRC for the taxation of non-recycled plastics prior to its introduction. In the Group's Spanish manufacturing operations, excess heat from kilns is harnessed to produce electricity from the co-generation plants, avoiding the need to purchase electricity generated from power stations.

The transport fleet has seen significant investment, with 85% of vehicles 'EURO 6' compliant and further trials on electric and hydrogen-powered vehicles in progress.

All of the major manufacturing sites around the Group are ISO accredited and committed to the highest standards of health and safety. A limited number of hazardous substances are used in certain manufacturing processes in very small quantities, with strict procedures in place governing their transport, storage and careful use. The Group is continually working on reducing the consumption of these substances and replacing them with ecologically friendly alternatives.

Continued focus on operational efficiency remains a key part of the Group's strategy and more initiatives will be implemented, and associated targets set, as the Group's ESG strategy develops.

Board of Directors

GEOFFREY WILDING

Executive Chairman

Geoffrey Wilding is a former investment banker. He set up his own investment company in New Zealand in 1989. Geoff was appointed Executive Chairman at the General Meeting on 3 October 2012 and is a member of the Nominations Committee.

PHILIPPE HAMERS

Chief Executive Officer

Philippe Hamers was appointed to the Board on 20 March 2017. Philippe has over 25 years' experience in the flooring industry and headed Europe's largest carpet manufacturing operation at Balta Group, for the previous six and a half years. Prior to joining the Balta Group he was General Manager of the Tufted and Woven Division of Beaulieu International Group.

MICHAEL SCOTT

Group Finance Director

Michael Scott was appointed to the Board of Victoria PLC on 4 January 2016. Prior to this, Michael spent eight years at Rothschild where, as part of their Global Financial Advisory business, he worked across a wide range of public and private company transactions, mergers and acquisitions and debt and equity-related fund raisings. He qualified as a Chartered Accountant with PricewaterhouseCoopers and holds an Engineering degree from the University of Cambridge.

ANDREW HARRISON

Non-executive Director

Andrew Harrison has more than twenty years of experience as a solicitor in private practice, specialising in company law. He has advised on a wide variety of corporate transactions, including management buy-outs and buy-ins, corporate acquisitions and disposals and listed company take-overs.

Andrew was appointed to the Board at the General Meeting held on 3 October 2012 and is a member of the Audit, Remuneration and Nominations Committees. He is also the Senior Independent Non-executive Director.

BLAKE RESSEL

Non-executive Director

Blake Ressel is a Managing Director of Koch Equity Development LLC, where he leads and manages their European team and activities with an investment mandate centred on partnered acquisitions and principal investments. He holds an MBA from Northwestern University Kellogg School of Management.

Blake was appointed to the Board in December 2020.

GAVIN PETKEN

Non-executive Director

Gavin Petken is a private equity investor with over twenty years' experience across multiple asset classes and sectors. He was previously Head of Investment South and Quoted at BGF, responsible for leading investment and portfolio teams across a number of offices. He was also a member of BGF's national executive leadership team, national investment committee, and responsible for managing BGF's UK wide investment activity into public companies, BGF Quoted. Before BGF, Gavin was a Managing Director in Private Equity with RBS plc for 13 years.

Gavin was appointed to the Board in September 2014 and is a member of the Audit and Remuneration Committees.

ZACHARY STERNBERG

Non-executive Director

Zachary Sternberg is the co-founder of The Spruce House Partnership, a private investment partnership based in New York with $3 billion of assets under management, which seeks to invest alongside and support management teams that are focussed on growing the per share value of their companies over the very long-term. He graduated in accounting from The Wharton School, University of Pennsylvania.

Zachary was appointed to the Board in May 2019 and is a member of the Remuneration and Nomination Committees.

Directors' report

The Directors present their Annual Report and the audited financial statements for the Group for the year ended 3 April 2021.

PRINCIPAL ACTIVITIES AND STRATEGIC REPORT

The Group's principal activities are the manufacture, distribution and sale of floorcoverings. A review of the group's activities and an indication of likely future developments are set out in the Chairman and CEO's Review on pages 4 to 12.

The Company is required by the Companies Act 2006 to prepare a Strategic Report that includes a fair review of the Group's business, the development and the performance of the Group's business during the year and its future development, of the position of the Group at the end of the financial year to 3 April 2021 and a description of the principal risks and uncertainties faced by the Group. The Strategic Report can be found on pages 13 to 17.

RESULTS AND DIVIDENDS

The results include those of Victoria PLC and its subsidiaries for the full year and are set out in the financial statements on pages 53 to 117.

	£m
Profit attributable to shareholders	2.8
Total dividend paid in the financial year	–
Retained profit	**2.8**

The Directors do not recommend the payment of a final dividend for the financial year ended 3 April 2021.

FINANCIAL RISK MANAGEMENT

Details of the Group's financial risk management policies are set out in Note 25.

DIRECTORS' INSURANCE AND INDEMNITIES

The Company maintains directors' and officers' liability insurance which gives appropriate cover for any legal action brought against its directors. In accordance with section 236 of the Companies Act 2006, qualifying third-party indemnity provisions are in place for the directors in respect of liabilities incurred as a result of their office, to the extent permitted by law. Both the insurance and indemnities applied throughout the financial year ended 3 April 2021 and through to the date of this report.

DIRECTORS' REMUNERATION

The remuneration of all Directors for the financial year ended 3 April 2021 were as follows:

	Salary/Fees £000	Benefits in kind £000	Bonus £000	**Total 2021 £000**	Total 2020 £000
Executive					
Geoffrey Wilding	64	-	-	**64**	138
Philippe Hamers	560	23	-	**583**	627
Michael Scott	289	13	-	**302**	182
Non-executive					
Andrew Harrison	34	-	-	**34**	35
Gavin Petken *	35	-	-	**35**	35
Zachary Sternberg	34	-	-	**34**	30
Alexander Anton (until resignation on 5 June 2019)	-	-	-	**-**	6
	1,016	36	-	**1,052**	1,053

* *Gavin Petken was the Business Growth Fund's ('BGF') Head of Investment South, Wales and Quoted and left the Company on 30 September 2020. For the period up to 30 September 2020 no fee was payable directly to Mr Petken in respect of his services to the Company, instead the BGF received an annual fee of £35,000 commensurate with that paid to the Company's other non-executive directors. From 1 October 2020 Mr Petken has been in receipt of payments directly, and for the year ended 3 April 2021 has received remuneration of £17,500.*

** *The 2020 comparative figures have been restated to exclude share based payment charges as they do not form part of Directors' Remuneration.*

DIRECTORS' PENSION ENTITLEMENTS

One Director who held office during the year ended 3 April 2021 was a member of a money purchase scheme. The contributions paid by the Group in respect of this was £21,060 (2020: £nil).

Directors' report

SHARES HELD IN TREASURY

On 18 November 2020 the Company purchased 8,546,095 of the ordinary 5p shares in issue at 350p per share. The shares were transferred into treasury on this date. As a result, the total number of ordinary shares in issue in the Company are 116,851,909 (excluding the shares held in treasury). The number of shares held in treasury at 3 April 2021 was 8,546,095 (2020: nil).

EMPLOYEES AND OTHER STAKEHOLDER MANAGEMENT

Employees

Our employees are integral to the successful delivery on the Group's strategy. Employees' knowledge, skills and experience are key to maintaining our strong customer and supplier relationships. As such, the Group is focused on the recruitment, development, retention, and reward of its employees.

Employees are encouraged to attend training courses and there is regular consultation with employee representatives to ensure that employees are informed of all matters affecting them.

Within the bounds of law, regulation and commercial confidentiality, information is shared to all levels of staff about matters that affect the progress of the Group and are of interest and concern to them as employees.

Shareholders and bondholders

The company engages with its shareholders and bondholders principally via a Regulatory Information Service, its investor website, formal company meetings and investor roadshows. The

Company's contact details, telephone, email and correspondence address, are listed on its website for investors' use. The Company also provides an email alert service on its website to which investors and other interested parties can subscribe, to receive company announcements when they are released.

The Directors actively seek to build a relationship with institutional shareholders and bondholders. The Chairman, Chief Executive Officer and Chief Financial Officer make presentations to institutional investors and analysts each year immediately following the release of the full-year and half-year results.

The AGM is the main forum for dialogue between retail shareholders and the Board. The Board are available to answer questions raised by shareholders.

The Board as a whole is kept informed of the views and concerns of major shareholders by briefings from the Chairman. Any significant investment reports from analysts are also circulated to the Board. The Chairman and Chief Financial Officer are available to meet with major shareholders and bondholders if required to discuss issues of importance to them.

Customers

Our customers are of paramount importance and the Group seeks to retain customers and establish long and lasting relationships with them, built on mutual respect and trust. The Group is focused on producing quality flooring products at competitive prices for our customers.

We meet with our customers regularly to ensure we are offering the right products and level of service and responding to customer feedback to ensure we meet their expectations. Our customer relationships and manufacturing flexibility also aid diversification of our product portfolio. Our close relationships with our customers provide us with valuable feedback, enabling us to adapt quickly to changes in end-consumer preferences.

Suppliers

Victoria endeavours to forge strong relationships with suppliers built on honesty, fairness, and mutual respect. We meet with key suppliers on a regular basis and take reasonable steps to ensure our suppliers comply with our standards, such as those relating to environmental responsibility, modern slavery, data protection, human rights, and ethics.

Community and the environment

As a manufacturing and distribution business, there is a risk that some of the Group's activities could have an adverse impact on the local environment. Policies are in place to mitigate these risks, and all of the Group businesses are committed to full compliance with all relevant health and safety and environmental regulations. Further details on the Group's approach to environmental matters is included in the Environmental, Social and Governance Report on page 30.

STREAMLINED ENERGY AND CARBON REPORTING

Under the Companies (Directors' Report) and Limited Liabilities Partnerships (Energy & Carbon Report) Regulations 2019, we are mandated to disclose our UK energy use and associated greenhouse gas emissions. These disclosures are set out separately in the Environmental, Social and Governance Report on page 30.

FINANCIAL INSTRUMENTS

The Group's financial risk management objectives and policies are set out within Note 25 of the financial statements. Note 25 also details the Group's exposure to foreign exchange, share price, interest, credit, capital and liquidity risks. This note is incorporated by reference and deemed to form part of this report.

TAXATION STATUS

The Directors are advised that the Company is not a 'close company' within the provisions of the Income and Corporation Taxes Act 1988.

CORPORATE GOVERNANCE STATEMENT

From September 2018 all AIM companies are required to set out details of a recognised corporate governance code that the Board of directors has chosen to apply, how they comply with that code, and where it departs from its chosen corporate governance code an explanation for doing so.

The Board decided to adopt the Quoted Companies Alliance ("QCA") Code as our guide. The Group's application of this code is detailed in the Corporate Governance Statement on the Group's website at **www.victoriaplc.com/corporate_governance_statement/**. As required under AIM Rule 26, the information in this statement is reviewed annually.

GOING CONCERN

The consolidated financial statements for the Group have been prepared on a going-concern basis.

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Chairman and CEO Statement, the Strategic Report and the Financial Review. In addition, Note 25 to the Accounts includes details of the Group's financial instruments and its exposure to and management of credit risk, liquidity risk, currency risk and interest rate risk.

The Board remains satisfied with the group's funding and liquidity position. During the year ended 3 April 2021 there has been no period where financial covenant tests applied.

The Group's cash position as at the year ended 3 April 2021 was £348.8m, compared with £176.8m as at 28 March 2020. The Group expects to continue to generate positive operating cash flows in the forecast period to Mar-23.

During the year the Group refinanced its existing €500m of Senior Secured Notes ("bonds") due in 2024, with €500m of bonds maturing in August 2026 as well as raising an additional €250m of bonds with a maturity in March 2028. The bonds, in themselves, carry no maintenance financial covenants.

The Group also has access to a £75m multi-currency revolving credit facility ('RCF') maturing in 2024, which was undrawn as at year end. The Directors are therefore of the view that the Group is well placed to manage its business risks. Accordingly, the Directors continue to adopt the going concern basis in preparing the Annual Report and Accounts.

AUDITOR

Each person who is a Director at the date of approval of this Annual Report confirms that:

(a) so far as the Director is aware, there is no relevant audit information of which the Company's Auditors are unaware; and

(b) the Director has taken all steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

The above is in accordance with the provisions of Section 418(2) of the Companies Act 2006.

Grant Thornton UK LLP has expressed its willingness to continue in office as Auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

ANNUAL GENERAL MEETING

Notice of the 2021 Annual General Meeting, together with a description of the business to be discussed at the AGM, is set out in the accompanying Notice. The Notice of this year's Annual General Meeting will be available to view on the Company's website at www.victoriaplc.com.

The Directors consider that each of the proposed resolutions to be considered at the Annual General Meeting are in the best interests of the Company and its shareholders and are most likely to promote the success of the Company

Directors' report

for the benefit of its shareholders as a whole. The Directors unanimously recommend that shareholders vote in favour of each of the proposed resolutions, as the directors intend to do in respect of their own shareholdings.

POST BALANCE SHEET EVENTS

On 21 April 2021 the Group purchased the assets and business of Italian ceramic tile distributors, Ceramica Colli and Vallelunga and the shares of Italian ceramic tile manufacturer, Ceramiche Santa Maria.

On 4 May 2021 the Group acquired Edel Group BV, the Netherlands-based designers, manufacturers, and distributors of artificial grass and carpets.

On 23 June 2021 the Group acquired the shares of Cali Bamboo Holdings Inc, a multi-channel US flooring distributor.

Further details on these post balance sheet events are set out in Note 28 to the Accounts.

By Order of the Board

David Cressman
Company Secretary

20 July 2021

Statement of Directors' responsibilities

The directors are responsible for preparing the Strategic Report and Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company and group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable international financial reporting standards adopted in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

To the best of our knowledge:

- the group financial statements, prepared in accordance international accounting standards in conformity with the requirements of the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board

Michael Scott
Group Finance Director

20 July 2021

Independent auditor's report

to the members of Victoria PLC

OPINION

OUR OPINION ON THE FINANCIAL STATEMENTS IS UNMODIFIED

We have audited the financial statements of Victoria PLC ('the parent company') and its subsidiaries ('the group') for the 53 week period ended 3 April 2021 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Statements of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 3 April 2021 and of the group's profit for the period then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the parent company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

CONCLUSIONS RELATING TO GOING CONCERN

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

Our evaluation of the directors' assessment of the group's and the parent company's ability to continue to adopt the going concern basis of accounting included:

- obtaining confirmation for the relevant financing facilities including the nature of those facilities and the associated repayment terms;
- obtaining management's assessment for the period to March 2023, which included a base case forecast, and obtaining an understanding of how these forecasts were compiled;
- testing the reliability of management's forecasting by comparing the accuracy of the actual financial performance with forecast information obtained in the prior period;

- assessing the reasonableness of the assumptions used in management's forecasts approved by the board;
- challenging the assumptions used within the group's going concern forecasts;
- performing sensitivity analysis on the key assumptions and estimates to determine the impact of reasonably possible movements; and
- assessing the adequacy of the going concern disclosures included within the strategic report and accounting policies for compliance with the requirements of IAS 1 'Presentation of financial statements' (IAS 1).

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the group's and the parent company's business model including effects arising from Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the group's and the parent company's financial resources or ability to continue operations over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

OUR APPROACH TO THE AUDIT

GrantThornton

OVERVIEW OF OUR AUDIT APPROACH

Overall materiality:

Group: £2,300,000 which represents approximately 4.7% of the group's underlying profit before taxation

Parent company: £1,610,000 which is based on 0.5% of the parent company's total assets.

Key audit matters were identified as

- Acquisition accounting including the accuracy of fair value adjustments and accuracy, presentation and disclosure of related contingent remuneration arrangements;
- Impairment (valuation) of goodwill – Ceramics Spain CGU;
- Completeness and accuracy of volume-based rebate arrangements with customers; and
- Recognition, measurement and presentation of new complex, preferred equity financing transactions.

Our auditor's report for the period ended 28 March 2020 included three key audit matters that have not been reported as key audit matters in our current period's report. These related to: accuracy, completeness and presentation of the application of IFRS 16 due to the prior period being the first year of application of the standard and thus significant judgements and estimates were applied in the determination of its impact; and the defined benefit pension risk and going concern risk that have not been included as key audit matters in our current period due to the audit team determining that these risks were less significant in the course of our audit in the allocation of resources.

We performed an audit of the financial information of the component using component materiality (full-scope audit) for nine group components in the United Kingdom, Spain, Italy and Australia. We performed specified audit procedures relating to significant risks of material misstatement of the group financial statements for a component in Italy and a component in the United Kingdom, and an audit of one or more account, balances, classes of transactions or disclosures of the component (specific-scope audit) for one group component in the United Kingdom, one group component in Australia and one group component in the Netherlands. We performed analytical procedures on the financial information of all the remaining group components which are based in Belgium, United Kingdom, France, the Netherlands, and Portugal.

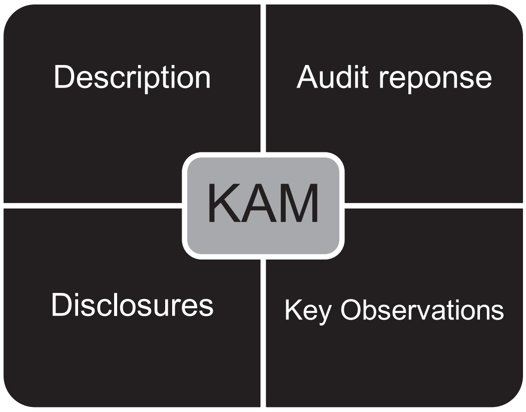
Our full scope and specific-scope audit procedures provided coverage of 80% of the group's consolidated revenue and 81% of the group's consolidated underlying profit before taxation.

Independent auditor's report

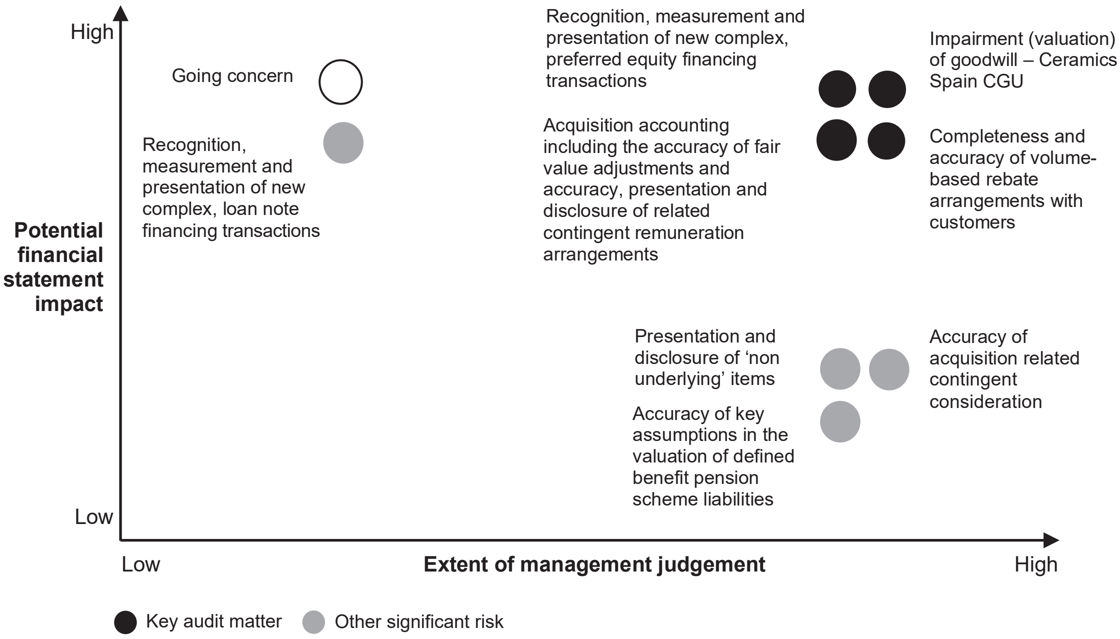
to the members of Victoria PLC

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



In the graph below, we have presented the key audit matters, assertion level significant risks and the risk of going concern.



Key Audit Matter – Group	How our scope addressed the matter – Group

ACQUISITION ACCOUNTING INCLUDING THE ACCURACY OF FAIR VALUE ADJUSTMENTS AND ACCURACY, PRESENTATION AND DISCLOSURE OF RELATED CONTINGENT REMUNERATION ARRANGEMENTS

We identified acquisition accounting including the accuracy of fair value adjustments and accuracy, presentation and disclosure of related contingent remuneration arrangements as one of the most significant assessed risks of material misstatement due to error.

During the period, the group acquired the share capital of Keradom S.r.L ('Keradom') and the trade and assets of MAK Flooring in the newly incorporated entity Hanover Flooring Limited ('Hanover').

The transactions met the definition of a business combination under IFRS 3: 'Business combinations', and as such, management are required to calculate any goodwill arising on the acquisition, being the sum of the fair value of the consideration transferred less the net recognised amount of identifiable assets acquired and liabilities assumed. IFRS 3 also requires separately identifiable intangible assets acquired in such a business combination to be recognised at fair value.

These business combinations resulted in the recognition of goodwill and intangible assets upon consolidation of these entities. The group has also finalised the valuation of intangibles recognised as provisional amounts in the prior period financial statements in respect of the acquisition of Ascot Gruppo Ceramiche.

Management have valued the intangible assets using discounted cash flow forecasts, which require judgements by management around key assumptions such as revenue growth, discount rates, brand loyalty, customer attrition and long term growth rates.

In accordance with IFRS 3 (paragraph 39), when determining the consideration transferred in a business combination, the consideration the acquirer transfers in exchange for the acquiree includes any asset or liability resulting from a contingent consideration arrangement. The acquirer shall recognise the acquisition-date fair value of contingent consideration as part of the consideration transferred in exchange for the acquiree. Contingent amounts payable as part of the acquisitions of Hanover and Keradom have been identified by management.

As described in Note 29 management have recorded a prior period adjustment in respect of acquisition related payments that previously had been accounted for as contingent consideration transferred but has now been adjusted to be treated as post-combination remuneration under IAS 19: 'Employee benefits'. This is in accordance with IFRS 3 Appendix B which states that an arrangement in which payments are automatically forfeited if employment ceases is to be accounted for as remuneration for post-combination services.

Our audit work in respect of the accuracy of acquisition related fair value adjustments included, but was not restricted to:

- obtaining an understanding of the relevant controls that management have implemented over the process for evaluating the accuracy of fair value adjustments in acquisition accounting;
- performing testing on the acquisition balance sheet by sampling key account balances including inventory, trade receivables, trade payables and cash acquired and agreeing the accuracy of the balances acquired to supporting third party documentation. Our work was focused on risk areas in consideration to group materiality;
- obtaining an understanding of the identified material fair value adjustments made to the book value of net assets acquired to check that they are reasonable;
- assessing the competence, capability and objectivity of management's expert, using our internal valuation expert to evaluate and challenge the assumptions used in the valuation by management's expert including discount rates, growth rates, forecast future trading performance and the purchase price allocation, in the calculation of the fair value of the intangibles recognised;
- testing the accuracy of the data used in the intangibles valuation by agreeing data to pertinent supporting documentation such as long term growth forecasts; and
- reperforming management's calculation of the fair value of the consideration transferred less the net recognised amount of identifiable assets acquired and liabilities assumed.

Our audit work in respect of the accuracy, presentation and disclosure of related contingent remuneration arrangements included, but was not restricted to:

- obtaining an understanding of the relevant controls that management have implemented over the process for evaluating the accuracy, presentation and disclosure of related contingent remuneration arrangements;
- testing the completeness and accuracy of management's prior year and current year adjustments including obtaining an understanding of the acquisition accounting and associated agreements for identified, relevant historic acquisitions made and verifying that management have identified, associated with those acquisitions, all earn out arrangements that are contingent on continuing employment and involve leaver provisions and therefore might require adjustment;
- Confirming that, for acquisitions identified as involving relevant leaver provisions, the prior period adjustments made to goodwill, investments, retained earnings, contingent earn out liabilities, fair value adjustments on contingent consideration arrangements the unwinding of the present value of contingent earn out liabilities and amounts presented within the statement of cash flows are accurate and have appropriately reversed the original accounting entries previously made. We have also checked that for relevant adjustments made to goodwill recognised on foreign acquisitions, the revised goodwill balance has been appropriately adjusted at the closing balance sheet exchange rate at each relevant reporting period;

Independent auditor's report

to the members of Victoria PLC

Key Audit Matter – Group	How our scope addressed the matter – Group
Due to the high level of judgement required in determining the appropriate accounting treatment and high level of estimation in determining the fair value of the consideration and certain assets acquired and liabilities assumed, we therefore identified the accuracy of acquisition accounting including fair value adjustments and accuracy, presentation and disclosure of related contingent remuneration arrangements as a significant risk which was one of the most significant assessed risks of material misstatement due to error.	• assessing whether the remuneration arrangements, under the revised accounting, have been appropriately accounted for under IAS 19 and that the assumptions applied in regards to the service periods are reasonable; • obtaining an understanding of management's calculations of remuneration to be recognised under the contingent earn out arrangements in each reporting period, verifying that the calculations use the same financial projections as those used in the assessment of the fair value earn out liabilities, and verifying that other data used in the calculation of remuneration and associated liabilities, such as the physical payments made is accurately recorded; • assessing whether the the prior period adjustment disclosures have appropriately disclosed the nature of the prior period adjustment and financial statement impact of the prior period adjustment in accordance with IAS 1; • testing that the revised acquisition accounting for Keradom and Hanover with contingent payments has been appropriately accounted for as remuneration in the period in respect of the respective acquisitions.
RELEVANT DISCLOSURES IN THE ANNUAL REPORT AND ACCOUNTS 2021 • Financial statements: Note 23, Acquisition of subsidiaries • Financial statements: Note 29, Restatement of acquisition accounting	**KEY OBSERVATIONS** Based on our audit work performed we have not identified any material misstatements relating to the accuracy of acquisition accounting including fair value adjustments. As a result of our audit challenge management recorded a prior year and current year adjustment to the contingent consideration payable. We have not identified any further material misstatements in relation to the accuracy, presentation and disclosure of related contingent remuneration arrangements.

Key Audit Matter – Group	How our scope addressed the matter – Group
IMPAIRMENT (VALUATION) OF GOODWILL – CERAMICS SPAIN CGU We identified impairment (valuation) of goodwill (Ceramics Spain CGU) as one of the most significant assessed risks of material misstatement due to error. The group posted an impairment in relation to the Ceramics Spain CGU of £50 million in the prior period. The process for assessing whether an impairment exists under International Accounting Standard (IAS) 36 'Impairment of Assets' is complex. When carrying out the goodwill impairment review, determining the recoverable amount for each cash-generating unit ("CGU") requires management to make judgements over several key inputs in the value-in-use discounted cash flow models. These include revenue growth, discount rates and long-term growth rates. Due to the high level of estimation uncertainty; the potential impact of Covid-19 on future trading; and the impairment noted in the prior period, we therefore identified the valuation of goodwill in relation to the Ceramics Spain CGU as a significant risk which was one of the most significant assessed risks of material misstatement due to error.	Our audit work included, but was not restricted to: • obtaining an understanding of the relevant controls that management have implemented over the process for evaluating the valuation of goodwill in relation to the Ceramics Spain CGU; • obtaining management's impairment paper and impairment workings, critically assessing management's assessment of cash generating units, for the impairment review, being the smallest group of assets that includes the asset and generates cash inflows in accordance with IAS 36; • testing that the methodology applied in the value in use calculation are in accordance with the requirements of IAS 36, the mathematical accuracy of management's model, the calculation of the discount rate and the key underlying assumptions such as revenue growth, margin trends, capital expenditure and working capital requirements for the financial year 2022 budget ('FY22'); • challenging management on their FY22 cash flow forecast and in particular whether it appropriately factored in the impact of COVID-19 and corroborating to relevant evidence such as external market data to support key assumptions; • using our auditor expert to assess management's assumptions used in calculating the discount rates used in the value in use calculation; • assessing management's medium and long term growth rates used in the forecast including comparison to economic and industry forecasts where appropriate; • performing a sensitivity analysis in respect of the key assumptions, such as discount and growth rates, to consider the level of headroom in management's calculation; • testing the accuracy and sufficiency of management's accounts disclosures in respect of goodwill and associated testing for impairment.
RELEVANT DISCLOSURES IN THE ANNUAL REPORT AND ACCOUNTS 2021 • Financial statements: Note 9, Goodwill	**KEY OBSERVATIONS** Based on our procedures performed and challenge provided we have not identified any material misstatement relating to impairment of goodwill in respect of the Ceramics Spain CGU.

Independent auditor's report

to the members of Victoria PLC

Key Audit Matter – Group	How our scope addressed the matter – Group
COMPLETENESS AND ACCURACY OF VOLUME-BASED REBATE ARRANGEMENTS WITH CUSTOMERS We identified completeness and accuracy of volume-based rebate arrangements with customers under the presumed risk of fraud in revenue recognition as one of the most significant assessed risks of material misstatement due to fraud. The group has a significant number of rebate agreements with customers. These agreements can contain multiple terms or tiered arrangements based on the volume of goods sold. We have identified revenue recognition on volume-based rebate arrangements with customers, and the resulting judgements made by management to be a significant risk of fraud due to the complex nature and estimation involved. We have considered this risk to be specific to the occurrence assertion. Determining the amount of revenue to be recognised requires management to make a significant judgement over the estimated amount of consideration to which the group expects to be entitled to in exchange for transferring the promised goods after deducting volume rebates creating variability in the transaction price, and thus the recognition of variable consideration under IFRS 15.	Our audit work included, but was not restricted to: • obtaining an understanding of the relevant controls that management have implemented over the process for evaluating the completeness and accuracy of volume-based rebate arrangements; • assessing whether the revenue recognition policies are in accordance with the requirements of IFRS 15 and have been applied appropriately and consistently; • performing a substantive analytical review of the volume-based rebate expense and accrual at year end, setting an expectation of the amounts and comparing this to with the amounts recorded in the financial records; • obtaining an understanding of significant revenue deductions or credits issued to customers in the period to determine if they are related to rebate arrangements; • performing audit sampling over the key customer relationships that have resulted in volume-based revenue adjustments during the year, and testing the appropriateness of the provision recorded at the period end, challenging management and corroborating explanations they provided to pertinent supporting information such as rebate agreements and sales data; • identifying significant new, large customers or revised agreements, challenging management on whether there are any discount or rebate agreements in place and inspecting credits or cash payments made after the period end to determine if post-year end activity is indicative of unrecorded customer arrangements; • agreeing a sample of rebate provisions to underlying rebate contracts and sales in the year to recalculate the year end provision; and • testing a sample of customer deductions in the year by agreeing to supporting documentation such as contractual agreements and subsequent cash payment or credit notes issued to the customer.
RELEVANT DISCLOSURES IN THE ANNUAL REPORT AND ACCOUNTS 2021 • Financial statements: Accounting policies; Revenue Recognition	**KEY OBSERVATIONS** Based on our procedures performed we have not identified any material misstatement relating to the completeness and accuracy of volume-based rebate arrangements with customers.

Key Audit Matter – Group and parent company	How our scope addressed the matter – Group and parent company
RECOGNITION, MEASUREMENT AND PRESENTATION OF NEW COMPLEX, PREFERRED EQUITY FINANCING TRANSACTIONS We identified the recognition, measurement and presentation of new complex financing transactions as one of the most significant assessed risks of material misstatement due to error. The group engaged in a significant financing transaction in the period. Koch Equity Development, a subsidiary of Koch Industries based in the US, committed to invest £175m of capital via convertible preferred shares. These shares carry no voting rights and can be redeemed by the group at any time. On 16 November 2020 Koch subscribed for £75,000 denominated preferred shares at an amount equal to £1,000 per preferred share with total proceeds received on completion of £66m (net of structuring discount and transaction costs). The remaining balance is to be invested at Victoria's request at any time during the 18 month period following the subscription of the initial preferred shares. The preferred shares are perpetual, convertible, redeemable non-voting preferred shares. The shares also carry the option to convert to common equity after six years or upon change of control events. On 16 November 2020, Victoria also granted 12,402,000 warrants (the "Warrants") on the ordinary shares of the Company to Koch. IAS 32 'Financial Instruments: Presentation' focuses on the instruments contractual obligations, identifying the substance of the relevant obligations in order to classify as debt, equity or a compound instrument. IFRS 9 'Financial Instruments' specifices how an entity should classify and measure financial instruments. Given the materiality of amounts involved in these transactions, stakeholder focus on the debt held by the group and the level of judgement and estimation to be applied in the valuation and accounting treatment for the financing arrangements, we consider there to be a significant risk that the transactions have not been recognised, measured or presented correctly, a risk which was one of the most significant assessed risks of material misstatement due to error.	Our audit work included, but was not restricted to: • obtaining an understanding of the relevant controls that management have implemented over the process for evaluating the accounting for the recognition, measurement and presentation of new complex, preferred equity financing transactions; • assessing whether the accounting policies adopted by the directors are in accordance with the requirements of IFRS 9 'Financial Instruments' and IAS 32 'Financial Instruments: Presentation'; • obtaining an understanding of the nature and terms of the transactions through reading relevant legal agreements and discussions with management; • using our auditor's expert to evaluate and challenge the assumptions used by management in the valuation of the host debt contract on initial recognition, the follow on commitment, the non-closely related embedded derivatives and warrants, including implied volatilities and the equity risk premium; • challenging management in regards to the disclosure of key terms and other key disclosure requirements of IFRS 7: 'Financial instruments – disclosure', including appropriate clarification of the doubling of the number of ordinary shares that the preferred equity holders would otherwise receive on conversion brought about by, along with other matters, a change of control following acceptance of an offer deemed to be investment grade; and • confirming the appropriateness of the treatment of the debt issue costs.
RELEVANT DISCLOSURES IN THE ANNUAL REPORT AND ACCOUNTS 2021 • Financial statements: Note 16, Other financial liabilities	**KEY OBSERVATIONS** As a result of our audit challenge, management recorded an adjustment to the value of the warrants and follow on commitment recognised on the transaction date. We have not identified any further material misstatements in relation to the new complex, preferred equity financing transactions

Independent auditor’s report

to the members of Victoria PLC

OUR APPLICATION OF MATERIALITY

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor’s report.

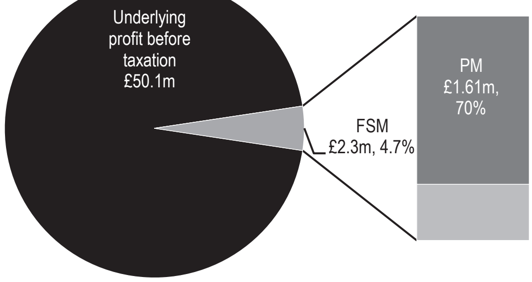
Materiality was determined as follows:

Materiality measure	Group	Parent company
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	£2,300,000 which represents approximately 4.7% of the group’s underlying profit before taxation.	£1,610,000 which is based on 0.5% of the total assets of the parent company, adjusted to be no higher than the group performance materiality.
Significant judgements made by us in determining the materiality	In determining materiality, we made the following significant judgements: • Underlying profit before tax is considered to be the most appropriate benchmark because this is a key performance measure used by the Directors to report to investors on the financial performance of the group. Materiality for the current period is the same as the level that we determined for the period ended 28 March 2020.	In determining materiality, we made the following significant judgements: • Total assets is considered the most appropriate benchmark as we consider that it reflects the parent company’s status as a non-trading holding company. Materiality for the current year is lower than the level that we determined for the year ended 28 March 2020 to reflect reduced component materiality applied to support the group audit opinion.
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	£1,610,000 which is 70% of financial statement materiality.	£1,127,000 which is 70% of financial statement materiality
Significant judgements made by us in determining the performance materiality	In determining performance materiality for the group, we made the following significant judgements • whether there were any significant adjustments made to the financial statements in prior years; • whether there were any significant control deficiencies identified in prior years; • whether there were any changes in senior management during the period; and • whether there were any significant changes in business objectives/strategy.	In determining performance materiality for the parent company, we made the following significant judgements: • whether there were any significant adjustments made to the financial statements in prior years; • whether there were any significant control deficiencies identified in prior years; • whether there were any changes in senior management during the period; and • whether there were any significant changes in business objectives/strategy

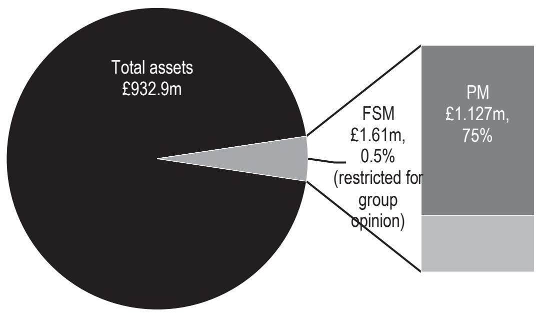
Materiality measure	Group	Parent company
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	
Specific materiality	We determined a lower level of specific materiality for non-underlying items, Director's remuneration and identified related party transactions outside of the normal course of the business.	We determined a lower level of specific materiality for Director's remuneration and identified related party transactions outside of the normal course of the business.
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee.	
Threshold for communication	£100,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£80,500 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality.

Overall materiality – Group



Overall materiality – Parent company



FSM: Financial statement materiality, PM: Performance materiality.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

Understanding the group, parent company, its components, and their environments, including group-wide controls

Our audit approach was a risk-based approach founded on a thorough understanding of the group's and parent company's business, its environment and risk profile. The group's accounting process is primarily resourced through a central function within the UK, with local finance function within Australia, Belgium, France, Italy, the Netherlands, Portugal and Spain. Each local finance function reports into the central group finance function based at the group's head office. The engagement team obtained an understanding of the group and its environment, including group-wide controls, and assessed the risks of material misstatement at the group level.

Identifying significant components

The components of the group were evaluated by the group audit team based on a measure of materiality, considering each as a percentage of the group's revenue, underlying profit before tax and total assets, to assess the significance of the component to determine the planned audit response.

Independent auditor's report

to the members of Victoria PLC

Type of work performed on financial information of parent and other components

A full scope audit approach for all components evaluated as significant was determined based on their relative share of key group financial metrics including revenue, underlying profit before taxation and total assets. For components classified as "individually financially significant to the group" an audit of the financial information of the component using component materiality (full-scope audit) was performed. We also considered whether any components were likely to include significant risks of material misstatement to the group financial statements due to their specific nature or circumstances. No such components were identified in the current year.

For significant components requiring a full scope audit approach we or the component auditors obtained an understanding of the relevant controls over the financial reporting system identified as part of our risk assessment. For all significant risks identified, the group team or component auditor obtained an understanding of the relevant controls that management have implemented over the processes.

In order to address the audit risks identified during our planning procedures, the group audit team performed a full scope audit on the financial information of the parent company and component auditors performed a full scope audit on the financial information of four other significant components in the United Kingdom, Spain and Italy. Component auditors performed a full scope audit on the financial information of five other non-significant components in the United Kingdom, Italy and Australia.

Specified audit procedures relating to significant risks of material misstatements of the group financial statements were carried out by the group audit team in respect of a component in the United Kingdom and by a component auditor in respect of a component in Italy. An audit of one or more classes of transactions, account balances or disclosures was carried out by component auditors in respect of a component in the United Kingdom, a component in Australia and a component in the Netherlands. To add unpredictability to our group scoping and risk assessment, the Group audit team also carried out procedures in respect of a subsidiary in the Netherlands.

The remaining operations of the group were subjected to analytical procedures with a focus on the estimation and judgemental areas, including potential management bias, of volume-based rebate arrangements with customers; complex financing transactions; impairment of goodwill; accuracy of fair value adjustments and contingent consideration associated with acquisitions; presentation and disclosure of non-underlying items; accuracy of key assumptions in the valuation of defined pension scheme liabilities and through management override of controls, and the significance to the group's balances.

Performance of our audit

Our full-scope and specific-scope audit procedures provided coverage of 80% of the group's consolidated revenue and 81% of the group's consolidated underlying profit before taxation.

Audit approach	Number of components	Coverage of revenue	Coverage of underlying profit before taxation
Full-scope audit	9	70%	56%
Specific-scope audit	5	10%	25%
Analytical procedures	22	20%	19%

Communications with component auditors

Detailed audit instructions were issued to the component auditors of the reporting components where a full scope approach had been identified, except for those significant components where the component audit engagement leader was also part of the group audit team. The instructions highlighted the significant risks to be addressed through the audit procedures and detailed the information that we required to be reported to the group audit team. The group audit team conducted a review of the work performed by the component auditors, and communicated with all component auditors throughout the planning, fieldwork and concluding stages of the group audit. Key working papers were prepared by the group team summarising the group team's review of component auditor files, except for those components where the component audit engagement leader was also part of the group audit team, in which situation, the group audit engagement leader reviewed key component audit working papers directly.

Due to the restrictions imposed by Covid 19, the majority of our work was performed remotely, however we did attend physical stock counts. Due to the travel restrictions in place, we held detailed discussions with the component audit teams, including remote reviews of the work performed, update calls on the progress of their fieldwork and by attending the component audit clearance meetings with component management via video call.

Changes in approach from previous period

The scope of the current period audit was similar to that in the prior period other than in the following areas:

- A component in Australia and a component in the UK have been removed from the full-scope audit owing to their financial insignificance in context of the group as a whole.
- To add unpredictability to our group scoping and risk assessment, the group audit team carried out procedures in respect of a component in the Netherlands.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

OUR OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006 IS UNMODIFIED

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Independent auditor’s report

to the members of Victoria PLC

MATTER ON WHICH WE ARE REQUIRED TO REPORT UNDER THE COMPANIES ACT 2006

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors’ report.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors’ remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

RESPONSIBILITIES OF DIRECTORS FOR THE FINANCIAL STATEMENTS

As explained more fully in the directors’ responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group’s and the parent company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

AUDITOR’S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

EXPLANATION AS TO WHAT EXTENT THE AUDIT WAS CONSIDERED CAPABLE OF DETECTING IRREGULARITIES, INCLUDING FRAUD

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

How we obtained an understanding of the legal and regulatory framework

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the parent company and the group and sector in which they operate through our commercial and sector experience, making enquiries of management and those charged with governance; and inspection of the parent company's and the group's key external correspondence. We corroborated our enquiries through our review of board minutes and other information obtained during the course of the audit.

Which laws and regulations we identified as being significant in the context of the parent company and the group

- Through the understanding that we obtained, we determined the most significant legal and regulatory frameworks which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks including international accounting standards in conformity with the requirements of the Companies Act 2006; AIM Rules for Companies; the Companies Act 2006 and the relevant taxation regulations in the jurisdictions in which the parent company and group operates.

How we assessed the susceptibility of the parent company's and the group's financial statements to material misstatement, including how fraud might occur

- We assessed the susceptibility of the parent company's and the group's financial statements to material misstatement, including how fraud might occur, by considering management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to the estimation and judgemental areas with a risk of fraud, including potential management bias, of volume-based rebate arrangements with customers and through management override of controls.
- Our audit procedures included:
  - Making enquiries of management concerning the parent company's and the group's policies and procedures relating to the identification, evaluation and compliance with laws and regulations; the detection and response to the risks of fraud; and the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations. We considered whether there is a culture of honesty and ethical behaviour within the parent company and the group and whether there is a strong emphasis of prevention and deterrence of fraud amongst those charged with governance. We also enquired with management and those charged with governance whether they were aware of any instances of non-compliance with laws and regulations, or whether they had any knowledge of actual, suspected, or alleged fraud. We corroborated the results of our enquires to relevant supporting documentation;
  - Gaining an understanding of the controls that management has in place to prevent and detect fraud;
  - Understanding how the parent company and the group is complying with those legal and regulatory frameworks by making inquiries of management; those responsible for legal and compliance procedures; and the company secretary. We corroborated our inquiries through our review of Board minutes.
  - Challenging significant accounting assumptions, estimates and judgements made by management, including those relevant to the estimation and judgemental areas with a risk of fraud, including potential management bias, of volume-based rebate arrangements with customers;
  - Journal entry testing, with a focus on journals indicating large or unusual transactions or account combinations based on our understanding of the business and those posted directly to the financial statements that related to revenue;
  - Gaining and understanding of and testing significant identified related party transactions;
  - Assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item;
  - Performing audit procedures to consider the compliance of disclosures in the financial statements with the applicable financial reporting requirements; and
  - For components at which audit procedures were performed, we requested the component auditor to report to us instances of non-compliance with laws and regulations that gave rise to a risk of material misstatement of the group financial statements.

Independent auditor's report

to the members of Victoria PLC

- Our audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

How we assessed whether the engagement team collectively had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations

- Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - Understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;
  - Knowledge of the industry in which the parent company and the group operates; and
  - Understanding of the legal and regulatory requirements specific to the parent company and the group including; the provisions of the applicable legislation, the regulators rules and the applicable statutory provisions.

Which matters about non-compliance with laws and regulations and fraud were communicated the audit team

- Communications within the audit team in respect of potential non-compliance with laws and regulations and fraud included the potential for fraud in relation to the estimation and judgemental areas with a risk of fraud, including potential management bias, of volume-based rebate arrangements with customers and through management override of controls in the preparation of the financial statements.

USE OF OUR REPORT

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Paul Holland BSc BFP FCA

Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP

Statutory Auditor, Chartered Accountants

Birmingham

20 July 2021

Consolidated income statement

For the 53 weeks ended 3 April 2021

	Notes	**53 weeks ended 3 April 2021** Underlying performance £m	Non-underlying items £m	Reported numbers £m	52 weeks ended 28 March 2020 (restated) Underlying performance £m	Non-underlying items £m	Reported numbers £m
Continuing operations							
Revenue	1	**662.3**	**-**	**662.3**	621.5	-	621.5
Cost of Sales		**(427.4)**	**-**	**(427.4)**	(395.1)	-	(395.1)
Gross profit		**234.9**	**-**	**234.9**	226.4	-	226.4
Distribution costs		**(74.8)**	**-**	**(74.8)**	(73.2)	-	(73.2)
Administrative expenses		**(84.2)**	**(33.9)**	**(118.1)**	(82.9)	(82.8)	(165.7)
Other operating income		**3.9**	**-**	**3.9**	4.0	-	4.0
Operating profit / (loss)		**79.8**	**(33.9)**	**45.9**	74.3	(82.8)	(8.5)
Comprising:							
Operating profit before credit losses, non-underlying and exceptional items		**81.3**	**-**	**81.3**	77.1	-	77.1
Increase in credit loss provision		**(1.5)**	**-**	**(1.5)**	(2.8)	-	(2.8)
Amortisation of acquired intangibles	2	**-**	**(26.8)**	**(26.8)**	-	(25.0)	(25.0)
Other non-underlying items	2	**-**	**0.7**	**0.7**	-	(7.9)	(7.9)
Exceptional goodwill impairment	2	**-**	**-**	**-**	-	(50.0)	(50.0)
Other exceptional items	2	**-**	**(7.8)**	**(7.8)**	-	0.1	0.1
Finance costs	3	**(29.7)**	**(23.7)**	**(53.4)**	(26.3)	(30.8)	(57.1)
Comprising:							
Interest on loans and notes	3	**(23.9)**	**(1.4)**	**(25.3)**	(21.5)	-	(21.5)
Amortisation of prepaid finance costs and accrued interest	3	**(2.6)**	**(7.3)**	**(9.9)**	(2.1)	(4.4)	(6.5)
Unwinding of discount on right-of-use lease liabilities	3	**(3.0)**	**-**	**(3.0)**	(2.6)	-	(2.6)
Preferred equity items	3	**-**	**(13.1)**	**(13.1)**	-	-	-
Other finance items	3	**(0.2)**	**(1.9)**	**(2.1)**	(0.1)	(26.4)	(26.5)
Profit / (loss) before tax	4	**50.1**	**(57.6)**	**(7.5)**	48.0	(113.6)	(65.6)
Taxation (charge) / credit	6	**(13.0)**	**23.3**	**10.3**	(12.4)	8.2	(4.2)
Profit / (loss) for the period from continuing operations		**37.1**	**(34.3)**	**2.8**	35.6	(105.4)	(69.8)
Loss from discontinued operations		**-**	**-**	**-**	-	(2.0)	(2.0)
Profit / (loss) for the period		**37.1**	**(34.3)**	**2.8**	35.6	(107.4)	(71.8)
Earnings / (loss) per share - pence basic	7			**2.30**			(57.22)
diluted	7			**2.29**			(57.22)

Consolidated statement of comprehensive income

For the 53 weeks ended 3 April 2021

	Note	53 weeks ended 3 April 2021 £m	52 weeks ended 28 March 2020 (restated) £m
Profit / (loss) for the period		**2.8**	(71.8)
Other comprehensive income / (expense)			
Items that will not be reclassified to profit or loss:			
Actuarial (loss) / gain on defined benefit pension scheme	20	**(0.1)**	1.4
Decrease in deferred tax asset relating to pension scheme liability		**-**	(0.1)
Items that will not be reclassified to profit or loss		**(0.1)**	1.3
Items that may be reclassified subsequently to profit or loss:			
Retranslation of overseas subsidiaries		**(6.1)**	3.1
Items that may be reclassified subsequently to profit or loss		**(6.1)**	3.1
Other comprehensive (expense) / income		**(6.2)**	4.4
Total comprehensive expense for the period attributable to the owners of the parent		**(3.4)**	(67.4)

Consolidated and Company Balance Sheets

As at 3 April 2021

		Group			Company	
	Notes	**3 April 2021 £m**	28 March 2020 (restated) £m	30 March 2019 (restated) £m	**3 April 2021 £m**	28 March 2020 (restated) £m
Non-current assets						
Goodwill	9	**164.8**	172.6	203.7	**-**	-
Intangible assets other than goodwill	10	**224.2**	244.3	241.4	**0.2**	0.2
Property, plant and equipment	11	**202.1**	211.6	190.6	**-**	-
Right-of-use lease assets	11	**82.6**	78.5	-	**5.7**	6.0
Investment property	12	**0.2**	0.2	0.2	**0.1**	0.1
Investments in subsidiaries	12	**-**	-	-	**201.7**	182.6
Trade and other non-current receivables	14	**-**	-	-	**428.7**	481.3
Deferred tax assets	19	**17.2**	6.4	5.8	**0.6**	1.4
Total non-current assets		**691.1**	713.6	641.7	**637.0**	671.6
Current assets						
Inventories	13	**164.4**	165.4	140.5	**-**	-
Trade and other receivables	14	**150.1**	144.1	116.0	**31.5**	35.8
Cash and cash equivalents	17	**348.8**	176.8	66.4	**264.4**	115.4
Total current assets		**663.3**	486.3	322.9	**295.9**	151.2
Total assets		**1,354.4**	1,199.9	964.6	**932.9**	822.8
Current liabilities						
Trade and other current payables	15	**213.8**	241.2	168.4	**11.7**	14.7
Current tax liabilities	6	**5.1**	-	-	**-**	-
Obligations under right-of-use leases - current	16	**13.0**	11.8	-	**0.2**	0.3
Other financial liabilities	16, 17	**30.2**	4.9	10.4	**13.5**	-
Total current liabilities		**262.1**	257.9	178.8	**25.4**	15.0
Non-current liabilities						
Trade and other non-current payables	15	**17.0**	16.6	17.5	**-**	-
Obligations under right-of-use leases - non-current	16	**74.0**	68.0	-	**5.8**	5.8
Other non-current financial liabilities	16	**647.5**	540.6	392.3	**622.1**	538.7
Preferred equity	16	**70.1**	-	-	**70.1**	-
Preferred equity – contractually-linked warrants	16	**6.1**	-	-	**6.1**	-
Deferred tax liabilities	19	**62.9**	69.9	66.1	**-**	-
Retirement benefit obligations	20	**6.5**	6.3	7.8	**-**	-
Total non-current liabilities		**884.1**	701.4	483.7	**704.1**	544.5
Total liabilities		**1,146.2**	959.3	662.5	**729.5**	559.5
Net assets		**208.2**	240.6	302.1	**203.4**	263.3
Equity						
Share capital	21	**6.3**	6.3	6.3	**6.3**	6.3
Share premium	22	**-**	288.7	288.7	**-**	288.7
Retained earnings	22	**198.7**	(62.7)	2.5	**193.5**	(34.3)
Foreign exchange reserve	22	**(0.4)**	5.7	2.6	**-**	-
Other reserves	22	**3.6**	2.6	2.0	**3.6**	2.6
Total equity		**208.2**	240.6	302.1	**203.4**	263.3

The loss of the Company for the year determined in accordance with the Companies Act 2006 was £30.9m (2020 restated: loss of £37.2m). The restated Company balance sheet as at 30 March 2019 is disclosed in Note 29.

Company Registered Number (England & Wales) 282204.

The financial statements on pages 53 to 117 were approved by the Board of Directors and authorised for issue on 20 July 2021.

They were signed on its behalf by:

Michael Scott
Group Finance Director

Consolidated statement of changes in equity

For the 53 weeks ended 3 April 2021

	Share capital £m	Share premium £m	Retained earnings £m	Foreign exchange reserve £m	Other reserves £m	Total equity £m
At 30 March 2019 on previous basis	6.3	288.7	20.6	2.3	2.0	319.9
Impact of restatement (Note 29)	-	-	(18.1)	0.3	-	(17.8)
At 30 March 2019 (restated)	6.3	288.7	2.5	2.6	2.0	302.1
Loss for the period to 28 March 2020	-	-	(71.8)	-	-	(71.8)
Other comprehensive income for the period	-	-	1.3	-	-	1.3
Retranslation of overseas subsidiaries	-	-	-	3.1	-	3.1
Total comprehensive loss	-	-	(70.5)	3.1	-	(67.4)
Transfer between reserves	-	-	5.3	-	(5.3)	-
Share-based payment charge	-	-	-	-	5.9	5.9
Transactions with owners	-	-	5.3	-	0.6	5.9
At 28 March 2020 (restated)	6.3	288.7	(62.7)	5.7	2.6	240.6
At 28 March 2020 on previous basis	6.3	288.7	(42.9)	5.9	2.6	260.6
Impact of restatement (Note 29)	-	-	(19.8)	(0.2)	-	(20.0)
At 28 March 2020 (restated)	6.3	288.7	(62.7)	5.7	2.6	240.6
Profit for the period to 3 April 2021	-	-	2.8	-	-	2.8
Other comprehensive loss for the period	-	-	(0.1)	-	-	(0.1)
Retranslation of overseas subsidiaries	-	-	-	(6.1)	-	(6.1)
Total comprehensive profit / (loss)	-	-	2.7	(6.1)	-	(3.4)
Cancellation of share premium account	-	(288.7)	288.7	-	-	-
Buy back of ordinary shares	-	-	(30.0)	-	-	(30.0)
Share-based payment charge	-	-	-	-	1.0	1.0
Transactions with owners	-	(288.7)	258.7	-	1.0	(29.0)
At 3 April 2021	**6.3**	**-**	**198.7**	**(0.4)**	**3.6**	**208.2**

Company statement of changes in equity

For the 53 weeks ended 3 April 2021

	Share capital £m	Share premium £m	Retained earnings £m	Other reserves £m	Total equity £m
At 30 March 2019 on previous basis	6.3	288.7	(6.9)	2.0	290.1
Impact of restatement (Note 29)	-	-	4.5	-	4.5
At 30 March 2019 (restated)	6.3	288.7	(2.4)	2.0	294.6
Loss for the period to 28 March 2020	-	-	(37.2)	-	(37.2)
Total comprehensive loss	-	-	(37.2)	-	(37.2)
Transfer between reserves	-	-	5.3	(5.3)	-
Share-based payment charge	-	-	-	5.9	5.9
Transactions with owners	-	-	5.3	0.6	5.9
At 28 March 2020 (restated)	6.3	288.7	(34.3)	2.6	263.3
At 28 March 2020 on previous basis	6.3	288.7	(38.9)	2.6	258.7
Impact of restatement (Note 29)	-	-	4.6	-	4.6
At 28 March 2020 (restated)	6.3	288.7	(34.3)	2.6	263.3
Loss for the period to 3 April 2021	-	-	(30.9)	-	(30.9)
Total comprehensive loss	-	-	(30.9)	-	(30.9)
Cancellation of share premium account	-	(288.7)	288.7	-	-
Buy back of ordinary shares	-	-	(30.0)	-	(30.0)
Share-based payment charge	-	-	-	1.0	1.0
Transactions with owners	-	(288.7)	258.7	1.0	(29.0)
At 3 April 2021	**6.3**	**-**	**193.5**	**3.6**	**203.4**

Consolidated and Company statements of cash flows

For the 53 weeks ended 3 April 2021

	Note	Group 53 weeks ended 3 April 2021 £m	Group 52 weeks ended 28 March 2020 (restated) £m	Company 53 weeks ended 3 April 2021 £m	Company 52 weeks ended 28 March 2020 £m
Cash flows from operating activities					
Operating profit / (loss)		**45.9**	(8.5)	**(3.2)**	(8.4)
Adjustments for:					
Depreciation and amortisation of IT software		**47.7**	40.9	**0.6**	0.5
Amortisation of acquired intangibles		**26.8**	25.0	**-**	-
Negative goodwill arising on acquisition		**(6.5)**	(5.8)	**-**	-
Goodwill impairment		**-**	50.0	**-**	-
Amortisation of government grants		**(0.5)**	(0.5)	**-**	-
Profit on disposal of property, plant and equipment		**(0.1)**	(0.2)	**-**	-
Share incentive plan charge		**1.0**	5.9	**0.2**	4.5
Defined benefit pension		**(0.1)**	(0.1)	**-**	-
Net cash flow from operating activities before movements in working capital, tax and interest payments		**114.2**	106.7	**(2.4)**	(3.4)
Change in inventories		**7.6**	(4.4)	**-**	-
Change in trade and other receivables		**(0.3)**	(10.8)	**(1.1)**	-
Change in trade and other payables		**(25.6)**	9.9	**0.1**	0.4
Cash generated by continuing operations before tax and interest payments		**95.9**	101.4	**(3.4)**	(3.0)
Interest paid on loans and notes		**(30.4)**	(25.0)	**(29.0)**	(24.4)
Interest relating to right-of-use lease assets		**(3.0)**	(2.6)	**(0.2)**	(0.2)
Income taxes paid		**(5.0)**	(8.6)	**2.4**	-
Net cash flow from discontinued operations		**-**	0.1	**-**	-
Net cash inflow from operating activities		**57.5**	65.3	**(30.2)**	(27.6)
Investing activities					
Purchases of property, plant and equipment		**(27.6)**	(32.7)	**-**	-
Purchases of intangible assets		**(0.9)**	(1.1)	**-**	(0.1)
Loan to subsidiary companies		**-**	-	**34.1**	11.3
Proceeds on disposal of property, plant and equipment		**1.2**	0.7	**-**	-
Deferred consideration and earn-out payments		**(15.6)**	(10.0)	**-**	-
Acquisition of subsidiaries net of cash acquired		**(2.8)**	(11.0)	**-**	-
Proceeds from disposal of subsidiaries		**-**	0.9	**-**	-
Net cash used in investing activities		**(45.7)**	(53.2)	**34.1**	11.2
Financing activities					
Increase in new borrowings, net of refinancing costs		**303.7**	109.0	**276.4**	111.2
Repayment of borrowings		**(164.7)**	-	**(164.7)**	-
Issue of preferred equity, net of refinancing costs		**65.3**	-	**65.3**	-
Buy back of ordinary shares		**(30.0)**	-	**(30.0)**	
Payments under right-of-use lease obligations		**(11.3)**	(9.0)	**(0.4)**	(0.4)
Net cash generated in financing activities		**163.0**	100.0	**146.6**	110.8
Net increase in cash and cash equivalents		**174.8**	112.1	**150.5**	94.4
Cash and cash equivalents at beginning of period		**174.7**	60.2	**115.4**	19.0
Effect of foreign exchange rate changes		**(4.7)**	2.4	**(3.2)**	2.0
Cash and cash equivalents at end of period		**344.8**	174.7	**262.7**	115.4
Comprising:					
Cash and cash equivalents	17	**348.8**	176.8	**264.4**	115.4
Bank overdrafts	17	**(4.0)**	(2.1)	**(1.7)**	-
		344.8	174.7	**262.7**	115.4

Significant Accounting Policies

BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

The financial statements have been prepared on the historical cost basis, except for certain financial instruments which are recorded at fair value in accordance with IFRS9. Land and buildings were professionally valued at 4 April 2004 and this valuation was adopted as deemed cost on adoption of IFRS. The accounting policies have been applied consistently in the current and prior year. The principal accounting policies adopted are set out below.

BASIS OF PREPARATION

The consolidated financial statements have been prepared on a going concern-basis. The Directors' Report on page 34 sets out the justification for this basis of preparation.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company is exposed, or has the rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The Company has taken advantage of the exemption provided under section 408 of the Companies Act 2006 not to publish its individual income statement and statement of comprehensive income and related notes.

BUSINESS COMBINATIONS

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in the business combination are measured initially at their fair values at the acquisition date.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; less
- the net recognised amount of the identifiable assets acquired and liabilities assumed.

Costs related to acquisition, other than those associated with the issue of debt or equity securities that the Group incurs in connection with a business combination, are expensed as incurred.

If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

INVESTMENTS IN SUBSIDIARIES HELD BY THE COMPANY

Investments in subsidiaries held by the Company are included at cost less accumulated impairment.

GOODWILL

Goodwill represents the excess of the fair value of the cost of a business acquisition over the Group's share of the fair value of assets and liabilities acquired as at the date of acquisition.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management controls the related cash flows.

Goodwill with an indefinite useful life is tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell and value in use, based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rate to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

If the impairment is subsequently reversed, the carrying amount, except in the case of goodwill, is increased to the revised estimate of its recoverable amount, limited to the carrying value that would have been determined had no impairment been recognised previously. Impairment losses in respect of goodwill are not subsequently reversed.

DISCONTINUED OPERATIONS

A discontinued operation is a component of the Group that either has been disposed of or is classified as held for sale, and;

- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to trade.

Profit or loss from discontinued operations, including prior year components, are presented as a single movement in the statement of comprehensive income.

SEGMENTAL REPORTING

The Group's internal organisation and management structure and its system of internal financial reporting to the Board of Directors are based on the geographical locations and operational characteristics of its businesses. The chief operating decision-maker has been identified as the Executive Directors.

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

INVESTMENT PROPERTIES

Investment properties are valued on an historical cost basis. In adopting this historical cost approach, the requirements to disclose fair value are set out in Note 12.

REVENUE RECOGNITION

The group enters into contracts with customers involving one performance obligation being the sale of flooring products. Revenue is recorded at transaction price being the amount of consideration to with the group equates to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties, for example some sales or value added taxes in accordance with IFRS 15. Revenue from the sale of goods is recognised at a point in time when promised goods have been transferred to a customer at which point the performance obligation is considered to have been satisfied. The customer is considered to obtain control of the promised goods at the point of delivery.

The standalone selling price of the product sold to a customer is clearly determined from the contract entered into. The total transaction price is estimated as the amount of consideration to which the group expects to be entitled in exchange for transferring the promised goods after deducting trade discounts and volume rebates which create variability in the transaction price. In determining the variable consideration to be recognised, trade discounts and volume rebates are estimated based on the terms of the contractually agreed arrangements and the amount of consideration to which the group will be entitled in exchange for transferring the promised goods to the customer. Variable consideration is estimated using the 'most likely amount' method.

Payment terms are between 30 and 60 days, therefore the impact of the time value of money is minimal.

CASH AND CASH EQUIVALENTS

Cash comprises amounts held short-term on deposit with financial institutions.

Cash equivalents comprises short-term highly liquid corporate bonds with maturities of three months or less from inception that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Bank overdrafts that are repayable on demand are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

INTEREST INCOME

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

DIVIDEND INCOME

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Significant Accounting Policies

FOREIGN CURRENCIES

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in Sterling, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised in equity. In order to hedge its exposure to certain foreign exchange risks, the Group enters into forward contracts (see below for details of the Group's accounting policies in respect of such derivative financial instruments).

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Sterling using exchange rates prevailing on the balance sheet date. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

GOVERNMENT GRANTS

Government grants relating to property, plant and equipment are treated as deferred income, and released to profit or loss over the expected useful lives of the assets concerned. Other government grants, including those such as related to the Coronavirus Job Retention Scheme ("CJRS") in the UK , are recognised in profit or loss over the periods necessary to match them with the related costs and are deducted in reporting the related expense.

RETIREMENT BENEFIT COSTS

(a) Defined contribution schemes

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

(b) Defined benefit schemes

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the Balance Sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise, net of the related deferred tax.

Administrative expenses incurred by the Trustees in connection with managing the Group's pension schemes are recognised in the Consolidated Income Statement.

TAXATION

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

In respect of IFRS 16 leases, each lease is considered as a single transaction in which the asset and liability are linked so that there is no net temporary difference at inception and subsequently deferred tax is recognised on the net temporary difference arising on settlement of the liability and the amortisation of the right of use asset plus the finance charge on the lease liability.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

PROPERTY, PLANT AND EQUIPMENT

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the balance sheet at their deemed cost, being the fair value at the date of adoption of IFRS, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Depreciation on buildings is charged to profit or loss.

Other fixed assets are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, less any anticipated residual value, over their estimated useful lives.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease. The expected useful lives of assets are:

Buildings: 50 years
Plant and equipment: 3 to 20 years
Fixtures and equipment: 3 to 20 years
Motor vehicles: 4 to 5 years
Sampling assets: 2 to 5 years

Annual reviews are made of estimated useful lives and material residual values.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Sampling assets consist of a variety of product samples and sample books, as well as point of sale stands. The group places these assets with retail customers for the purpose of helping to generate future consumer sales, and therefore sales for the Group. Sampling assets are included within the category 'Fixtures, vehicles and equipment' as shown in note 11.

INTANGIBLE ASSETS

(i) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date, which is regarded as their cost.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

(ii) Amortisation of intangible assets

Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets. The expected useful lives of intangible assets are:

Significant Accounting Policies

Customer relationships: 10 to 20 years
Brand names: 20 to 35 years
Developed technology: 4 years

Amortisation commences from the date the intangible asset becomes available for use.

(iii) Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

(iv) Impairment of tangible and intangible assets (other than goodwill)

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

BUSINESS GROWTH FUND LOAN

The Group's fully subordinated £10m 2021 loan facility with the Business Growth Fund ('BGF') includes a redemption premium of £2.1m, the payment of which was deferred during the prior year from December 2019 to December 2021.

The BGF facility was originally put in place in September 2014 along with warrants for BGF to acquire ordinary shares in Victoria Plc, which were exercised in November 2017. In September 2017 the terms of the agreement were revised, giving rise to a substantial modification. The debt component was recognised at the point of modification at fair value based on similar liabilities without associated equity warrants, including a proportion of directly attributable transaction costs, and is subsequently measured at amortised cost using the effective interest rate method.

SHARE-BASED PAYMENTS

The equity settled share-based incentive programme allows certain Group employees to exchange growth shares issued in the intermediate holding company Victoria Midco Holdings Limited into Ordinary Shares in Victoria PLC of equivalent value. The fair value of the growth shares is based on growth in the share price of Victoria PLC above a hurdle, and is measured using an appropriate valuation model (Black-Scholes or Monte Carlo) at grant date. The fair value is spread over the vesting period, representing the Company's best estimate of the time in which the participant will exchange growth shares for Ordinary Shares in the Company, with the charge to the income statement recognised as an employee expense, and a corresponding increase in equity.

ACQUISITION RELATED PERFORMANCE PLAN CHARGES

Certain acquisitions made by the Group include an element of consideration, known as an earn-out, that is contingent on the financial performance of the target business meeting pre-determined targets over a specified period. Where the earn-out is also contingent on the continued employment of the seller(s) following the acquisition, this is then treated as a non-underlying remuneration cost (see below), accrued over the earn-out period (i.e. the period over which the effective employment condition is applicable) into an acquisition-related performance plan liability.

Two of the historical acquisitions were made by the Company directly (as opposed to via a subsidiary). In these cases the non-underlying remuneration cost is treated as an increase in the quantum of the relevant investment in subsidiary, with no income statement impact in the Company itself as the amounts reflect services to the subsidiary and were paid on the subsidiary's behalf.

Also included within acquisition-related performance plans is a liability relating to an incentive structure put in place with the senior management team of Keraben at the time of acquisition of that business. Similar to other acquisition-related performance plans, an accrual is assessed at each period end based on the expected value at vesting, spread over the duration of the scheme. This scheme vested following the FY21 year-end.

EXCEPTIONAL ITEMS

Operating costs which are material by virtue of their size or incidence and are not expected to be recurring are disclosed as exceptional items. Acquisition costs, being third-party professional fees in connection with prospecting and completing acquisitions, are expensed in accordance with IFRS 3 and in each case relate to specific transactions that are considered one-off events. As such, these costs do not recur in future periods.

NON-UNDERLYING ITEMS

Non-underlying items are material non-trading income and costs and non-underlying finance costs as defined by the Directors. In line with IAS 1 para 85, the non-underlying items are disclosed separately in the Consolidated Income Statement given, in the opinion of the Directors, such presentation is relevant to an understanding of the Group's financial performance. Determining the presentation of an item as non-underlying is considered to be a significant judgement in the preparation of the annual report.

Non-underlying items comprise:

Operating income and costs

(a) Acquisition-related performance plan charge

Charge relating to the accrual of expected liability under acquisition-related performance plans. The related liabilities can go up or down based on the actual and expected financial performance of the relevant acquired businesses over the earn-out period. Given these plans are linked directly to specific historical acquisitions, the related charges are treated as non-underlying.

(b) Non-cash share incentive plan charge

A share-based long-term incentive plan was put in place for senior management in April 2018. This plan is based on share price performance over a five year period, and is redeemable through the issue of Victoria PLC shares only. Given the non-cash nature of this scheme and the fact that any expected share issue is accounted for in the assessment of fully diluted earnings per share, the corresponding IFRS2 charge is treated as a non-underlying cost. See note 5 for further details of the scheme.

(c) Amortisation of acquired intangibles

The amortisation of intangible assets arising from business combinations (primarily customer relationships and brand names) arises only for a finite period of time as a result of accounting for business combinations. This cost is non-cash in nature and, unlike the depreciation or amortisation of other assets, is not expected to result in a future capital cost to the business in relation to replacement or renewal.

Finance costs

(a) Release of prepaid finance costs

Certain one-off costs in relation to arrangement of new debt facilities are held on the balance sheet against the relevant debt liability and amortised over the life of the facility. On refinancing of facilities, any outstanding prepaid costs are released to the income statement as the previous facility is extinguished and treated as a non-underlying finance cost.

(b) Underwriting fees and costs relating to previous bank facilities

In the prior year reporting period fees were paid in relation to an underwritten bank facility that was obtained to provide certainty around the refinancing process in July-2019 plus deferred costs relating to the previous bank facilities and refinancing process. The nature of these costs are non-recurring and not considered to form part of the underlying performance of the business.

Significant Accounting Policies

(c) Fair value adjustment to notes redemption option

Any fair value adjustment to embedded derivates is shown as a non-underlying financial item.

(d) Unsecured loan redemption premium charge / credit

This is a non-cash item charge / credit relating to the £2.1 million redemption premium on the BGF loan. During the prior year, payment of the BGF redemption premium was deferred from December 2019 to December 2021, resulting in a one-off credit to the income statement.

(e) Unwinding of present value of deferred and contingent earn-out liabilities

Contingent consideration in respect of acquisitions is measured under IFRS 3, initially at fair value discounted for the time value of money. Subsequently, the present value is reassessed to unwind the time value of money. Such adjustments are non-cash in nature and are not considered to form part of the underlying performance of the business.

Deferred consideration in respect of acquisitions is measured under IFRS 3 at amortised cost. Such adjustments are non-cash in nature and are not considered to form part of the underlying performance of the business.

(f) Other adjustments to present value of contingent earn-out liabilities

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. Such adjustments are non-cash in nature and are not considered to form part of the underlying performance of the business.

(g) Mark-to market adjustments on foreign exchange contracts

The mark to market valuation of forward foreign exchange contracts is entirely dependent on closing exchange and interest rates at the balance sheet date, and therefore not considered to form part of the underlying performance of the business.

(h) Translation differences on foreign currency loans

The impact of exchange rate movements on foreign currency loans presented in Sterling within the balance sheet of the Company or of its consolidated UK subsidiaries is treated as a non-underlying finance cost.

(i) Financial costs relating to preferred equity, associated warrants and other items

There are a number of financial items in the income statement that relate to the preferred equity, associated warrants and other items (see below), as follows:

- A financial cost relating to the effective interest rate on the amortisation of the underlying host instrument;
- A financial cost relating to the amortisation of the asset representing the commitment by KED to invest in additional preferred equity at Victoria's option;
- A financial cost relating to the accrual of the 6% commitment fee;
- A financial cost / credit relating to the movement in fair value of the redemption option asset; and
- A financial cost / credit relating to the movement in fair value of the warrants liability.

Given the instrument is legally equity capital and equity-like in nature as the preferred shares are perpetual, and there is no obligation to ever cash settle any of the preferred dividends, any ongoing financial costs in respect of this facility are not considered to form part of the underlying performance of the business.

FINANCIAL INSTRUMENTS

(a) Financial assets

The Group's financial assets fall into the categories discussed below, with the allocation depending on the purpose for which the asset was acquired. Although the Group occasionally uses derivative financial instruments in economic hedges of currency rate risk, it does not hedge account for these transactions.

Unless otherwise indicated, the carrying amounts of the Group's financial assets are a reasonable approximation of their fair values.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

(i) Assets held at amortised cost

They arise principally through the provision of goods and services to customers (e.g. trade receivables) and deposits held at banks but may also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition or issue and subsequently carried at amortised cost as reduced by appropriate allowances for estimated unrecoverable amounts.

The effect of discounting on these financial instruments is not considered to be material.

The group makes use of a simplified approach to accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are expected shortfalls in contractual cash flows, considering the potential for default at any point during the lifetime of the financial instrument. The group uses its historical experience, external indicators and forward-looking information to calculate expected credit loss using a provision matrix.

The group oversees impairment of trade receivables on a collective basis as they possess shared credit risk characteristics and they have bee grouped on the number of days overdue. See note 17 for an analysis of how the impairment requirements of IFRS9 have been applied.

Assets held at amortised cost in the company includes loans issued to other group companies. They are initially recognised at fair value less transaction costs that are directly attributable and subsequently at amortised cost reduced by appropriate allowances for credit losses.

For loans with other group companies that are repayable on demand, expected credit losses are based on the assumption that repayment of the loan is demanded at the reporting date in accordance with IFRS 9.

For other loans with group companies where the credit risk is deemed to be low a 12-month expected credit loss is recognised in accordance with IFRS 9.

(ii) Fair value through profit or loss

This category comprises "in the money" foreign exchange derivatives to the extent that they exist (see (b)(ii) for "out of the money" derivatives). They are carried in the balance sheet at fair value with changes in fair value recognised in the income statement.

The fair value of the Group's foreign exchange derivatives is measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturity of the contracts.

(b) Financial liabilities

The Group classifies its financial liabilities into one of two categories depending on the purpose for which the liability was incurred. Although the Group uses derivative financial instruments in economic hedges of currency risk, it does not hedge account for these transactions.

Unless otherwise indicated, the carrying amounts of the Group's financial liabilities are a reasonable approximation of their fair values.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

(i) Financial liabilities measured at amortised cost

These liabilities include the following items:

- Trade payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost.
- Bank borrowings and loan notes are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost. Interest is recognised as a finance expense in the income statement.
- Deferred, non-contingent consideration payable in relation to acquisitions, which is initially recognised at fair value and subsequently carried at amortised cost.

(ii) Fair value through profit or loss

These liabilities include the following items:

- "Out of the money" foreign exchange derivatives and interest rate swaps to the extent that they exist (see (a)(ii) for "in the money" derivatives). They are carried in the balance sheet at fair value with changes in fair value recognised in finance income or expense. Other than these derivative financial instruments, the Group does not have any liabilities held for trading nor has it designated any financial liabilities as being at fair value through profit or loss

  The methods used for calculating the fair value of the Group's interest rate and foreign exchange derivatives have been described in (a)(ii) above.

Contingent consideration payable in relation to acquisitions, which are carried in the balance sheet at fair value with changes in fair value recognised in finance income or expense.

(c) Share capital

The Group's Ordinary shares are classified as equity instruments. Share capital includes the nominal value of the shares. Any share premium attaching to the shares are shown as share premium.

Significant Accounting Policies

(d) Embedded derivatives

The Group recognises an embedded derivate separate from the host contract where the economic characteristics and risks of the embedded derivative are not closely related to those of the host liability contract and the host financial liability contract itself is not measured at fair value through profit or loss. The embedded derivative is bifurcated and reported at fair value at inception, with gains and losses recognised on financial assets/ liabilities at fair value through profit or loss. The host financial lability contract will continue to be accounted for in accordance with the appropriate accounting standard. The carrying amount of an embedded derivative is reported in the same balance sheet line items as the host financial liability contract.

PREFERRED EQUITY, ASSOCIATED WARRANTS AND OTHER ITEMS

On 30 October 2020 the Company entered into an agreement whereby Koch Equity Development, LLC ('KED') (via its affiliate KED Victoria Investments, LLC) committed to invest a total of £175m by way of convertible preferred equity to be issued by the Company. As part of this agreement, £75m of preferred equity was issued immediately, on 16 November 2020. Additionally, KED was issued ordinary equity warrants over a maximum of 12.402m ordinary shares, exercisable following the third anniversary (unless preferred shares have been cash redeemed or there has been a change in control of the Company) at an exercise price of £3.50, and for which the Company has the option to net settle. A cap mechanism applies that potentially further reduces the number of shares issuable on exercise.

Whilst the preferred equity is legally structured as an equity instrument through the Company's articles of association and have many equity-like features, they must be accounted for as a financial instrument under IFRS. This primarily relates to the fact that the conversion option is based on the prevailing share price, and therefore it fails the 'fixed-for-fixed' criteria as prescribed in the standard. Based on the terms of the preferred equity, the underlying host instrument was identified alongside a number of other related items, including non-closely related embedded derivatives.

The underlying host instrument is held at amortised cost, which includes a 5% structuring discount. This is amortised using the effect interest rate method. This liability is held on the balance sheet net of prepaid financing costs, which are amortised at the same rate.

The KED commitment to invest in up to £100m additional preferred equity at Victoria's election was identified as an associated financial instrument. This asset is held at amortised cost over the 18 month period of the commitment. Associated with this option is a 6% commitment fee, which is payable in cash either when the additional preferred equity is issued or the commitment is cancelled at the Company's option. This is accrued on a straight-line basis and sits as an additional liability alongside this asset. These items are netted-off against the preferred equity host instrument on the balance sheet.

Two non closely-related embedded derivatives were identified:

(i) the Victoria option to cash redeem (rather than the instrument running into perpetuity or conversion, see below) which is held at fair value through profit and loss.

(ii) the KED option to convert into ordinary shares - this was valued at £nil.

The attached warrants have been identified as a separate liability on the balance sheet, which is held at fair value through profit and loss.

Further details on the preferred equity instrument are included in the Financial Review and Note 16 to the Accounts.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS) ADOPTED FOR THE FIRST TIME IN THE YEAR

There were no new standards or amendments to standards adopted for the first time this year that had a material impact on the results for the group.

FUTURE ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published by the IASB but are not yet effective and have not been applied early to the Group. These standards are not expected to have a material impact on the results for the Group.

Notes to the accounts

1. SEGMENTAL INFORMATION

The Group is organised into three operating segments: soft flooring products in UK & Europe; ceramic tiles in UK & Europe; and flooring products in Australia. The Executive Board (which is collectively the Chief Operating Decision Maker) regularly reviews financial information for each of these operating segments in order to assess their performance and make decisions around strategy and resource allocation at this level.

The UK & Europe Soft Flooring segment comprises legal entities in the UK, Republic of Ireland, the Netherlands and Belgium, whose operations involve the manufacture and distribution of carpets, flooring underlay, artificial grass, LVT, and associated accessories. The UK & Europe Ceramic Tiles segment comprises legal entities primarily in Spain and Italy, whose operations involve the manufacture and distribution of wall and floor ceramic tiles. The Australia segment comprises legal entities in Australia, whose operations involve the manufacture and distribution of carpets, flooring underlay and LVT.

Whilst additional information has been provided in the operational review on sub-segment activities, discrete financial information on these activities is not regularly reported to the CODM for assessing performance or allocating resources.

No operating segments have been aggregated into reportable segments.

Both underlying operating profit and reported operating profit are reported to the Executive Board on a segmental basis.

Transactions between the reportable segments are made on an arm length's basis. The reportable segments exclude the results of non revenue generating holding companies, including Victoria PLC. These entities' results have been included as unallocated central expenses in the tables below.

Income statement

	53 weeks ended 3 April 2021					52 weeks ended 28 March 2020				
	UK & Europe Soft Flooring £m	**UK & Europe Ceramic Tiles £m**	**Australia £m**	**Unallocated central expenses £m**	**Total £m**	UK & Europe Soft Flooring £m	UK & Europe Ceramic Tiles £m	Australia £m	Unallocated central expenses £m	Total £m
Income statement										
Revenue	**280.4**	**282.4**	**99.6**	**-**	**662.3**	282.0	243.9	95.6	-	621.5
Underlying operating profit	**28.7**	**40.4**	**11.9**	**(1.3)**	**79.8**	20.0	50.5	5.7	(1.9)	74.3
Non-underlying operating items	**(5.0)**	**(18.9)**	**(1.7)**	**(0.5)**	**(26.1)**	(5.8)	(18.8)	(1.7)	(6.6)	(32.9)
Exceptional goodwill impairment	**-**	**-**	**-**	**-**	**-**	-	(50.0)	-	-	(50.0)
Other exceptional operating items	**0.1**	**(4.3)**	**-**	**(3.6)**	**(7.8)**	(1.0)	3.7	(0.7)	(1.9)	0.1
Operating profit / (loss)	**23.8**	**17.2**	**10.2**	**(5.4)**	**45.9**	13.2	(14.6)	3.3	(10.4)	(8.5)
Underlying net finance costs					**(29.7)**					(26.3)
Non-underlying finance costs					**(23.7)**					(30.8)
Loss before tax					**(7.5)**					(65.6)
Tax					**10.3**					(4.2)
Loss from discontinued operations					**-**					(2.0)
Profit / (loss) for the period					**2.8**					(71.8)

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

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

All revenue generated across each operating segment was from the sale of flooring products recognised at a point in time in accordance with IFRS 15. The flooring products sold across each operating segment have similar production processes, classes of customers and economic characteristics such as similar rates of profitability, similar degrees of risk, and similar opportunities for growth.

Notes to the accounts

1. SEGMENTAL INFORMATION (CONTINUED)

The Group's revenue for the period was split geographically (by origin) as follows:

	2021 £m	2020 £m
Revenue		
United Kingdom	**243.4**	259.5
Spain	**197.2**	209.3
Italy	**85.2**	34.6
Netherlands	**36.9**	22.5
Australia	**99.6**	95.6
	662.3	621.5

Balance sheet

	53 weeks ended 3 April 2021					52 weeks ended 28 March 2020 (restated)				
	UK & Europe Soft Flooring £m	**UK & Europe Ceramic Tiles £m**	**Australia £m**	**Central £m**	**Total £m**	UK & Europe Soft Flooring £m	UK & Europe Ceramic Tiles £m	Australia £m	Central £m	Total £m
Total Assets	**274.5**	**692.2**	**91.7**	**296.0**	**1,354.4**	265.5	703.3	78.2	152.9	1,199.9
Total Liabilities	**(136.7)**	**(246.4)**	**(32.4)**	**(730.6)**	**(1,146.2)**	(122.5)	(254.0)	(26.3)	(556.5)	(959.3)
Net Assets	**137.7**	**445.8**	**59.3**	**(434.6)**	**208.2**	143.0	449.3	51.9	(403.6)	240.6

The Group's non-current assets (net of deferred tax) as at 3 April 2021 were split geographically as follows:

	2021 £m	2020 £m
Non-current assets (net of deferred tax)		
United Kingdom	**171.9**	167.4
Spain	**389.1**	430.9
Italy	**72.3**	70.7
Netherlands	**0.9**	0.2
Australia	**39.7**	38.0
	673.9	707.2

Other segmental information

	53 weeks ended 3 April 2021					52 weeks ended 28 March 2020				
	UK & Europe Soft Flooring £m	**UK & Europe Ceramic Tiles £m**	**Australia £m**	**Unallocated central expenses £m**	**Total £m**	UK & Europe Soft Flooring £m	UK & Europe Ceramic Tiles £m	Australia £m	Unallocated central expenses £m	Total £m
Depreciation and amortisation of IT software (including depreciation of right-of-use lease assets)	**20.3**	**22.6**	**4.7**	**-**	**47.6**	19.6	16.8	4.5	-	40.9
Amortisation of acquired intangibles	**4.9**	**20.2**	**1.7**	**-**	**26.8**	4.7	18.6	1.7	-	25.0
	25.2	**42.9**	**6.4**	**-**	**74.4**	24.3	35.4	6.2	-	65.9

1. SEGMENTAL INFORMATION (CONTINUED)

	53 weeks ended 3 April 2021					52 weeks ended 28 March 2020				
	UK & Europe Soft Flooring £m	**UK & Europe Ceramic Tiles £m**	**Australia £m**	**Central £m**	**Total £m**	UK & Europe Soft Flooring £m	UK & Europe Ceramic Tiles £m	Australia £m	Central £m	Total £m
Capex - PPE (incl. finance lease / HP)	**12.7**	**12.7**	**2.2**	**-**	**27.6**	13.1	16.8	2.7	-	32.7
Disposals of property, plant and equipment	**(0.9)**	**(0.2)**	**-**	**-**	**(1.1)**	(0.5)	(0.1)	(0.1)	-	(0.7)
Capex - intangibles (incl. finance lease / HP)	**0.1**	**0.8**	**-**	**-**	**0.9**	0.3	0.7	-	0.1	1.1
Total capital expenditure (cashflow)	**11.9**	**13.3**	**2.2**	**-**	**27.4**	12.9	17.5	2.6	0.1	33.1

2. EXCEPTIONAL AND NON-UNDERLYING ITEMS

	2021 £m	2020 (restated) £m
Exceptional items		
(a) Acquisition and disposal related costs	**(3.0)**	(2.2)
(b) Reorganisation and Covid-related exceptional costs	**(5.5)**	(3.5)
(c) Negative goodwill arising on acquisition	**6.5**	5.8
(d) Contingent consideration linked to positive tax ruling	**(5.7)**	-
(e) Exceptional goodwill impairment	**-**	(50.0)
Total exceptional items	**(7.8)**	(49.9)
Non-underlying operating items		
(f) Acquisition-related performance plans	**1.7**	(2.0)
(g) Non-cash share incentive plan charge	**(1.0)**	(5.9)
(h) Amortisation of acquired intangibles	**(26.8)**	(25.0)
	(26.1)	(32.9)

All exceptional items are classified within administrative expenses.

(a) One-off third-party professional fees in connection with prospecting and completing specific acquisitions during the period. The prior year also includes costs associated with a business disposal.

(b) One-off costs relating to a few small efficiency projects during the year, of which the majority were redundancy costs, plus one-off expenditure relating to precautionary measures for health and safety in light of Covid-19. Other than redundancy payments these items relate entirely to exceptional third-party purchases and fees, and do not include any allocation of internal resources. The largest of the new efficiency projects were the merger of our Westex manufacturing operations into one of the other UK factories, and the integration of Ascot (acquired in March 2020) with our incumbent Italian business, Serra. Prior year costs relate to synergy projects and performance improvement programmes.

(c) Negative goodwill arising on consolidation of subsidiaries acquired during the prior year, achieved through favourable bilateral negotiations.

(d) One-off charge in the year reflecting the final instalment of contingent consideration on the acquisition of Keraben, which was linked to a positive ruling over the tax deductibility of certain pre-acquisition costs (see Note 6).

(e) One-off goodwill impairment charge during the prior year, see note 9 for further details.

(f) Credit/(charge) relating to the accrual of expected liability under acquisition-related performance plans (see Notes 15 and 29 for further details).

(g) Non-cash, IFRS2 share-based payment charge in relation to the long-term management incentive plans.

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

Notes to the accounts

3. FINANCE COSTS

	2021 £m	2020 (restated) £m
Underlying finance items		
Interest on bank facilities and notes	**23.1**	20.7
Interest on unsecured loans	**0.8**	0.8
Total interest on loans and notes	**23.9**	21.5
Amortisation of prepaid finance costs on loans and notes	**2.6**	2.1
Unwinding of discount on right-of-use lease liabilities	**3.0**	2.6
Net interest expense on defined benefit pensions	**0.2**	0.1
	29.7	26.3
Non-underlying finance items		
(a) Release of prepaid finance costs	**7.3**	4.4
(b) Net cost of redemption premium on refinancing of previous senior notes	**6.3**	-
(c) Underwriting fees and costs relating to previous bank facilities	**-**	6.5
One-off refinancing related	**13.6**	10.9
(d) Finance items related to preferred equity	**13.1**	-
Preferred equity related	**13.1**	-
(e) Unwinding of present value of deferred and contingent earn-out liabilities	**0.3**	0.8
(f) Other adjustments to present value of contingent earn-out liabilities	**0.7**	0.9
(g) Unwinding of present value of acquisition-related performance plans	**1.1**	1.3
Acquisitions related	**2.1**	3.1
(h) Interest on short-term draw of Group revolving credit facility	**1.4**	-
(i) Fair value adjustment to notes redemption option	**(4.6)**	7.3
(j) Unsecured loan redemption premium charge / (credit)	**0.2**	(0.2)
(k) Mark to market adjustments and gains on foreign exchange forward contracts	**4.2**	(3.2)
(l) Translation difference on foreign currency loans	**(6.3)**	13.0
Other non-underlying	**(5.1)**	16.9
	23.7	30.8

(a) Non-cash charge relating to the release of prepaid costs on previous bank facilities on refinancing. In light of positive market conditions, the company opportunistically approached the bond market in March 2021 to refinance its 2024 senior secured notes despite only having issued these notes during the prior year, securing a reduction in coupon from 5.25% to 3.625%. Hence why a charge has occurred in both the current and prior periods.

(b) Cost of early redemption in relation to the refinancing of the 2024 senior secured notes, offset in part by the release of the liability premium relating to the embedded derivatives attached to the host debt.

(c) One off fees paid in the prior year in relation to underwritten bank facilities obtained to provide certainty around the company's inaugural refinancing processes, plus deferred costs relating to previous 2018 bank facilities.

(d) The net impact of non-cash items relating to preferred equity issued to Koch Equity Development during the year. This comprises: i) accrual of preferred dividends and other value movements of the host contract (£3.4m); ii) fair value adjustment to embedded derivative representing a cash settlement option (£5.2m); iii) amortisation of associated instrument representing the option to issue additional preferred equity (£0.7m); iv) fair value adjustment to contractually-linked warrants (£1.6m); and iv) 6% ticking fee on option to issue £100.0m additional preferred equity (£2.2m).

(e) Non-cash costs relating to the unwinding of present value discounts applied to deferred consideration and contingent earn-outs on historical business acquisitions. 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.

(f) Non-cash items relating to changes in contingent earn-out consideration arising from the evolution of actual and forecast financial performance of the relevant acquisitions.

3. FINANCE COSTS (CONTINUED)

(g) Non-cash cost relating to unwinding of the present value discount on acquisition-related performance plans (see Notes 15 and 29 for further details).

(h) Interest cost associated with the drawing of the Group's £75m revolving credit facility in March, as a precautionary measure in response to the Coronavirus pandemic. This has subsequently been repaid.

(i) Fair value adjustment to embedded derivative representing the early redemption option within the terms of the senior secured notes. See Note 16 for further details.

(j) Unsecured loan redemption premium charge / credit – Non-cash item relating to the £2.1m redemption premium on the BGF loan. During the prior year it was agreed with the BGF to defer payment from December 2019 to December 2021, resulting in a one off credit to the income statement.

(k) Non-cash fair value adjustments on foreign exchange forward contracts. In the period this was offset by a realised cash gain on certain FX contracts (£0.5m).

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

See Financial Review for further details of these items.

4. PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

	2021 £m	2020 (restated) £m
After charging / (crediting):		
Net foreign exchange losses	**(0.3)**	0.6
Depreciation of property, plant and equipment (see Note 11)	**33.2**	30.3
Depreciation of right-of-use lease assets (see Note 11)	**13.8**	10.2
Amortisation of intangible assets (see Note 10)	**27.5**	25.5
Staff costs (see Note 5)	**134.8**	125.2
Employment support receipts related to Covid-19 pandemic (see Note 5)	**(6.9)**	-
Cost of inventories recognised as an expense	**327.9**	313.2
Profit on sale of fixed assets	**0.1**	0.2
Government grants (see Note 24)	**(0.5)**	(0.5)
Operating lease rentals	**1.4**	0.9
Contingent consideration linked to positive tax ruling	**5.7**	-
Warehousing and transport costs	**46.9**	48.8
Exceptional goodwill impairment (see Note 2)	**-**	50.0
Exceptional costs including professional fees (see Note 2)	**8.5**	5.7
Negative goodwill arising on acquisition (see Note 2)	**(6.5)**	(5.8)
Marketing and office expenses	**34.6**	29.6

Auditor's remuneration	**2021 £m**	2020 £m
Fees payable to the Company's Auditor in respect of audit services:		
The audit of the Group consolidated accounts	**0.28**	0.12
The audit of the Company's subsidiaries pursuant to legislation	**0.57**	0.49
Total audit fees	**0.85**	0.61
Audit-related assurance services	**0.06**	0.04
Tax compliance services	**-**	0.08
Taxation advisory services	**0.02**	0.07
Services relating to corporate finance transactions (either proposed or entered into) by or on behalf of the Company or any of its associates	**0.17**	0.22
Total non-audit fees	**0.25**	0.41

Notes to the accounts

5. STAFF COSTS

	Group		Company	
	2021 **£m**	2020 (restated) £m	**2021** **£m**	2020 £m
Wages and salaries	**110.8**	96.7	**1.0**	0.8
Social security costs	**20.1**	16.7	**0.1**	0.1
Share-based employee remuneration (including accelerated IFRS 2 charge)	**1.0**	5.9	**1.0**	5.9
Other pension costs	**4.6**	3.9	**0.1**	-
Acquisition-related performance plans	**(1.7)**	2.0	**-**	-
Gross employment costs	**134.8**	125.2	**2.2**	6.8
Employment support receipts	**(6.9)**	-	**-**	-
Employment costs net of government grants	**127.9**	125.2	**2.2**	6.8

Directors' remuneration is included as part of the staff costs above. Directors' remuneration is disclosed separately on page 33 of the Directors' Report and forms part of these financial statements.

Employment support receipts relate to government Covid support schemes, in particular the UK Coronavirus Job Retention Scheme (£6.4m). The majority of this was received during the first national lockdowns in April and May 2020. As a result of these schemes, the group was able to avoid restructuring activities during that time in order to cut costs.

Average number employed (including executive directors of subsidiaries):

	Group		Company	
	2021	2020	**2021**	2020
Directors	**65**	67	**7**	6
Sales and marketing	**552**	513	**-**	-
Production, logistics and maintenance	**2,581**	2,566	**-**	-
Finance, IT and administration	**276**	264	**3**	3
	3,475	3,410	**10**	9

Share-based payment schemes

I Shares scheme

On 10 April 2018, a long-term incentive plan was introduced to incentivise senior employees. The plan involves the issue of up to 100,000 ordinary shares in Victoria Midco Holdings Limited.

The Plan will operate for a five year period, with the value of the Incentive Shares linked to cumulative Total Shareholder Return ("TSR") delivered each year above a hurdle, being the current market capitalisation of the Company increased annually by 20% p.a. on a compounding basis (i.e. within each annual period shareholders have to receive a return of 20% before the participants benefit from the Plan).

At the end of the Plan, the Incentive Shares can be exchanged for new ordinary shares in Victoria, (at the then prevailing share price averaged over the month prior to exchange). While the Company has the ability to buy back Incentive Shares after 3 years (it is not anticipated that this right will be exercised), participants can only choose to exchange at the end of the full five-year period of the Plan. Customary good and bad leaver provisions will apply.

On 10 April 2018, the Group issued 73,855 I shares ('I1 Shares'). On 1 April 2019, a further 4,350 I shares were issued ('I2 Shares').

5. STAFF COSTS (CONTINUED)

To fair value the share awards, a Monte Carlo model has been applied as this is considered the most appropriate model when TSR performance conditions exist in a share scheme. The key inputs and assumptions applied in this model for the I1 and I2 Shares respectively are set out in the table below:

Inputs and Assumptions	I1 Shares	I2 Shares
Grant date	10 April 2018	1 April 2019
Victoria Plc share price at grant	£7.31	£4.52
Expected term	5.4 years	4.4 years
Risk free rate (continuously compounded)	1.10%	0.80%
Expected dividend yield	0.0%	0.0%
Expected volatility	26.00%	30.00%

Based on this model, the aggregate fair value of the I1 and I2 Shares was assessed to be £9.8m and £0.4m respectively. The fair value of the I shares are charged to the income statement over the vesting period of the scheme, which is expected to be 5.4 years for the I1 shares and 4.4 years for the I2 shares, with a corresponding credit to equity as the charge is non-cash.

The expected volatility assumption has been determined with consideration to the historical share price volatility over a period commensurate with the expected maximum term of the I shares and the historical volatility of industry comparator companies.

During the prior year, a number of the participants exited the scheme including certain of the Company's directors. 50,775 I1 shares were cancelled and a further 7,690 were forfeited, leaving 15,390 still in issue.

In the year ended 3 April 2021, none of the 15,390 I1 shares in issue were exercisable and there has been no cancellations or forfeitures during the period.

In the year ended 3 April 2021, none of the I2 shares were exercisable and there has been no cancellations or forfeitures during the period. All of the I2 shares issued remained in place as at 3 April 2021.

2020 LTIP Plan

On 26 June 2020, a long-term incentive plan ('2020 LTIP Plan') was introduced to incentivise senior employees. 5p cost options have been granted to 17 scheme participants in varying proportions, which, when exercised, will convert into 1,250,000 ordinary shares. The participants will be able to exercise these options in June 2024 provided they are still employed by the Group at that time.

To fair value the options, the share price at the date of issue of was applied to the number of options awarded. The fair value was determined as £2.93m and this charge will be spread over the vesting period of four years.

Certain of the Company's directors are participating in the 2020 LTIP Plan, as detailed below.

Name	Number of issued Incentive Shares
Philippe Hamers	245,000
Michael Scott	200,000

Notes to the accounts

6. TAXATION

	2021 £m	2020 £m
Current tax		
– Current year UK	**0.7**	-
– Current year overseas	**8.5**	8.7
– Adjustments in respect of prior years	**0.1**	-
	9.3	8.7
Deferred tax		
– Credit recognised in the current year	**(20.3)**	(4.9)
– Adjustments in respect of prior years	**0.7**	(0.1)
– Effect of rate change	**-**	0.5
	(19.6)	(4.5)
Total tax (credit) / charge	**(10.3)**	4.2

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 tax charge for the year can be reconciled to the profit per the income statement as follows:

	2021		2020 (restated)	
	£m	**%**	£m	%
Loss before tax from continuing operations	**(7.5)**		(65.6)	
Tax credit at the UK corporation tax rate of 19% (2020: 19%)	**(1.4)**	**19.0**	(12.5)	19.0
Tax effect of items that are not deductible / non-taxable in determining taxable profit	**(0.5)**	**6.4**	13.9	(21.1)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**2.4**	**(32.1)**	2.9	(4.4)
Deferred consideration fair value remeasurement non taxable	**0.1**	**(1.3)**	0.2	(0.3)
Recognition of deferred tax asset not previously recognised	**(13.0)**	**173.7**	-	-
Effect of change in rate	**-**	**-**	0.6	(0.9)
Effect of change in future tax rate enacted on deferred tax recognised on intangible assets	**(1.5)**	**20.0**	(0.8)	1.2
Tax losses not recognised as a deferred tax asset	**2.8**	**(37.4)**	-	-
Adjustments to prior periods	**0.8**	**(10.7)**	(0.1)	0.2
Tax (credit) / charge and effective tax rate	**(10.3)**	**137.6**	4.2	(6.4)

During the year the Spanish tax authorities positively ruled on a previous submission made by the Company's subsidiary, Keraben, in 2018 relating to the tax deductibility of certain pre-acquisition historical costs. This has resulted in the recognition of a £13.0m deferred tax asset.

7. EARNINGS PER SHARE

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

	53 weeks ended 3 April 2021		52 weeks ended 28 March 2020	
	Basic £m	**Adjusted £m**	Basic (restated) £m	Adjusted (restated) £m
Earnings / (loss) attributable to ordinary equity holders of the parent entity	**2.8**	**2.8**	(69.8)	(69.8)
Exceptional and non-underlying items:				
Income statement impact of preferred equity	**-**	**13.1**	-	-
Amortisation of acquired intangibles	**-**	**26.8**	-	25.0
Other non-underlying items	**-**	**(0.7)**	-	7.9
Exceptional goodwill impairment	**-**	**-**	-	50.0
Other exceptional items	**-**	**7.8**	-	(0.1)
Interest on short -term draw of Group revolving credit facility	**-**	**1.4**	-	-
Amortisation of prepaid finance costs	**-**	**7.3**	-	4.4
Fair value adjustment to notes redemption option	**-**	**(4.6)**	-	7.3
Translation difference on foreign currency loans	**-**	**(6.4)**	-	13.0
Other non-underlying finance items	**-**	**12.9**	-	6.1
Tax effect on adjusted items where applicable	**-**	**(23.3)**	-	(8.2)
Earnings / (loss) for the purpose of basic and adjusted earnings per share from continuing operations	**2.8**	**37.1**	(69.8)	35.6
Loss attributable to ordinary equity holders of the parent entity from discontinued operations	**-**	**-**	(2.0)	-
Earnings / (loss) for the purpose of basic and adjusted earnings per share	**2.8**	**37.1**	(71.8)	35.6

Weighted average number of shares

	2021 Number of shares (000's)	2020 Number of shares (000's)
Weighted average number of shares for the purpose of basic and adjusted earnings per share	**122,257**	125,398
Effect of dilutive potential ordinary shares:		
Share options	**530**	-
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**122,787**	125,398
Preferred equity and contractually-linked warrants	**6,625**	-
Weighted average number of ordinary shares for the purposes of diluted adjusted earnings per share	**129,412**	125,398

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

Notes to the accounts

7. EARNINGS PER SHARE (CONTINUED)

The Group's earnings / loss per share are as follows:

	2021 Pence	2020 (restated) Pence
Earnings / loss per share from continuing operations		
Basic earnings / (loss) per share	**2.30**	(55.63)
Diluted earnings / (loss) per share	**2.29**	(55.63)
Basic adjusted earnings per share	**30.34**	28.42
Diluted adjusted earnings per share	**28.66**	28.42
Loss per share from discontinued operations		
Basic loss per share	**-**	(1.60)
Diluted loss per share	**-**	(1.60)
Earnings / loss per share		
Basic earnings / (loss) per share	**2.30**	(57.22)
Diluted earnings / (loss) per share	**2.29**	(57.22)
Basic adjusted earnings per share	**30.34**	28.42
Diluted adjusted earnings per share	**28.66**	28.42

Diluted earnings per share for the period is not adjusted for the impact of the potential future conversion of preferred equity or potential future exercise of contractually linked warrants (see Note 16) due to these instruments having an anti-dilutive effect, whereby the positive impact of adding back the associated financial costs to earnings outweighs the dilutive impact of conversion/exercise. Diluted adjusted earnings per share does take into account the impact of these instruments as shown in the table above setting out the weighted average number of shares.

8. RATES OF EXCHANGE

	2021		2020	
	Average	**Year end**	Average	Year end
Australia - A$	**1.8392**	**1.8172**	1.8685	2.0202
Europe - €	**1.1244**	**1.1761**	1.1442	1.1152

9. GOODWILL

	£m
Cost	
At 30 March 2019 (restated)	203.7
Arising on acquisition	13.1
Exchange movements	5.7
At 28 March 2020 (restated)	222.6
At 29 March 2020	222.6
Arising on acquisition	-
Exchange movements	(7.8)
At 3 April 2021	**214.8**
Accumulated impairment	
At 28 March 2020	(50.0)
Exceptional impairment in the year	-
At 3 April 2021	**(50.0)**
Net Book Value	
At 3 April 2021	**164.8**
At 28 March 2020 (restated)	172.6

Goodwill in the prior year has been restated following a change in accounting treatment of contingent earn-out consideration payable on certain historical acquisitions (see Note 29 for further details).

9. GOODWILL (CONTINUED)

As stated in the prior year acquisition note, the intangible assets for Ascot Gruppo Ceramiche SRL were attributed values on a provisional basis at the time. The full purchase price allocation assessment was completed during the year and certain prior period balances sheet figures have been restated. Intangibles booked in FY20 were reduced from £16.9m to £12.3m. Deferred tax liability lowered by £1.3m and goodwill increased from £8.3m to £11.7m.

Goodwill is attributed to the businesses identified below for the purpose of testing impairment. These businesses are the lowest level at which goodwill is monitored and represent cash generating units ("CGUs"). The CGUs within a reported segment share similar characteristics to each other and to the other businesses within that segment.

The aggregate carrying amounts of goodwill allocated to each CGU are as follows:

Operating and reported segments	Cash Generating Units	**2021 £m**	2020 (restated) £m
UK & Europe - Soft Flooring	UK & Europe - Soft Flooring (carpet and underlay)	**30.7**	30.7
	UK & Europe - Artificial Grass	**6.7**	7.1
UK & Europe - Ceramic Tiles	UK & Europe - Ceramic Tiles (Spain)	**99.2**	107.4
	UK & Europe - Ceramic Tiles (Italy)	**13.8**	14.5
Australia	Australia	**14.4**	12.9
		164.8	172.5

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the goodwill have been determined based on value in use calculations. The key assumptions for the value in use calculations are those regarding revenue growth, margin trends, capital expenditure and working capital requirements.

The discount rates and growth rates used in these calculations have been sensitised as part of current year testing procedures. The discount rates are estimated using post-tax weighted-average costs of capital (WACC) that reflect current market assessments of the time value of money, based on risks specific to the markets in which the businesses operate. The primary reasons for the difference in rates between the divisions are the differences in underlying risk-free rates and cost of debt across the different geographies. The calculation uses post tax cash flow projections extrapolated from the budget for the year ending March 2022, which yields the same results as if calculated on a pre-tax basis. At the end of the discrete forecast period, a terminal value is calculated based on terminal growth rate assumptions for each CGU.

The WACC and terminal growth rates assessed for each CGU are set out below:

Cash Generating Units	Post-tax WACC %	Pre-tax WACC %	Terminal growth rate %
UK & Europe - Soft Flooring (carpet and underlay)	8.1%	10.8%	2.00%
UK & Europe - Artificial Grass	7.6%	10.1%	2.00%
UK & Europe - Ceramic Tiles (Spain)	7.5%	10.0%	1.75%
UK & Europe - Ceramic Tiles (Italy)	7.4%	10.3%	1.50%
Australia	8.8%	11.7%	2.25%

No reasonably possible changes in assumptions in the value in use calculations for the other CGUs would generate an impairment.

Goodwill comprises intangible assets that do not qualify for separate recognition, in particular the existing workforce.

None of the goodwill is expected to be tax deductible.

Notes to the accounts

10. INTANGIBLE ASSETS

Group		Customer relationships £m	Brand names £m	Other Acquired Intangibles £m	IT Software £m	Group Total £m
Cost	At 30 March 2019	221.5	54.4	4.7	1.7	282.3
	Additions	-	-	-	1.1	1.1
	Business combinations (Restated)	16.4	3.2	-	0.2	19.8
	Exchange difference	6.0	1.8	0.2	0.1	8.1
	At 28 March 2020	243.8	59.4	4.8	3.1	311.3
	At 29 March 2020	**243.8**	**59.4**	**4.8**	**3.1**	**311.3**
	Additions	**-**	**-**	**-**	**0.9**	**0.9**
	Business combinations	**14.4**	**1.5**	**-**	**-**	**15.9**
	Exchange difference	**(8.9)**	**(2.4)**	**(0.3)**	**(0.2)**	**(11.7)**
	At 3 April 2021	**249.3**	**58.5**	**4.6**	**3.6**	**316.0**
Amortisation	At 30 March 2019	33.3	5.6	1.6	0.4	40.9
	Charge for the period	19.1	4.7	1.2	0.5	25.5
	Exchange difference	0.4	0.1	-	0.1	0.6
	At 28 March 2020	52.8	10.4	2.8	1.0	67.0
	At 29 March 2020	**52.8**	**10.4**	**2.8**	**1.0**	**67.0**
	Charge for the period	**21.9**	**3.8**	**1.2**	**0.7**	**27.5**
	Exchange difference	**(1.9)**	**(0.5)**	**(0.2)**	**(0.1)**	**(2.6)**
	At 3 April 2021	**72.8**	**13.8**	**3.8**	**1.4**	**91.8**
Net book value	At 3 April 2021	**176.5**	**44.7**	**0.8**	**2.2**	**224.2**
	At 28 March 2020	191.0	49.0	2.0	2.1	244.3
	At 30 March 2019	188.2	48.8	3.1	1.3	241.4

As stated in the prior year acquisition note, the intangible assets for Ascot Gruppo Ceramiche SRL were attributed values on a provisional basis at the time. The full purchase price allocation assessment was completed during the year and certain prior period balances sheet figures have been restated. Intangibles booked in FY20 were reduced from £16.9m to £12.3m. Deferred tax liability lowered by £1.3m and goodwill increased from £8.3m to £11.7m.

Company		Customer relationships £m	Brand names £m	Other Acquired Intangibles £m	IT Software £m	Group Total £m
Cost	At 29 March 2020	**-**	**-**	**-**	**0.4**	**0.4**
	Additions	**-**	**-**	**-**	**0.1**	**0.1**
	At 3 April 2021	**-**	**-**	**-**	**0.5**	**0.5**
Amortisation	At 29 March 2020	**-**	**-**	**-**	**0.2**	**0.2**
	Charge for the period	**-**	**-**	**-**	**0.1**	**0.1**
	At 3 April 2021	**-**	**-**	**-**	**0.3**	**0.3**
Net book value	At 3 April 2021	**-**	**-**	**-**	**0.2**	**0.2**
	At 28 March 2020	-	-	-	0.2	0.2
	At 30 March 2019	-	-	-	0.3	0.3

11. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land and buildings £m	Plant and machinery £m	Fixtures, vehicles and equipment £m	Total £m
Cost				
At 30 March 2019	93.7	125.2	27.8	246.7
Additions	0.8	18.5	11.4	30.7
Transfer of assets reclassified to right-of-use leases	-	(4.7)	(1.2)	(5.9)
Disposals	(0.1)	(6.1)	(11.5)	(17.7)
Business combinations	0.1	17.2	1.0	18.3
Exchange differences	3.5	2.4	(0.3)	5.6
At 28 March 2020	98.0	152.0	26.0	276.0
At 29 March 2020	**98.0**	**152.0**	**26.0**	**276.0**
Additions	**1.0**	**15.9**	**8.8**	**25.6**
Disposals	**-**	**(9.4)**	**(6.8)**	**(16.2)**
Business combinations	**1.9**	**1.2**	**1.2**	**4.2**
Exchange differences	**(3.7)**	**0.1**	**1.4**	**(2.3)**
At 3 April 2021	**97.1**	**159.8**	**30.5**	**287.3**
Accumulated depreciation				
At 30 March 2019	3.0	40.3	12.8	56.1
Charge for the period	2.2	16.5	11.6	30.3
Transfer of assets reclassified to right-of-use leases	-	(3.3)	(0.5)	(3.8)
Disposals	-	(5.6)	(11.5)	(17.1)
Divestments	-	(0.4)	(1.0)	(1.4)
Exchange differences	0.3	-	-	0.3
At 28 March 2020	5.5	47.5	11.4	64.4
At 29 March 2020	**5.5**	**47.5**	**11.4**	**64.4**
Charge for the period	**2.3**	**20.4**	**10.5**	**33.2**
Disposals	**-**	**(8.4)**	**(6.7)**	**(15.1)**
Exchange differences	**(0.6)**	**2.5**	**0.8**	**2.7**
At 3 April 2021	**7.2**	**62.0**	**16.0**	**85.2**
Net Book Value				
At 3 April 2021	**89.9**	**97.7**	**14.4**	**202.1**
At 28 March 2020	92.5	104.5	14.6	211.6
At 31 March 2019	90.7	84.9	15.0	190.6

The Company holds no property, plant and equipment.

Notes to the accounts

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Right of Use Assets

Group	Land and buildings £m	Plant and machinery £m	Fixtures, vehicles and equipment £m	Total £m
Cost				
At 30 March 2019 being date of adoption of IFRS 16	48.2	0.1	7.8	56.1
Transfer of assets previously classed as finance leases	-	1.4	0.7	2.1
Business combinations	16.6	1.1	0.3	18.0
Additions	8.2	0.2	4.6	13.0
Exchange differences	(0.7)	-	-	(0.7)
At 28 March 2020	72.3	2.8	13.4	88.5
At 29 March 2020	**72.3**	**2.8**	**13.4**	**88.5**
Business combinations	**6.3**	**0.5**	**-**	**6.8**
Additions	**2.8**	**0.7**	**8.4**	**11.9**
Modifications	**(0.5)**	**(0.6)**	**-**	**(1.1)**
Terminations	**(0.9)**	**(0.9)**	**(1.3)**	**(3.1)**
Exchange differences	**(0.3)**	**(0.1)**	**(0.1)**	**(0.6)**
At 3 April 2021	**79.7**	**2.5**	**20.4**	**102.5**
Accumulated depreciation				
At 30 March 2019 being date of adoption of IFRS 16	-	-	-	-
Charge for the period	6.5	0.7	3.0	10.2
Exchange differences	(0.1)	-	(0.1)	(0.2)
At 28 March 2020	6.4	0.7	2.9	10.0
At 29 March 2020	**6.4**	**0.7**	**2.9**	**10.0**
Charge for the period	**8.1**	**1.1**	**4.5**	**13.8**
Modifications	**(0.1)**	**(0.5)**	**(0.1)**	**(0.7)**
Terminations	**(0.9)**	**(0.9)**	**(1.3)**	**(3.1)**
Exchange differences	**-**	**-**	**-**	**-**
At 3 April 2021	**13.5**	**0.4**	**6.0**	**20.0**
Net Book Value				
At 3 April 2021	**66.1**	**2.1**	**14.4**	**82.6**
At 28 March 2020	65.9	2.1	10.5	78.5
At 30 March 2019 being date of adoption of IFRS 16	48.2	1.5	8.5	58.2

The group took advantage of the exemptions available not to capitalise short-term leases with a duration of less than 12 months or low value leases with a total cash outflow of less than £5,000. These leases have therefore been treated as off-balance-sheet operating leases. The expense in the year relating to operating leases has been disclosed in note 4.

The related right-of-use lease liabilities and maturity analysis are presented in note 16.

Interest expense on right-of-use lease liabilities is disclosed in note 3.

The total cash outflow for right-of-use leases is disclosed in the consolidated cash flow statement.

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Land and buildings £m	Plant and machinery £m	Fixtures, vehicles and equipment £m	Total £m
Cost				
At 30 March 2019 being date of adoption of IFRS 16	6.4	-	-	6.4
At 28 March 2020	6.4	-	-	6.4
At 29 March 2020	**6.4**	**-**	**-**	**6.4**
Additions	**-**	**-**	**0.1**	**0.1**
At 3 April 2021	**6.4**	**-**	**0.1**	**6.5**
Accumulated depreciation				
At 30 March 2019 being date of adoption of IFRS 16	-	-	-	-
Charge for the period	0.4	-	-	0.4
At 28 March 2020	0.4	**-**	**-**	0.4
At 29 March 2020	**0.4**	**-**	**-**	**0.4**
Charge for the period	**0.5**	**-**	**-**	**0.5**
At 3 April 2021	**0.9**	**-**	**-**	**0.9**
Net Book Value				
At 3 April 2021	**5.6**	**-**	**0.1**	**5.7**
At 28 March 2020	6.0	-	-	6.0
At 30 March 2019 being date of adoption of IFRS 16	6.0	-	-	6.0

Capital expenditure authorised and committed at the period end:

	2021 £m	2020 £m
Contracts placed	**3.5**	0.5

12. FIXED ASSET INVESTMENTS

		Group		Company	
	Note	**2021 £m**	2020 £m	**2021 £m**	2020 (restated) £m
Investment property	(a)	**0.2**	0.2	**0.1**	0.1
Investment in subsidiaries	(b)	**-**	-	**201.7**	182.6
Investment in associates	(c)	**-**	-	**-**	-

(a) Investment property held in the Company's prior year opening balance sheet relates to the legacy ownership of one small area of land in Kidderminster and the surrounding area, held at cost.

The remainder of investment property in the Group's opening balance sheet relates to properties obtained as part of the acquisition of Keraben, held at their total fair value at the date of acquisition, and the fair value at 03 April 2021 of the remaining properties is deemed to be materially unchanged from prior year.

(b) Victoria PLC owns directly or indirectly the whole of the allotted ordinary share capital of the following subsidiary companies. The increase in the year represents: a capital contribution of an intercompany loan in Victoria Midco Holdings Limited (£18.2m); and the allocation of share-based payment charges to the relevant subsidiaries (£0.8m).

Notes to the accounts

12. FIXED ASSET INVESTMENTS (CONTINUED)

As at 3 April 2021	Country of incorporation and operation	Nature of business	Ownership
Primary Flooring Pty Limited	Australia	Underlay manufacturer	Indirect
Quest Flooring Pty Ltd	Australia	Carpet manufacturer	Indirect
The Victoria Carpet Company Pty Limited	Australia	Carpet manufacturer	Indirect
Millennium Weavers N.V	Belgium	Carpet distributor	Indirect
Abingdon Flooring Limited	England	Carpet manufacturer	Indirect
Alliance Flooring Distribution Limited	England	Logistic Services	Indirect
Carpet Line Direct Limited	England	Non-trading	Indirect
Distinctive Flooring Limited	England	Flooring distributor	Indirect
Ezi Floor Limited	England	Underlay manufacturer	Indirect
Flooring at Home Limited	England	Non-trading	Direct
Gaskell Mackay Carpets Limited	England	Non-trading	Indirect
Globesign Limited	England	Holding Company	Indirect
G-Tuft (2015) Limited	England	Non-trading	Indirect
G-Tuft (Holdings) Limited	England	Holding Company	Indirect
G-Tuft Limited	England	Carpet manufacturer	Indirect
Hanover Carpets Ltd	England	Carpet distributor	Indirect
Hanover Flooring Ltd	England	Non-trading	Indirect
Interfloor Group Limited	England	Non-trading	Indirect
Interfloor Limited	England	Underlay manufacturer	Indirect
Interfloor Operations Limited	England	Non-trading	Indirect
Saloni UK Limited	England	Ceramic tile distributor	Indirect
Stikatak Limited	England	Non-trading	Indirect
Tacktrim Limited	England	Non-trading	Indirect
The Victoria Carpet Company Limited	England	Non-trading	Indirect
Thomas Witter Carpets Limited	England	Non-trading	Indirect
Venture Floorcoverings Limited	England	Carpet distributor	Indirect
Victoria Carpets Limited	England	Carpet distributor	Indirect
Victoria Midco Holdings Limited	England	Holding Company	Direct
View Logistics Limited	England	Carpet distributor	Indirect
V-Line Carpets Limited	England	Non-trading	Indirect
Westex (Carpets) Limited	England	Carpet manufacturer	Indirect
Whitestone Carpets Holdings Limited	England	Holding Company	Indirect
Whitestone Weavers Limited	England	Non-trading	Indirect
Estillon SARL	France	Underlay distributor	Indirect
Saloni France S.A.S.	France	Ceramic tile distributor	Indirect
Estillon GMBH	Germany	Underlay distributor	Indirect
Keraben Guatemala	Guatemala	Ceramic tile manufacturing services	Indirect
Munster Carpets Limited	Ireland	Carpet distributor	Indirect
Hugh Mackay Carpets	Ireland	Carpet distributor	Indirect
Abingdon Flooring (Ireland) Ltd	Ireland	Carpet distributor	Indirect
Ascot Gruppo Ceramiche SRL	Italy	Ceramic tile manufacturer	Indirect
Ceramiche Serra S.p.A	Italy	Ceramic tile manufacturer	Indirect
Keradom S.r.l	Italy	Ceramic tile manufacturer	Indirect
Self Style S.R.L	Italy	Ceramic tile distributor	Indirect
Victoria Ceramiche Holdco S.r.l	Italy	Holding Company	Indirect
Saloni Portugal Materiais De Construcao LTDA	Portugal	Ceramic tile distributor	Indirect
Ceramica Saloni, S.A.	Spain	Ceramic tile manufacturer	Indirect
Iberoceramica S.L.U.	Spain	Ceramic tile manufacturer	Indirect

12. FIXED ASSET INVESTMENTS (CONTINUED)

As at 3 April 2021	Country of incorporation and operation	Nature of business	Ownership
Keraben Grupo S.A.U	Spain	Ceramic tile manufacturer	Indirect
Kerainvest S.L.	Spain	Non-trading	Indirect
Kinsan Trade, S.L.	Spain	Holding Company	Indirect
Sandover Investments, S.L.U	Spain	Holding Company	Indirect
Sanicova, S.L.	Spain	Ceramic tile distributor	Indirect
Avalon BV	The Netherlands	Artificial grass distributor	Indirect
Estillon B.V	The Netherlands	Underlay manufacturer	Indirect
GrassInc BV	The Netherlands	Artificial grass distributor	Indirect
Victoria Bidco BV	The Netherlands	Holding Company	Indirect

(c) Victoria PLC indirectly holds investments in the following associate companies.

As at 3 April 2021	Percentage ownership
Keraben Bolivia, S.R.L.	50%
Easylay Systems Limited	20%

The aggregate result for the associated undertakings during the period was immaterial.

Due to the immaterial nature of these investments, further detailed disclosures have been omitted.

13. INVENTORIES

Inventories held at year-end	**2021 £m**	2020 £m
Raw materials	**42.9**	34.9
Work-in-progress	**4.1**	4.0
Finished goods	**117.4**	126.5
	164.4	165.4

During the year to 3 April 2021, the total movement in stock provisions resulted in a charge to the income statement of £5.6m (2020 credit: £0.6m).

The Company held no inventories at either year-end. There is no material difference between the balance sheet value of inventories and their replacement cost.

14. TRADE AND OTHER RECEIVABLES

Amounts falling due within one year:

	Group		**Company**	
	2021 £m	2020 £m	**2021 £m**	2020 £m
Trade debtors	**131.0**	123.6	**-**	-
Amounts owed by subsidiaries	**-**	-	**29.5**	33.3
Other debtors	**15.0**	16.6	**1.9**	2.4
Prepayments and accrued income	**4.0**	3.9	**0.1**	0.1
	150.1	144.1	**31.5**	35.8

Amounts falling due within one year:

	Group		**Company**	
	2021 £m	2020 £m	**2021 £m**	2020 £m
Amounts owed by subsidiaries	**-**	-	**428.7**	481.3
	-	-	**428.7**	481.3

Notes to the accounts

14. TRADE AND OTHER RECEIVABLES (CONTINUED)

Where intercompany loans have been formally documented, interest is charged on amounts owed by subsidiaries to the Company at market rates.

The Company does not expect credit losses arising from subsidiaries to be a material amount.

Current trade debtors not considered to be overdue represent amounts due from customers that are not overdue in accordance with the specific credit terms agreed with those customers. The expected credit loss arising on current debtors not overdue is considered to be immaterial.

The above amounts are stated net of a provision (net of VAT) of £5.7m (2020: £6.6m) made for doubtful debts and expected credit losses. The movement of the provision during the year is summarised below:

	2021 £m	2020 £m
Opening balance at 29 March 2020	**6.6**	3.9
Increase in provisions	**1.5**	2.8
Utilisation of provisions	**(2.3)**	(0.1)
Exchange differences	**(0.2)**	0.1
Closing balance at 3 April 2021	**5.7**	6.6

An analysis of the age of trade receivables can be seen in the table below:

3 April 2021	**Gross carrying amount £m**	**Lifetime expected credit loss £m**	**Net carrying amount £m**	**Expected credit loss rate %**
Current	**103.6**	**(1.0)**	**102.6**	**1.0%**
1-30 days overdue	**18.4**	**(0.1)**	**18.3**	**0.5%**
31-60 days overdue	**4.6**	**(0.1)**	**4.5**	**1.1%**
> 60 days overdue	**10.1**	**(4.5)**	**5.6**	**44.8%**
Total	**136.7**	**(5.7)**	**131.0**	**4.2%**

28 March 2020	Gross carrying amount £m	Lifetime expected credit loss £m	Net carrying amount £m	Expected credit loss rate %
Current	74.3	-	74.3	0.0%
1-30 days overdue	33.1	(0.1)	33.0	0.2%
31-60 days overdue	9.9	(0.1)	9.8	0.6%
> 60 days overdue	12.8	(6.4)	6.4	50.1%
Total	130.1	(6.6)	123.6	5.1%

The main factors in assessing the appropriate allowance for doubtful debt and credit losses are the age of the balances held relative to the due date and the profile of the customers; past default experience; external indicators and forward looking information. Furthermore, specific trade receivables are written-off when there is considered to be little likelihood of recovering the debt. The Directors consider that the carrying amount of all receivables, including those impaired, approximates to their fair value.

15. TRADE AND OTHER PAYABLES

Amounts falling due within one year:

	Group		Company	
	2021 **£m**	2020 (restated) £m	**2021** **£m**	2020 £m
Trade creditors	**122.2**	152.3	**-**	-
Amounts due to subsidiaries	**-**	-	**0.1**	5.5
Deferred and contingent earn-out liabilities*	**4.0**	16.6	**-**	-
Acquisition-related performance plan liabilities*	**26.7**	21.8	**-**	-
Other creditors	**38.2**	33.3	**4.2**	3.9
Accruals	**22.6**	17.0	**7.5**	5.3
Deferred income	**0.1**	0.1	**-**	-
	213.8	241.2	**11.7**	14.7

The majority of current trade creditors are due within 120 days.

Amounts falling due within one year:

	Group		Company	
	2021 **£m**	2020 (restated) £m	**2021** **£m**	2020 £m
Deferred and contingent earn-out liabilities*	**7.9**	0.4	**-**	-
Acquisition-related performance plan liabilities*	**-**	7.3	**-**	-
Deferred income	**2.6**	2.1	**-**	-
Other creditors	**6.6**	6.8	**-**	-
	17.0	16.6	**-**	-

Deferred and contingent earn-out liabilities are in connection with the acquisitions of Ezi Floor Limited (deferred element only), Grass Inc B.V., Iberoceramica S.L.U, Ascot Gruppo Ceramiche SRL and Hanover Flooring Limited (deferred element only). Under IFRS 13 Fair Value Measurement, the contingent element of the liabilities are classified under the fair value hierarchy as Level 3. The deferred earn-out liabilities falling due after one year of £7.9m are split as follows: between one to two years £4.0m and between two to five years £3.9m.

These figures (*) have been restated to reflect a change in accounting treatment for contingent earn-out liabilities on certain historical acquisitions. This change has resulted in the relevant earn-out liabilities being replaced with acquisition-related performance plan liabilities, which are accrued over the earn-out period as opposed to being held at fair value through profit and loss (see Note 29 for further details).

Included within current acquisition-related performance plan liabilities is an amount of £8.0m (2020: £7.4m, plus £1.5m in non-current) relating to the plan put in place with the Keraben senior management team on acquisition of the business in FY18. This plan has been paid out following the year end for a total amount of £8.0m.

Deferred income relates to government grants as shown in Note 24.

Notes to the accounts

16. OTHER FINANCIAL LIABILITIES

Amounts falling due within one year:

	Group 2021 £m	Group 2020 £m	Company 2021 £m	Company 2020 £m
Bank overdrafts	**4.0**	2.1	**1.7**	-
Unsecured loans	**26.2**	2.8	**11.9**	-
Obligations under right-of-use leases	**13.0**	11.8	**0.2**	0.3
	43.3	16.7	**13.7**	0.3

Amounts falling due after one year:

	Group 2021 £m	Group 2020 £m	Company 2021 £m	Company 2020 £m
Senior secured debt (net of prepaid finance costs):				
– due between one and two years	**-**	-	**-**	-
– due between two and five years	**-**	527.8	**-**	527.1
– due over five years	**622.1**	-	**622.1**	-
Unsecured loans:				
– due between one and two years	**14.0**	12.8	**-**	11.6
– due between two and five years	**5.0**	-	**-**	-
– due over five years	**6.4**	-	**-**	-
Preferred equity	**70.1**	-	**70.1**	-
Preferred equity – contractually-linked warrants	**6.1**	-	**6.1**	-
Obligations under right-of-use leases:				
– due between one and two years	**11.1**	12.4	**-**	0.4
– due between two and five years	**18.3**	24.5	**-**	1.6
– due over five years	**44.6**	31.1	**5.8**	3.8
	797.7	608.6	**704.0**	544.5

Senior debt

Senior debt as at 3 April 2021 relates to €750m of senior secured notes, split between two tranches: €500m 3.625% notes maturing in 2026; and €250m 3.75% notes maturing in 2028. The coupon on the notes is paid bi-annually. These notes were issued in March 2021, at which time the previous €500m 5.25% notes were refinanced. One-off early redemption costs were incurred in relation to the refinanced notes (see Note 3). The additional funds raised of €250m less redemption and financing costs were held on balance sheet at the year end for the purpose of funding future acquisitions.

Attached to both sets of notes are early repayment options, which have been identified as embedded derivative assets, separately valued from the host contracts. Changes in the Group's credit rating and market pricing of the notes would have an impact on the value of the options. The redemption price of the repayment option on the €500m 2026 notes is the par value of the notes plus any accrued interest, plus the following premia: within the first two years 1.813% plus a make-whole of the present value of interest that would otherwise have been payable in that period; in the third year 1.813%; in the fourth year 0.906%; in the fifth year 0%. The redemption price of the repayment option on the €250m 2028 notes is the par value of the notes plus any accrued interest, plus the following premia: within the first three years 1.875% plus a make-whole of the present value of interest that would otherwise have been payable in that period; in the fourth year 1.875%; in the fifth year 0.938%; in the final two years 0%.

These options have been valued based on the contractual redemption terms and measuring the Group's forward assessment of the notes' market value based on an option pricing model. The fair value of the derivative assets at inception of the first and second tranches of the notes was £4.3m in aggregate. The value of the senior debt liabilities recognised were increased by a corresponding amount at initial recognition, which then reduces to par at maturity using an effective interest rate method. The fair value of the derivative asset at the year end was £9.0m, and therefore an associated non-cash credit was recognised through the income statement for the period of £4.6m.

16. OTHER FINANCIAL LIABILITIES (CONTINUED)

Prepaid legal and professional fees associated with the issue of the new notes totalling £10.8m (1.7% of gross debt raised) is offset against the senior debt liability and is amortised over its life (£0.1m in the year).

As a result, as at 3 April 2021 there is a total liability recognised of £622.1m in relation to notes with a par value of £637.7m (€750m).

Additionally, the Group has a variable rate £75m multi-currency revolving credit facility maturing in 2024, which at the year end was undrawn.

Unsecured loans

Unsecured loans comprises the £11.9m loan from the BGF maturing in December 2021 and a number of smaller local loans and credit lines utilised by the Group's operating subsidiaries for working capital purposes. During the year a number of additional unsecured loans and facilities were drawn as part of the special treasury measures put in place at the start of the Covid-19 pandemic.

Preferred equity

Background and key terms

On 30th October 2020 the company entered into an agreement whereby Koch Equity Development, LLC. (via its affiliate KED Victoria Investments, LLC) committed to invest a total of £175m by way of convertible preferred equity to be issued by the Company. As part of this agreement, £75m of preferred equity was issued immediately, on 16 November 2020. A structuring discount of 5% was payable at the outset.

The balance of up to £100m can be issued at any time during the following 18 months at the Company's option. A 'ticking' fee of 6% is payable on the unissued commitment during this period, although the Company can ask KED to cancel the commitment at any time.

The preferred equity attracts a dividend of 9.35% if cash settled, or 9.85% if Paid In Kind by way of issue of additional preferred shares (such PIK occurring quarterly). Starting in year five, the dividend moves from a fixed rate to a spread over three-month LIBOR. The spread starts at 9.35% and 9.85% (for cash and PIK settlement respectively) and increases by 1% in each subsequent year up to year nine, after which it remains flat.

The preferred equity is a perpetual instrument, albeit the Company can choose to redeem it in cash at any time, subject to a redemption premium. The redemption price of this repayment option is the face value of the preferred shares plus any accrued dividends, plus the following premia: within the first three years 6.0% plus a make-whole of the present value of dividends that would otherwise have accrued in that period; in the fourth year 6.0%; in the fifth year 3.0%; and after the fifth anniversary 0%. There are two scenarios in which mandatory cash redemption of the preferred equity can occur outside of the Company's control, both of which are highly unlikely in management's view: (i) if the Group becomes insolvent (being bankruptcy, placing into receivership or similar events), or (ii) a change in control of the Company where the offer for the ordinary shares is not all-cash and, at the same time, the offeror (on an enlarged pro-forma basis) is deemed to be sub-investment grade.

After the sixth anniversary, KED can elect to convert the outstanding preferred equity and PIK'd dividends into ordinary shares, with the conversion price being the prevailing 30 business day VWAP of the Company's ordinary shares.

In the event of a change of control of the Company (for example a tender offer, merger or scheme of arrangement in relation to the ordinary shares of the Company), the terms of the preferred equity envisage three scenarios: (i) where an all-cash offer is made and accepted, the preferred equity and any PIK'd dividends will convert into ordinary shares which are then subject to the same offer price per share made to other shareholders and acquired by the offeror; (ii) where an offer is made and accepted that is not all-cash and the offeror (on an enlarged pro-forma basis) is deemed to be investment grade, the preferred equity and any PIK'd dividends plus a material penalty fee will convert into ordinary shares which are then subject to the same offer price per share made to other shareholders and acquired by the offeror (such penalty fee having the effect of doubling the number of ordinary shares that KED would otherwise receive on conversion that would then be subject to the offer price per share; this being designed to incentivise the offeror to consider agreeing to fund redemption of the preferred equity rather than conversion); and (iii) where an offer is made and accepted that is not all-cash and the offeror (on an enlarged pro-forma basis) is deemed to be sub-investment grade, the preferred equity will be subject to mandatory redemption as described above.

Notes to the accounts

16. OTHER FINANCIAL LIABILITIES (CONTINUED)

Attached to the preferred equity are warrants issued to KED over a maximum of 12.402m ordinary shares. These warrants are only exercisable following the third anniversary (unless the preferred shares have been cash redeemed or there has been a change in control of the Company) at an exercise price of £3.50. The terms include a total maximum return for KED, across both the preferred equity and the warrants, of the greater of 1.73x money multiple or 20% IRR. If this limit is exceeded at the point of exercising the warrants (calculated as if the preferred equity was being redeemed at the same time), then the number of shares receivable on exercise is reduced until the returns equal the limit."

Accounting recognition

Whilst the preferred equity is legally structured as an equity instrument through the Company's articles of association and have many equity-like features, they must be accounted for as a financial instrument under IFRS. This primarily relates to the fact that the conversion option is based on the prevailing share price, and therefore it fails the 'fixed-for-fixed' criteria as prescribed in the standard.

Based on the terms of the preferred equity, the underlying host instrument was identified alongside a number of embedded derivatives and other associated instruments. Furthermore the embedded derivatives were assessed to identify those that are deemed to be closely-related to the host instrument and those that are not, the latter of which are required to be separately valued in the balance sheet. The underlying host instrument is held at amortised cost and valued into perpetuity on the assumption of PIK'd dividends for the first ten years and then a terminal value assuming cash dividends thereafter. This has been valued using a binomial option pricing model, which uses standard option pricing techniques to calculate the optimal time to exercise the respective options, taking into account the specific contractual details of the instruments and their interconnectedness. The 5% structuring discount is accounted for within this valuation. On this basis it was valued at £69.3m at initial recognition, which is net of £0.9m of prepaid advisory fees. At each reporting date the terminal value is re-assessed based on long-term LIBOR curves and a revised accrued value of the instrument is calculated at that date using an effective interest rate method, with the increase in value taken to the income statement as a financial charge. The value as at the year end was £72.6m.

The KED commitment to invest in up to £100m additional preferred equity at Victoria's election was identified as an associated financial instrument. This asset was fair valued at £2.8m at initial recognition and is subsequently amortised over the 18 month period of the commitment, with a value of £2.1m as at the year end. As the terms of the preference shares are fixed, issuance of more of these shares may become advantageous relative to market financing rates in the future. The initial valuation has been determined by calibrating the valuation of the various elements of the financing package to the transaction price. This asset has been netted off against the preferred equity host instrument.

Two non closely-related embedded derivatives were identified:

(i) the Victoria option to cash redeem (rather than the instrument running into perpetuity or conversion, see below) - asset valued at £5.7m at initial recognition, fair valued at each subsequent reporting date through the income statement, with a value of £0.5m as at the year end. This option has been valued based on the contractual redemption terms and the Group's forward assessment of the preferred equity value based on an option pricing model.

(ii) the KED option to convert into ordinary shares - this was valued at £nil. The model uses standard option pricing techniques to calculate the optimal time to exercise the respective options. As such, the valuation technique assumes that all interest will be accrued and rolled into the preference share balance and that there will be no conversion of the preference shares into ordinary shares due to their coupon and enhanced liquidity preference. As a result, nil value has been attributed to this feature.

Finally, the KED ordinary equity warrants have been separately identified. This financial instrument was recognised as a liability of £4.5m at initial recognition and is subsequently fair valued at each reporting date through the income statement, with a value of £6.1m as at the year end. These warrants have been valued using a binomial option pricing model. The model uses standard option pricing techniques to calculate the optimal time to exercise the respective options, taking into account the specific contractual details of the instruments and their interconnectedness.

Details of the significant judgements and estimates in relation to the valuation of these items are provided in Note 26, and the associated income statement impact in Note 3.

17. FINANCIAL ASSETS AND LIABILITIES

The financial assets of the Group comprised:

Group	**At 3 April 2021** Amortised cost £m	Financial assets held at fair value through profit and loss £m	Assets not within the scope of IFRS 9 £m	Total £m	At 28 March 2020 Amortised cost £m	Financial assets held at fair value through profit and loss £m	Assets not within the scope of IFRS 9 £m	Total £m
Cash								
Sterling	**51.7**	**-**	**-**	**51.7**	51.9	-	-	51.9
US Dollars	**1.8**	**-**	**-**	**1.8**	1.8	-	-	1.8
Euros	**279.1**	**-**	**-**	**279.1**	109.1	-	-	109.1
Australian Dollars	**15.1**	**-**	**-**	**15.1**	13.5	-	-	13.5
New Zealand Dollars	**1.0**	**-**	**-**	**1.0**	0.5	-	-	0.5
	348.8	**-**	**-**	**348.8**	176.8	-	-	176.8
Current assets								
Trade and other receivables	**146.1**	**-**	**4.0**	**150.1**	137.8	-	3.9	141.7
Current Inventories	**-**	**-**	**164.4**	**164.4**	-	-	165.4	165.4
Forward foreign exchange contracts	**-**	**-**	**-**	**-**	-	2.4	-	2.4
Current assets	**494.9**	**-**	**168.5**	**663.4**	314.6	2.4	169.3	486.3

Notes to the accounts

17. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

The financial liabilities of the Group comprised:

Group	At 3 April 2021 Other financial liabilities at amortised cost £m	Financial liabilities held at fair value through profit and loss £m	Liabilities not within the scope of IFRS 9 £m	Total £m	At 28 March 2020 (restated) Other financial liabilities at amortised cost £m	Financial liabilities held at fair value through profit and loss £m	Liabilities not within the scope of IFRS 9 £m	Total £m
Overdraft								
Sterling	**1.5**	**-**	**-**	**1.5**	2.0	-	-	2.0
US Dollars	**-**	**-**	**-**	**-**	-	-	-	-
Euro	**2.5**	**-**	**-**	**2.5**	0.1	-	-	0.1
	4.0	**-**	**-**	**4.0**	2.1	-	-	2.1
Current liabilities								
Trade and other payables	**172.2**	**-**	**12.6**	**184.8**	202.2	7.2	9.9	219.3
Acquisition-related performance plan liability	**-**	**-**	**26.7**	**26.7**	-	-	21.8	21.8
Current tax liabilities	**-**	**-**	**5.1**	**5.1**	-	-	-	-
Forward foreign exchange contracts	**-**	**2.3**	**-**	**2.3**	-	-	-	-
Obligations under right-of-use leases	**13.0**	**-**	**-**	**13.0**	11.8	-	-	11.8
Unsecured loans	**26.2**	**-**	**-**	**26.2**	2.8	-	-	2.8
Current liabilities	**215.4**	**2.3**	**44.5**	**262.1**	218.9	7.2	31.7	257.8
Non-current liabilities								
Trade and other payables	**14.9**	**-**	**2.1**	**17.0**	7.2	-	2.1	9.3
Acquisition-related performance plan liability	**-**	**-**	**-**	**-**	-	-	7.3	7.3
Deferred tax liabilities	**-**	**-**	**62.9**	**62.9**	-	-	69.9	69.9
Retirement benefit obligations	**-**	**-**	**6.5**	**6.5**	-	-	6.3	6.3
Obligations under right-of-use leases	**74.0**	**-**	**-**	**74.0**	68.0	-	-	68.0
Senior secured debt	**631.1**	**(9.0)**	**-**	**622.1**	527.8	-	-	527.8
Preferred equity	**72.6**	**(0.5)**	**(2.1)**	**70.1**	-	-	-	-
Preferred equity – contractually-linked warrants	**-**	**6.1**	**-**	**6.1**	-	-	-	-
Unsecured loans	**25.5**	**-**	**-**	**25.5**	12.8	-	-	12.8
Non-current liabilities	**818.2**	**(3.4)**	**69.4**	**884.1**	615.8	-	85.6	701.4
Total liabilities	**1,033.6**	**(1.1)**	**113.8**	**1,146.2**	834.7	7.2	117.3	959.2

17. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

The financial assets of the Company comprised:

Company	At 3 April 2021 Amortised cost £m	At 3 April 2021 Financial assets held at fair value through profit and loss £m	At 3 April 2021 Assets not within the scope of IFRS 9 £m	At 3 April 2021 Total £m	At 28 March 2020 Amortised cost £m	At 28 March 2020 Financial assets held at fair value through profit and loss £m	At 28 March 2020 Assets not within the scope of IFRS 9 £m	At 28 March 2020 Total £m
Cash								
Sterling	**39.8**	**-**	**-**	**39.8**	41.5	-	-	41.5
US Dollars	**-**	**-**	**-**	**-**	0.2	-	-	0.2
Euros	**221.8**	**-**	**-**	**221.8**	68.1	-	-	68.1
Australian Dollars	**2.8**	**-**	**-**	**2.8**	5.6	-	-	5.6
	264.4	**-**	**-**	**264.4**	115.4	-	-	115.4
Current assets								
Trade and other receivables	**31.4**	**-**	**0.1**	**31.5**	33.3	-	0.1	33.4
Forward foreign exchange contracts	**-**	**-**	**-**	**-**	-	2.4	-	2.4
Current assets	**295.8**	**-**	**0.1**	**295.9**	148.7	2.4	0.1	151.2
Non-current assets								
Amounts owed by subsidiaries	**428.7**	**-**	**-**	**428.7**	481.3	-	-	481.3
Deferred tax assets	**-**	**-**	**0.6**	**0.6**	-	-	1.4	1.4
Non-current assets	**428.7**	**-**	**0.6**	**429.3**	481.3	-	1.4	482.7
Total financial assets	**724.4**	**-**	**0.8**	**725.2**	630.0	2.4	1.5	633.9

Notes to the accounts

17. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

The financial liabilities of the Company comprised:

Company	At 3 April 2021 Other financial liabilities at amortised cost £m	Financial liabilities held at fair value through profit and loss £m	Liabilities not within the scope of IFRS 9 £m	Total £m	At 28 March 2020 Other financial liabilities at amortised cost £m	Financial liabilities held at fair value through profit and loss £m	Liabilities not within the scope of IFRS 9 £m	Total £m
Overdraft								
Sterling	**1.7**	**-**	**-**	**1.7**	-	-	-	-
	1.7	**-**	**-**	**1.7**	-	-	-	-
Current liabilities								
Trade and other payables	**9.3**	**-**	**0.1**	**9.4**	14.7	-	-	14.7
Current tax liabilities	**-**	**-**	**-**	**-**	-	-	-	-
Forward foreign exchange contracts	**-**	**2.3**	**-**	**2.3**	-	-	-	-
Obligations under right-of-use leases	**0.2**	**-**	**-**	**0.2**	0.3	-	-	0.3
Unsecured loans	**11.9**	**-**	**-**	**11.9**	-	-	-	-
Current liabilities	**23.0**	**2.3**	**0.1**	**25.4**	15.0	-	-	15.0
Non-current liabilities								
Obligations under right-of-use leases	**5.8**	**-**	**-**	**5.8**	5.8	-	-	5.8
Senior secured debt	**631.1**	**(9.0)**	**-**	**622.1**	527.1	-	-	527.1
Preferred equity	**72.6**	**(0.5)**	**(2.1)**	**70.1**	-	-	-	-
Preferred equity – contractually-linked warrants	**-**	**6.1**	**-**	**6.1**	-	-	-	-
Unsecured loans	**-**	**-**	**-**	**-**	11.6	-	-	11.6
Non-current liabilities	**709.5**	**(3.4)**	**(2.1)**	**704.1**	544.5	-	-	544.5
Total liabilities	**732.5**	**(1.1)**	**(1.9)**	**729.5**	559.5	-	-	559.5

Fair value measurement of financial instruments

Financial assets and financial liabilities measured at fair value in the balance sheet are grouped into three levels of fair value hierarchy. The three levels are defined based on the observability of significant inputs to the measurement as follows:

- Level one: quoted prices in active markets for identical assets or liabilities
- Level two: inputs other than quoted prices included within Level one that are observable for the asset or liability, either directly or indirectly
- Level three: unobservable inputs for the assets or liabilities

All financial assets and liabilities have been identified as Level one with the exception of those listed below.

Forward foreign exchange contracts

These are Level two financial assets / liabilities and all expire within 12 months from 3 April 2021.

The Group has relied upon analysis performed by third party specialists for complex valuations of forward exchange contracts. Valuation techniques have utilised observable forward exchange rates corresponding to the maturity of the contract. The effects of non-observable inputs are not significant for forward exchange contracts.

17. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Contingent earn-out liabilities

These are Level three liabilities.

The fair value of the contingent earn-out liabilities arising from acquisitions is determined considering the value of estimated future payments, discounted to present value. Payments are determined by mechanisms set out in each acquisition agreement, and are generally based on EBITDA performance over a three to four year period. Estimated future payments are calculated using financial projections based on operational budgets for the next 12 months and then applying growth assumptions for future years as appropriate. Discount rates are reviewed annually for each acquisition, and range between 8.1% and 16.5%.

The most significant inputs, all of which are unobservable, are the estimated growth rates in future profits and the discount rates applied. The estimated fair value increases if the estimated growth rates increase or the discount rates decrease. The overall valuations are sensitive to both assumptions. The Board considers that changing the above unobservable inputs to reflect other reasonably probable alternative assumptions would not result in a significant change in the estimated fair value.

Embedded derivatives within senior secured notes

These are Level three assets.

The fair value of the embedded derivatives within senior secured notes is determined based on the interest rate and credit spread. The interest rate component is modelled using a Hull-White one-factor model along with implied volatilities and yield curves from observable market quotes. The expected value of the credit spread in the future cannot be reliably estimated due to the lack of implied or historic volatilities and its correlation with interest rates, market convention for the fair value of these is therefore to use a deterministic credit spread. i.e. a credit spread as determined on the valuation date.

The most significant unobservable input is the assumed rate of volatility, the impact of sensitising this input is as follows:

— Increasing the volatility by 5% would result in an increase in the value of the embedded derivatives of £1.4m as at the year-end

— Decreasing the volatility by 5% would result in a decrease in the value of the embedded derivatives of £1.3m as at the year-end

Preferred equity and associated embedded derivatives

These are Level three assets and liabilities.

The valuation method for the various elements has been described in Note 16. The most significant inputs, which are unobservable, are the estimated equity risk premium (ERP) and volatility.

The ERP is an expectation of the amount by which future long-term equity returns will outperform the underlying risk-free rate, that latter being observable based on money market forecasts. Therefore an increase in the ERP would reduce the future value to the business of the liability representing the preferred equity host instrument, thereby also reducing the future attractiveness to the business of voluntary cash redemption, but would increase the value of the liability representing the associated warrants over ordinary shares in the Company.

Notes to the accounts

17. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

The impact of sensitising these inputs on the values at 3 April 2021 is as follows:

- Increasing the ERP by 25 bps would result in a decrease in the value of the option to cash redeem asset of £1.5m and an increase in the value of the warrants liability of £0.2m
- Decreasing the ERP by 25 bps would result in an increase in the value of the option to cash redeem asset of £1.4m and a decrease in the value of the warrants liability of £0.6m
- Increasing the volatility by 5% would result in an increase in the value of the option to cash redeem asset of £0.5m and a decrease in the value of the warrants liability of £0.3m
- Decreasing the volatility by 5% would result in a decrease in the value of the option to cash redeem asset of £1.3m and a decrease in the value of the warrants liability of £1.0m

There were no transfers between level one, level two and level three in 2021 or 2020.

Analysis of net debt

Reconciliation of movements in the Group's net debt position:

Group	At 29 March 2020 £m	Cash flow £m	Capital expenditure £m	Acquisitions £m	Other non-cash changes £m	Exchange movement £m	**At 3 April 2021 £m**
Cash and cash equivalents	176.8	172.9	-	3.8	-	(4.7)	**348.8**
Bank overdraft	(2.1)	(1.9)	-	-	-	-	**(4.0)**
Net cash and cash equivalents	174.7	171.1	-	3.8	-	(4.7)	**344.8**
Senior secured debt (gross of prepaid finance costs):							
– Senior notes redeemed in the period - due in more than one year	(463.3)	88.7	-	-	355.9	18.6	**-**
– Senior notes issued in the period - due in more than one year	-	(287.4)	-	-	(353.7)	8.2	**(633.0)**
– Revolving credit facility - due in more than one year	(74.4)	76.0	-	-	-	(1.5)	**-**
Unsecured loans:							
– due in less than one year	(2.8)	(27.1)	-	(2.4)	6.1	-	**(26.2)**
– due in more than one year	(12.8)	-	-	(7.5)	(5.1)	-	**(25.5)**
Net debt	(378.6)	21.2	-	(6.2)	3.1	20.6	**(339.9)**
Obligations under right-of-use leases:							
– due in less than one year	(11.8)	11.3	(1.7)	(0.1)	(10.8)	-	**(13.0)**
– due in more than one year	(68.0)	-	(9.9)	(6.7)	10.2	0.4	**(74.0)**
Preferred equity (gross of prepaid finance costs)	-	(66.3)	-	-	(10.9)	-	**(77.1)**
Prepaid finance costs:							
– In relation to preferred equity	-	0.9	-	-	-	-	**0.9**
– In relation to senior debt	9.9	10.8	-	-	(10.0)	0.2	**10.9**
Net debt including right-of-use lease liabilities, issue premia, preferred equity and prepaid finance costs	(448.5)	(22.0)	(11.6)	(13.0)	(18.3)	21.2	**(492.2)**

The cashflows therein included represent the physical cash inflows received by the Group as a result of the refinancing exercise in the period, the majority of which was directly paid by the new debt holders to the existing debt holders, with the remainder of the cash being held by the Company. The Group determined that the financial institution that handled the transactions with bond holders, acted in their capacity as principal.

17. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Group	At 31 March 2019 £m	Cash flow £m	Capital expenditure £m	Acquisitions £m	Other non-cash changes £m	Exchange movement £m	At 28 March 2020 £m
Cash and cash equivalents	66.4	106.9	-	1.1	-	2.4	176.8
Bank overdraft	(6.2)	4.1	-	-	-	-	(2.1)
Net cash and cash equivalents	60.2	111.0	-	1.1	-	2.4	174.7
Finance leases and hire purchase agreements:							
– due in less than one year	(0.9)	-	-	-	0.9	-	-
– due in more than one year	(0.7)	-	-	-	0.7	-	-
Senior secured debt (gross of prepaid finance costs):							
– due in less than one year	(1.2)	-	-	-	1.2	-	-
– due in more than one year	(385.8)	(118.0)	-	-	(6.7)	(27.2)	(537.7)
Unsecured loans:							
– due in less than one year	(2.1)	1.1	-	(1.5)	(0.3)	-	(2.8)
– due in more than one year	(9.4)	-	-	-	(3.4)	-	(12.8)
Obligations under right-of-use leases:							
– due in less than one year	-	9.0	(1.9)	(1.8)	(17.1)	-	(11.8)
– due in more than one year	-	-	(10.8)	(15.9)	(42.0)	0.7	(68.0)
Prepaid finance costs	3.6	9.0	-	-	(2.7)	-	9.9
Net debt including right-of-use lease liabilities, issue premia and prepaid finance costs	(336.3)	12.1	(12.7)	(18.1)	(69.4)	(24.1)	(448.5)

Senior secured debt and unsecured loans are disclosed in the table excluding prepaid finance costs.

The Group's policy on Derivatives and Other Financial Instruments is set out in Note 25.

Notes to the accounts

17. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Reconciliation of movements in the Company's net debt position:

Company	At 29 March 2020 £m	Cash flow £m	Capital expenditure £m	Acquisitions £m	Other non-cash changes £m	Exchange movement £m	**At 3 April 2021 £m**
Cash and cash equivalents	115.4	152.1	-	-	-	(3.2)	**264.4**
Bank overdraft	-	(1.7)	-	-	-	-	**(1.7)**
Net cash and cash equivalents	115.4	150.5	-	-	-	(3.2)	**262.7**
Senior secured debt (gross of prepaid finance costs):							
– Senior notes redeemed in the period - due in more than one year	(462.6)	88.7	-	-	355.2	18.6	**-**
– Senior notes issued in the period - due in more than one year	-	(287.4)	-	-	(353.7)	8.2	**(633.0)**
– Revolving credit facility - due in more than one year	(74.4)	76.0	-	-	-	(1.5)	**-**
Unsecured loans:							
– due in less than one year	-	-	-	-	(11.9)	-	**(11.9)**
– due in more than one year	(11.6)	-	-	-	11.6	-	**-**
Net debt	(433.2)	27.7	-	-	1.1	22.1	**(382.2)**
Obligations under right-of-use leases:							
– due in less than one year	(0.3)	0.4	(0.1)	-	(0.2)	-	**(0.2)**
– due in more than one year	(5.8)	-	-	-	-	-	**(5.8)**
Preferred equity (gross of prepaid finance costs)	-	(66.3)	-	-	(10.9)	-	**(77.1)**
Prepaid finance costs:							
– In relation to preferred equity	-	0.9	-	-	-	-	**0.9**
– In relation to senior debt	9.9	10.8	-	-	(10.0)	0.2	**10.9**
Net debt including right-of-use lease liabilities, issue premia, preferred equity and prepaid finance costs	(429.4)	(26.4)	(0.1)	-	(19.8)	22.3	**(453.4)**

The cashflows therein included represent the physical cash inflows received by the Company as a result of the refinancing exercise in the period, the majority of which was directly paid by the new debt holders to the existing debt holders, with the remainder of the cash being held by the Company. The Company determined that the financial institution that handled the transactions with bond holders, acted in their capacity as principal.

Company	At 31 March 2019 £m	Cash flow £m	Capital expenditure £m	Acquisitions £m	Other non-cash changes £m	Exchange movement £m	At 28 March 2020 £m
Cash and cash equivalents	19.0	94.4	-	-	-	2.0	115.4
Bank overdraft	-	-	-	-	-	-	-
Net cash and cash equivalents	19.0	94.4	-	-	-	2.0	115.4
Senior secured debt (gross of prepaid finance costs):							
– due in more than one year	(382.8)	(120.2)	-	-	(6.8)	(27.2)	(537.0)
Unsecured loans:							
– due in less than one year	(2.1)	-	-	-	2.1	-	-
– due in more than one year	(9.4)	-	-	-	(2.1)	-	(11.6)
Obligations under right-of-use leases:							
– due in less than one year	-	0.4	-	-	(0.7)	-	(0.3)
– due in more than one year	-	-	-	-	(5.8)	-	(5.8)
Prepaid finance costs	3.6	9.0	-	-	(2.7)	-	9.9
Net debt including right-of-use lease liabilities, issue premia and prepaid finance costs	(371.8)	(16.4)	-	-	(16.0)	(25.2)	(429.4)

17. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Senior secured debt and unsecured loans are disclosed in the table excluding prepaid finance costs.

Amounts falling due within one year:

	Group		Company	
	2021 £m	2020 (restated) £m	**2021 £m**	2020 £m
Deferred consideration	**4.0**	9.4	**-**	-
Contingent earn-out liabilities	**-**	7.2	**-**	-
	4.0	16.6	**-**	-

Amounts falling due after one year:

	Group		Company	
	2021 £m	2020 (restated) £m	**2021 £m**	2020 £m
Deferred consideration:				
– due between one and two years	**4.0**	0.1	**-**	-
– due between two and five years	**3.9**	0.3	**-**	-
	7.9	0.4	**-**	-

Reconciliation of movement in contingent earn-out liabilities	Group £m	Company £m
Contingent earn-out liabilities as at 31 March 2019 (restated)	3.8	-
Payments made during the period	(3.6)	-
Unwinding of present value	0.8	-
Other fair value adjustments	0.9	-
Business acquisitions	5.7	-
Exchange rate difference	(0.4)	-
Contingent earn-out liabilities as at 28 March 2020 (restated)	7.2	-
Contingent earn-out liabilities as at 29 March 2020 (restated)	7.2	-
Payments made during the period	(7.8)	-
Unwinding of present value	0.1	-
Other fair value adjustments	0.7	-
Business acquisitions	-	-
Exchange rate difference	(0.2)	-
Contingent earn-out liabilities as at 3 April 2021	**-**	**-**

Contingent earn-out liabilities in the prior year have been restated following a change in accounting treatment relating to certain historical acquisitions (see Note 29 for further details).

Notes to the accounts

18. OPERATING LEASE ARRANGEMENTS

At the balance sheet date, the Group and Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group		Company	
Minimum lease payments	**2021 £m**	2020 £m	**2021 £m**	2020 £m
Within one year	**0.5**	0.3	**-**	-
In the second to fifth years inclusive	**0.6**	-	**-**	-
After five years	**-**	-	**-**	-
	1.1	0.3	**-**	-

The table above comprises of leases which are exempt from IFRS16 with a duration of less than 12 months or a cost less than £5,000. Leases with a duration of over 12 months and a total cost of over £5,000 have been included within right-of-use assets in accordance with IFRS 16, see Note 11.

19. DEFERRED TAX

	Group £m	Company £m
At 31 March 2019	60.3	(0.2)
Credit to income statement (see Note 6)	(4.5)	(1.2)
Deferred tax in relation to pension scheme	0.1	-
Deferred tax on intangible assets acquired (restated)	5.2	-
Adjustment for acquisitions in the year	-	-
Exchange adjustment	2.4	-
At 28 March 2020	63.5	(1.4)
At 29 March 2020	**63.5**	**(1.4)**
(Credit) / charge to income statement (see Note 6)	**(19.6)**	**0.8**
Deferred tax in relation to pension scheme	**-**	**-**
Deferred tax on intangible assets acquired	**3.7**	**-**
Exchange adjustment	**(1.9)**	**-**
At 3 April 2021	**45.7**	**(0.6)**

The provision for deferred taxation is as follows:

	Group		Company	
	2021 £m	2020 £m	**2021 £m**	2020 £m
Fixed assets	**1.8**	1.0	**-**	-
Investment property	**-**	(0.1)	**-**	(0.1)
Tax losses	**(3.7)**	(3.0)	**(0.4)**	(1.3)
Deferred tax on intangible assets acquired	**55.6**	60.0	**-**	-
Deferred tax on defined benefit pension	**(1.2)**	(1.2)	**-**	-
Deferred tax recognised on contingent payment	**(12.5)**	-	**-**	-
Other timing differences	**5.7**	6.8	**(0.2)**	-
	45.7	63.5	**(0.6)**	(1.4)

The provision is based on taxation rates of 19% in respect of balances relating to the UK businesses, 30% in respect of balances relating to the Australian businesses, 25% in respect of balances relating to the Dutch businesses, 25% in respect of balances relating to the Spanish business, 29% in respect of balances relating to the Belgian business, and 27.9% in respect of balances relating to the Italian business.

19. DEFERRED TAX (CONTINUED)

Deferred tax assets and liabilities

The deferred tax balances shown on the balance sheet are:

	Group 2021 £m	Group 2020 £m	Company 2021 £m	Company 2020 £m
Deferred tax liabilities	**62.9**	69.9	**-**	-
Deferred tax assets	**(17.2)**	(6.4)	**(0.6)**	(1.4)
	45.7	63.5	**(0.6)**	(1.4)

20. RETIREMENT BENEFIT OBLIGATIONS

Defined contribution schemes

The Group operates a number of defined contribution pension schemes. The companies and the employees contribute towards the schemes.

Contributions are charged to the Income Statement as incurred and amounted to £4,634,000 (2020: £3,877,000), of which £2,350,000 (2020: £2,245,000) relates to the UK schemes. The total contributions outstanding at year-end were £nil (2020: £nil).

Defined benefit schemes

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

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

The last full actuarial valuations of these schemes were carried out by a qualified independent actuary as at 31 July 2018.

The contributions made by the employer over the financial period were £136,000 (2020: £136,000) in respect of the Main Scheme and £nil (2020: £nil) in respect of the Executive Scheme.

Contributions to the Executive and Main Schemes are made in accordance with the Schedule of Contributions. Future contributions are expected to be an annual premium of £136,000 in respect of the Main Scheme and £nil contributions payable to the Executive Scheme. These payments are in line with the certified Schedules of Contributions until they are reviewed on completion of the triennial valuations of the schemes as at 1 August 2021.

As both schemes are closed to future accrual there will be no current service cost in future years.

The defined benefit schemes typically expose the Company to actuarial risks such as: investment risk, interest rate risk and longevity risk.

Investment risk

The present value of the defined benefit schemes' liability is calculated using a discount rate determined by reference to high quality corporate bond yields; if the returns on schemes' assets are below this rate, it will create a scheme deficit. Due to the long-term nature of the schemes' liabilities, the trustees of the pension fund consider it appropriate that a reasonable portion of the schemes' assets should be invested in equity securities to leverage the return generated by the funds.

Interest risk

A decrease in the bond interest rate will increase the schemes' liability but this will be partially offset by an increase in the return on the plan's debt investments.

Longevity risk

The present value of the defined benefit plan liability is calculated by reference to the best estimate of the mortality of plan participants both during and after their employment. An increase in the life expectancy of the schemes' participants will increase the schemes' liability.

Notes to the accounts

20. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

Inflation risk

An increase in the inflation rate will increase the Group's liability. A portion of the plan assets are inflation-linked debt securities which will mitigate some of the effects of inflation.

The present value of the defined benefit liabilities was measured using the projected unit credit method.

The expected rates of return on plan assets are determined by reference to relevant indices. The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

Principal actuarial assumptions (expressed as weighted averages) at the consolidated balance sheet date were as follows:

	2021	2020
Discount rate	**1.9%**	2.4%
Revaluation rate of deferred pensioners of CPI or 5% p.a. if less	**2.7%**	2.0%
Pension in payment increases of RPI or 5% p.a. if less	**3.3%**	2.9%
Pension in payment increases of CPI or 3% p.a. if less	**2.2%**	1.8%
Inflation (RPI)	**3.5%**	3.0%
Inflation (CPI)	**2.7%**	2.0%

The assumptions relating to longevity underlying the pension liabilities at the Consolidated Statement of Financial Position date are based on 115% of the standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65 year-old to live for a number of years as follows:

(i) Current pensioner aged 65: 20.7 years (male), 23.1 years (female).

(ii) (Future retiree (aged 45) upon reaching 65: 21.7 years (male), 24.3 years (female).

Amounts recognised in the consolidated income statement in respect of these defined benefit schemes are as follows:

	2021 £m	2020 £m
Net interest expense	**0.1**	0.1
Curtailments / Settlements	**-**	(0.1)
Past service cost	**-**	-
Components of defined benefit costs recognised in profit or loss	**0.1**	-

The net interest expense has been included within finance costs. The remeasurement of the net defined benefit liability is included in the statement of comprehensive income.

Amounts recognised in the Consolidated Statement of Comprehensive Income are as follows:

	2021 £m	2020 £m
The return on plan assets (excluding amounts included in net interest expense)	**3.6**	(1.5)
Actuarial gains arising from changes in demographic assumptions	**(0.4)**	-
Actuarial (losses) / gains arising from changes in financial assumptions	**(3.2)**	2.9
Actuarial gains arising from experience adjustments	**-**	-
Remeasurement of the net defined benefit liability	**(0.1)**	1.4

The amount included in the Consolidated Balance Sheet arising from the Group's obligations in respect of its defined benefit retirement benefit schemes is as follows:

	2021 £m	2020 £m
Present value of defined benefit obligations	**(31.2)**	(28.4)
Fair value of plan assets	**24.7**	22.1
Net liability arising from defined benefit obligation	**(6.5)**	(6.3)
Deferred tax applied to net obligation	**1.2**	1.2

20. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

Movements in the present value of defined benefit obligations in the period were as follows:

	2021 £m	2020 £m
Opening defined benefit obligation	**28.4**	32.6
Interest cost	**0.6**	0.7
Remeasurement (gains)/losses:	**-**	-
Actuarial (gains) arising from changes in demographic assumptions	**0.4**	(0.1)
Actuarial (gains) and losses arising from changes in financial assumptions	**3.2**	(2.9)
Actuarial (gains) arising from experience adjustments	**-**	-
Benefits paid and expenses	**(1.6)**	(1.8)
(Gains) on Settlements/Curtailments	**-**	(0.1)
Past service costs	**-**	-
Closing defined benefit obligation	**31.2**	28.4

Movements in the fair value of plan assets in the period were as follows:

	2021 £m	2020 £m
Opening fair value of plan assets	**22.1**	24.7
Interest income	**0.5**	0.6
Remeasurement gains:		
The return on plan assets (excluding amounts included in net interest expense)	**3.6**	(1.5)
Contributions from the employer	**0.1**	0.1
Benefits paid and expenses	**(1.6)**	(1.8)
Closing fair value of plan assets	**24.7**	22.1

The major categories and fair values of plan assets at the end of the reporting period for each category are as follows:

	2021 £m	2020 £m
Cash and cash equivalents	**0.2**	0.3
LDI	**3.8**	3.9
Equities	**7.8**	5.8
Property	**1.3**	1.3
Corporate Bonds	**3.3**	-
Multi-Asset Credit Funds	**6.1**	8.7
Diversified Growth Funds	**2.2**	2.1
Closing fair value of plan assets	**24.7**	22.1

None of the fair values of the assets shown above include any of the employer's own financial instruments or any property occupied by, or other assets used by, the employer. All of the schemes assets have a quoted market price in an active market.

The actual return on plan assets was £4,060,000 (2020: loss £973,000).

Significant actuarial assumptions for the determination of the defined benefit obligation are discount rate, expected salary increase and mortality. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring at the end of the reporting period, while holding all other assumptions constant.

If the discount rate decreased by 0.5% per annum, the defined benefit obligation would increase by 9.0%.

20. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

If the rate of inflation increases by 0.5% per annum, the defined benefit obligation would increase by 6.3%.

If the life expectancy increases by one year for both men and women, the defined benefit obligation would increase by 4.5%.

The sensitivity analysis presented above may not be representative of the actual change in the defined benefit obligation as it is unlikely that the change in assumptions would occur in isolation of one another as some of the assumptions may be correlated.

In presenting the above sensitivity analysis, the present value of the defined benefit obligation has been calculated using the projected unit credit method at the end of the reporting period, which is the same as that applied in calculating the defined benefit obligation liability recognised in the Consolidated Balance Sheet.

The Group expects to make a contribution of £136,000 (2020: £136,000) to the defined benefit schemes during the next financial period

21. SHARE CAPITAL

	2021 £m	2020 £m
Allotted, called up and fully paid:		
5p ordinary shares	**6.3**	6.3

	2021 Number of shares (000's)	2020 Number of shares (000's)
5p ordinary shares:		
Number of shares issued and fully paid (excluding shares held in treasury)	**116,852**	125,398
Number of shares issued and fully paid, held in treasury	**8,546**	-

The Company has one class of Ordinary shares which carry no right to fixed income.

On 18 November 2020, 8,546,095 shares (5p) were bought back, however they have not been cancelled and are held in treasury.

At the year end there were no shares issued but not fully paid (2020: nil).

At the year end, no shares were reserved for issue under options and there were no contracts for sale of shares (2020: nil).

Capital risk management

The Group considers its capital to comprise its Ordinary share capital, share premium, accumulated retained earnings and net debt. In managing its capital, the Group's primary objective is to ensure its continued ability to provide a consistent return for its equity shareholders through a combination of capital growth and distributions.

In order to achieve this objective, the Group monitors its gearing to balance risks and returns at an acceptable level and also to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, either through altering its dividend policy, new share issues, or the reduction of debt, the Group considers not only its short-term position but also its long-term operational and strategic objectives.

22. RESERVES

Share premium

The share premium account relates to the premium received on the issuance of equity above the nominal value of the shares issued. Share premium for the Group as at 3 April 2021 was £nil (2020: £288.7m), this reduction resulting from a shareholder resolution passed on 10 September 2020, and High Court approval obtained on 29 September 2020, to implement a capital reduction and transfer this reserve to retained earnings.

Retained earnings

Retained earnings for the Group as at 3 April 2021 were £198.7m (2020 restated: negative £62.7m).

The loss of the Company for the year determined in accordance with the Companies Act 2006 was £30.9m (2020: loss of £37.2m). The Company is exempt under Section 408 of the Companies Act 2006 from presenting its own Income statement and Statement of Comprehensive Income.

Foreign exchange reserve

The foreign exchange reserve for the Group as at 3 April 2021 was negative £0.4m (2020 restated: £5.7m), in respect of foreign exchange differences on consolidation of overseas subsidiaries.

Other reserves

Other reserves for the Group as at 3 April 2021 were £3.6m (2020: £2.6m) and relate to share-based payment charges (see further details in Note 5).

23. ACQUISITION OF SUBSIDIARIES

(a) Keradom S.R.L.

On 17th December 2020, the Group acquired 100% equity of Keradom S.R.L., a specialist manufacturer of decorative porcelain floor tiles and special pieces. Operating in Sassuolo, Italy, Keradom is located close to the existing Victoria Italy ceramics operations.

The total consideration is €14.1m (£13.3m[1]), with an initial cash consideration of €6.1m (£5.5m[1]) and contingent consideration of up to €8m (£7.8m[1]) depending on future EBITDA performance over a four-year period.

Due to a change in accounting treatment (see Note 29), the contingent consideration is not being classed as consideration for the purpose of accounting for business combinations and is therefore not recognised at fair value on acquisition. Instead, this will be accrued over the four-year period as an acquisition-related performance plan liability, with a corresponding non-underlying remuneration cost going through the income statement. This accounting treatment for contingent consideration has resulted in negative goodwill arising from acquisition, driving a gain on bargain purchase shown as non-underlying in the income statement.

The Group results for the 53 weeks ended 3 April 2021 include contribution from Keradom of €6.0m (£5.4m[2]) of revenue and €0.7m (£0.6m[2]) of profit before tax (before amortisation of acquired intangibles and acquisition costs). If the acquisition had been completed on the first day of the financial year, Group revenue and profit before tax would have been higher by €16.7m (£15.0m[2]) and €2.5m (£2.2m[2]) respectively.

[1] Applying the GBP to € exchange rate at the date of acquisition of 1.1031

[2] Applying the average exchange rate over the financial year of 1.1244

23. ACQUISITION OF SUBSIDIARIES (CONTINUED)

Net Assets Acquired

	Amounts recognised at acquisition date £m
Property, plant and equipment	3.3
Trade and other receivables	10.8
Inventories	4.2
Trade and other payables	(8.0)
Loans	(9.9)
Current tax liabilities	(0.8)
Net cash	3.8
Book value of net assets acquired	3.2
Right of use lease assets	2.8
Obligations under right of use leases	(2.8)
Intangible assets arising on acquisition (see Note 10)	9.1
Deferred tax liability on intangible assets acquired	(2.5)
Fair value of total identifiable net assets	9.7
Negative goodwill arising on acquisition	(4.3)
Total consideration	5.5
Satisfied by:	
Cash	5.5
Present value of contingent consideration	-
	5.5

Other than where fair value adjustments have been made, the book value of assets acquired is considered to approximate their fair values. Gross trade receivables acquired are considered to equate to the fair value of contractually collectable cash flows.

After fair value adjustments, negative goodwill of £4.3m is created on the consolidation of Keradom, which has been taken to the income statement in the period.

Transaction costs amounting to £0.6m relating to the acquisition have been recognised as an expense and included in exceptional administrative expenses in the Group Income Statement.

(b) Hanover Flooring Limited

On 26 January 2021 the Group acquired the business and assets of Hanover Flooring Limited. Hanover is a distributor of soft flooring products for both the residential and contract markets. It sells to wholesalers, retail groups, and independent stores throughout the UK.

The Group results for the 53 weeks ended 3 April 2021 include contribution from Hanover of £0.9m of revenue and £0.1m of profit before tax (before amortisation of acquired intangibles and acquisition costs). If the acquisition had been completed on the first day of the financial year Group revenue and profit before tax would have been higher by £13.2m and £2.1m respectively.

The total consideration is £25m, with an initial cash consideration of £1.0m (subject to working capital normalisation), deferred consideration of up to £11.5m payable over three to four years, and contingent consideration of up to £12.5m depending on future EBITDA performance over a four-year period.

23. ACQUISITION OF SUBSIDIARIES (CONTINUED)

Due to a change in accounting treatment (see Note 29), the contingent consideration is not being classed as consideration for the purpose of accounting for business combinations and is therefore not recognised at fair value on acquisition. Instead, this will be accrued over the four-year period as an acquisition-related performance plan liability, with a corresponding non-underlying remuneration cost going through the income statement. This accounting treatment for contingent consideration has resulted in negative goodwill arising from acquisition, driving a gain on bargain purchase shown as non-underlying in the income statement.

Net assets required

	Amounts recognised at acquisition date £m
Property, plant and equipment	1.0
Trade and other receivables	2.8
Inventories	5.5
Book value of net assets acquired	9.2
Right of use lease assets	4.1
Obligations under right of use leases	(4.1)
Intangible assets arising on acquisition (see Note 10)	6.8
Deferred tax liability on intangible assets acquired	(1.3)
Fair value of total identifiable net assets	14.7
Negative goodwill arising on acquisition	(2.2)
Total consideration	12.4
Satisfied by:	
Cash	1.0
Present value of deferred consideration	11.4
	12.4

Other than where fair value adjustments have been made, the book value of assets acquired is considered to approximate their fair values. Gross trade receivables acquired are considered to equate to the fair value of contractually collectable cash flows.

After fair value adjustments, negative goodwill of £2.2m is created on the consolidation of Hanover,which has been taken to the income statement in the period.

Transaction costs amounting to £0.2m relating to the acquisition have been recognised as an expense and included in exceptional administrative expenses in the Group Income Statement.

24. GOVERNMENT GRANTS

	2021 £m	2020 £m
Deferred income at 29 March 2020	**2.3**	2.1
Grant income received in the year	**1.0**	0.5
Amortisation to deferred income by release through cost of production	**(0.5)**	(0.5)
Exchange adjustment	**(0.1)**	0.1
Deferred income at 3 April 2021	**2.7**	2.2
Presented in:		
Current liabilities	**0.1**	0.1
Non-current liabilities	**2.6**	2.1
	2.7	2.2

There are no unfulfilled conditions or other contingencies attaching to government assistance.

25. FINANCIAL INSTRUMENTS

Background

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout the financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The "financial instruments" which are affected by these risks comprise borrowings, cash and liquid resources used to provide finance for the Group's operations, together with various items such as trade debtors and trade creditors that arise directly from its operations, inter-company payables and receivables, and any derivatives transactions (such as interest rate swaps and forward foreign currency contracts) used to manage the risks from interest rate and currency rate volatility.

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receives monthly reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

Credit risk

The Group's principal financial assets are bank balances and cash, and trade and other receivables.

The Group's exposure to credit risk is primarily attributable to its trade receivables. Credit risk is managed locally by the management of each business unit. Prior to accepting new customers, credit checks are obtained from reputable external sources. Furthermore, in specific areas where a heightened credit risk is perceived, credit insurance is utilised to help mitigate this risk. A review of credit risk by customer category was undertaken in light of historical rates of credit loss overlaid with the heightened risk of potential economic fallout from Covid-19.

Trade receivables consist of a large number of customers spread across geographical locations. Furthermore, specific trade receivables are written-off when there is considered to be little likelihood of recovering the debt.

The group continues to monitor its exposure to expected credit losses and further disclosure will be provided in future periods if the Group's assessment changes.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with low credit risk assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

The Company has no significant concentration of credit risk, other than with its own subsidiaries, the performances of which are closely monitored. The Directors confirm that the carrying amounts of monies owed by its subsidiaries approximate to their fair value.

25. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due.

To achieve this aim, the cash position is continuously monitored to ensure that cash balances (or agreed facilities) meet expected requirements for a period of at least 90 days.

The preferred equity issued to KED during the period is perpetual and has no contractual commitment to redeem or pay preferred dividends in cash, and therefore had a positive impact on the Group's liquidity. There are a two scenarios, both of which management believe highly unlikely, under which mandatory redemption of the preferred equity applies (see Note 16 for further details).

The Group expects to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

The maturity of financial liabilities is detailed in Note 16.

Market risk

Market risk arises from the Group's use of interest bearing and foreign currency financial instruments. It is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk), or market pricing (price risk). The fair value of the loan note prepayment option embedded derivative will fluctuate based on changes in market pricing, the relative impact of such fluctuations can be seen by the movement in the period as disclosed in Note 16. Fluctuations in foreign currency exchange rates can have a significant effect on the Group's reported results.

Market risk arises from the Company's use of third party and intercompany loans denominated in foreign currency. Fluctuations in foreign currency exchange rates can have a significant effect on the Company's reported results.

a) Interest rate risk

The Group finances its operations through a mixture of retained profits, equity capital and bank facilities, including hire purchase and lease finance. The Group borrows in the desired currency at floating or fixed rates of interest and may then use interest rate swaps to secure the desired interest profile and manage exposure to interest rate fluctuations.

Interest rate sensitivity

The annualised effect of a 50 basis point decrease in the interest rate at the balance sheet date on the variable rate debt carried at that date would, all other variables held constant, have resulted in a decrease in post-tax loss for the year of £160,000 (2019: increase in post-tax profit of £400,000). A 50 basis point increase in the interest rate would, on the same basis, have increased the loss for the year by the same amount.

Borrowings contractual maturities and effective interest rate analysis

In respect of interest bearing financial liabilities, the following table indicates the undiscounted amounts due for the remaining contractual maturity (including interest payments based on the outstanding liability at the year end) and their effective interest rates. The ageing of these amounts is based on the earliest dates on which the Group can be required to pay.

Notes to the accounts

25. FINANCIAL INSTRUMENTS (CONTINUED)

	As at 3 April 2021						As at 28 March 2020					
	Effective Interest Rate %	**Total £m**	**0-1 Years £m**	**1-2 Years £m**	**2-5 Years £m**	**Over 5 Years £m**	Effective Interest Rate %	Total £m	0-1 Years £m	1-2 Years £m	2-5 Years £m	Over 5 Years £m
Group												
Cash and cash equivalents	**0.00%**	**348.8**	**348.8**	**-**	**-**	**-**	0.00%	176.8	176.8	-	-	-
Senior secured debt and overdraft	**3.67%**	**(780.5)**	**(27.2)**	**(23.2)**	**(69.6)**	**(660.6)**	4.98%	(641.1)	(28.0)	(24.5)	(588.6)	-
Unsecured facilities	**2.54%**	**(53.3)**	**(27.4)**	**(15.9)**	**(9.3)**	**(0.7)**	6.00%	(16.3)	(1.9)	(13.8)	(0.6)	-
Right-of-use leases	**3.47%**	**(87.0)**	**(13.0)**	**(11.1)**	**(18.3)**	**(44.6)**	3.31%	(79.8)	(11.8)	(12.4)	(24.5)	(31.1)
		(572.1)	**281.1**	**(50.2)**	**(97.2)**	**(705.9)**		(560.4)	135.1	(50.7)	(613.7)	(31.1)
Company												
Cash and cash equivalents	**0.00%**	**264.4**	**264.4**	**-**	**-**		0.00%	115.4	115.4	-	-	
Senior secured debt	**3.67%**	**(778.2)**	**(24.9)**	**(23.2)**	**(69.6)**	**(660.6)**	5.02%	(638.8)	(25.8)	(24.5)	(588.5)	-
Unsecured facilities	**6.00%**	**(12.6)**	**(12.6)**	**-**	**-**	**-**	6.00%	(13.2)	(0.6)	(12.6)	-	-
Right-of-use leases	**3.94%**	**(6.0)**	**(0.2)**	**(0.4)**	**(1.6)**	**(3.8)**	3.70%	(6.1)	(0.3)	(0.4)	(1.6)	(3.8)
		(532.4)	**226.7**	**(23.6)**	**(71.2)**	**(664.4)**		(542.7)	88.7	(37.5)	(590.1)	(3.8)

In addition, the following table summarises the total undiscounted deferred and contingent consideration liabilities in relation to past acquisitions, again aged based on the earliest dates on which the Group can be required to pay.

	As at 3 April 2021				As at 28 March 2020			
Total undiscounted obligations	**Total £m**	**0-1 Years £m**	**1-2 Years £m**	**2-5 Years £m**	Total £m	0-1 Years £m	1-2 Years £m	2-5 Years £m
Group								
Deferred consideration liabilities	**12.0**	**4.0**	**4.0**	**4.0**	9.9	9.4	0.2	0.3
Contingent earn-out liabilities	**-**	**-**	**-**	**-**	7.2	7.2	-	-
	12.0	**4.0**	**4.0**	**4.0**	17.1	16.6	0.2	0.3

Non-interest bearing liabilities

Details of trade and other payables falling due within one year are set out in Note 15.

b) Currency risk

The main currency exposure of the Group arises from the Euro denominated debt.

It is the Board's policy not to hedge against translational, as opposed to transactional movements, in the Sterling/Australian Dollar and Sterling/Euro exchange rate.

Other currency exposure derives from transactional operations where goods are exported or raw materials and capital equipment are imported. These exposures are not considered to be material and may be managed by forward currency contracts, particularly when the amounts or periods to maturities are significant and at times when currencies are particularly volatile.

Currency risk sensitivity

An analysis of the Euro currency risk exposure arising from financial instruments denominated in a foreign currency is as follows.

A 10% strengthening of the Euro against Sterling closing rate would, all other variables held constant, have resulted in an increase in Group post-tax loss for the year of £44,246,000 as the net result of the translation impact on Euro denominated debt. A 10% weakening of the Euro against Sterling closing rate would, all other variables held constant, have resulted in a decrease in Group post-tax loss for the year of £36,201,000 as the net result of the translation impact on Euro denominated debt.

25. FINANCIAL INSTRUMENTS (CONTINUED)

The carrying amounts of the Group's Euro denominated monetary assets (cash & cash equivalents) and monetary liabilities (financial debt, excluding intercompany balances) at the reporting date are as follows:

	Liabilities		Assets	
	2021 £m	2020 £m	**2021 £m**	2020 £m
Euro	**622.1**	497.4	**221.8**	68.1

c) Future movements in share price

Linked to the preferred equity issued to KED during the period (see Note 16), the Company issued 12.402m warrants over its ordinary shares. These warrants are exercisable following the third anniversary of issue (or earlier if the preferred shares are redeemed) at an exercise price of £3.50, and can be net settled at the option of the Company (whereby a lower number of shares is issued but for no consideration). In addition, the warrants have a 'cap' mechanism that interacts with the returns to KED on the preferred equity, which – based on a maximum stipulated level of return (see Note 16) – may further reduce the number of ordinary shares issued on exercise. A key variable that impacts KED's overall level of return and therefore the implementation of this cap mechanism is the ordinary share price of the Company. For example, if KED were to exercise the warrants on the third anniversary and the share price at the time was the same as at the year-end, being £8.46, then the number of ordinary shares issued would be 1.19m (assuming that the follow-on commitment remains undrawn and is cancelled in July 2021).

Future movements in share price would impact the fair value of the warrant instrument liability, with increases in the share price increasing the value of the warrants resulting in a finance charge in the income statement, and vice-versa.

Separately, future movements in share price would have an impact on the embedded derivative asset representing the Company's option to cash redeem the preferred equity. As this increases in the future, the attractiveness of the option to the Company would decrease, thereby reducing the value of the asset, and vice-versa. Any future increase in the value of the option would result in a financial credit to the income statement, and vice-versa.

Share price sensitivity

If, at the third anniversary, the share price were to decrease by £1 to £7.46, the number of ordinary shares issued on exercise would increase to 1.35m. This is due to a reduction in the impact of the cap mechanism. Conversely, if the share price were to increase by £1 to £9.46, the number of ordinary shares issued on exercise would decrease to 1.06m.

d) Trading

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken other than in the corporate bonds held within cash and cash equivalents.

26. KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised. Information about significant areas of estimation that have the most significant impact on the financial statements are described in the following notes:

Estimates

Impairment of goodwill (Note 9)

Determining whether goodwill balances are impaired requires an estimation of the value in use of the cash-generating units to which value has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and to apply a suitable discount rate in order to calculate present value. On an annual basis the Group is required to perform an impairment review to assess whether the carrying value of goodwill balances are less than its recoverable amount. The recoverable amount is based on a calculation of expected future cash flows, which include estimates of future performance. Detail of assumptions used in the review of goodwill, investments and intercompany balances are detailed in Note 9.

26. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Valuation of embedded derivatives within financial instruments (Note 16, 17)

In relation to the senior secured debt and preferred equity recognised in accordance with IFRS 9, non-closely related embedded derivatives have been identified which require separate recognition from the host instrument, in each case relating to the Company's option to cash redeem the instrument with a redemption premium cost that reduces over time (see Note 16 for details). These embedded derivatives are valued at each reporting date using assumptions based on certain estimates.

The key estimate for both embedded derivative instruments is volatility. As this increases, the range of future potential outcomes in terms of market credit spread is broadened, and therefore the value of these options increases, and vice-versa. Any such future movement in the value of these items would create a financial charge or credit in the income statement.

Note 17 contains a sensitivity analysis of the impact of an increase or decrease in the volatility assumption in relation to each of the senior debt and preferred equity redemption option on their respective asset values.

Defined benefit obligation (Note 20)

The Group has two defined benefit pension schemes. The obligations under the schemes are recognised in the Consolidated Balance Sheet and represent the present value of the obligation calculated by independent actuaries, with input from the Directors. These actuarial valuations include assumptions such as discount rates, return on assets and mortality rates. These assumptions vary from time to time according to prevailing economic conditions.

Due to changing market and economic conditions, the expenses and liabilities actually arising under the scheme in the future may differ materially from the estimates made on the basis of the actuarial assumptions. The effects of any change to these assumptions are accounted for in the next financial year as other comprehensive income. The calculation of any charge relating to retirement benefits is clearly dependent on the assumptions used, which reflects the exercise of judgement. Further details are set out in Note 20.

Judgements

Embedded derivatives within senior secured notes (Note 16)

Under IFRS 9, it was determined that the call option in relation to the early redemption of the notes did not satisfy either of the tests in order to be classified as closely-related to the underlying host contract. Details of the option embedded in the contract are shown in Note 16.

In assessing the applicable recognition date for the embedded derivative, it was deemed appropriate to apply the loan commitment scope exclusion as defined in the standard. Consequently, the date of initial recognition was considered to be the date of drawdown, as opposed to the date of commitment.

As a result of applying the loan commitment scope exclusion, as above, it was deemed appropriate to base the value of the combined instrument on the proceeds as agreed at the earlier commitment date.

It was deemed appropriate that for the purpose of calculating the host as the residual that, in light of the loan commitment scope exclusion applied, the embedded option should only be recognised on drawdown and therefore that its initial carrying value should be the fair value at that date.

Non-underlying items (Note 2,3)

Non-underlying items are material non-trading income and costs and non-underlying finance costs as defined by the Directors. In line with IAS 1 para 85, the non-underlying items are disclosed separately in the Consolidated Income Statement given, in the opinion of the Directors, such presentation is relevant to an understanding of the Group's financial performance. Determining the presentation of an item as non-underlying is considered to be a significant judgement in the preparation of the annual report.

27. RELATED PARTIES

Transactions between the Company and its subsidiaries have been eliminated on consolidation.

Identity of related parties

The Group has a related party relationship with its Directors and executive officers.

The Company has a related party relationship with its subsidiaries and its Directors and executive officers.

Transactions with key management personnel

Key management personnel are considered to be the Directors of the Company.

As at 3 April 2021, the key management personnel, and their immediate relatives, controlled 38.72% of the voting shares of the Company.

Details of the Group's share-based incentive plans, which includes key management personnel, are provided in Note 5.

The aggregate remuneration of the Group's key management personnel, including the above incentive schemes, is set out below for each of the categories specified in IAS 24 Related Party Disclosures. Note that the prior year comparatives in this table have been restated to reflect the change in definition of key management personnel, which previously included directors of subsidiary entities.

Notes to the accounts

27. RELATED PARTIES (CONTINUED)

	2021 £m	2020 £m
Short-term employee benefits	**1.12**	1.14
Post-employment benefits	**0.02**	-
Other-long term benefits	**-**	-
Termination benefits	**-**	-
Share-based payment charge	**0.20**	4.43
	1.33	5.57

Transactions with subsidiary undertakings:	**2021 £m**	2020 £m
Management recharge - Victoria Bidco B.V	**(0.66)**	0.03
Management fees - Victoria Carpets Ltd	**0.18**	0.03
Management fees - Westex (Carpets) Ltd	**0.04**	0.03
Management fees - Abingdon Flooring Ltd	**0.33**	0.03
Management fees - Alliance Flooring Distribution Ltd	**0.01**	-
Management fees - Distinctive Flooring Ltd	**0.01**	-
Management fees - Whitestone Carpets Holdings Ltd	**-**	0.04
Management fees - View Logistics Ltd	**0.15**	0.04
Management fees - Interfloor Group Ltd	**0.16**	0.03
Management fees - Ezi Floor Ltd	**0.04**	0.03
Management fees - G-tuft	**0.01**	-
Management fees - Grass Inc B.V	**-**	0.02
Management fees - Estillon BV	**0.02**	-
Management fees - The Victoria Carpet Company Pty Ltd	**0.10**	0.03
Management fees - Quest Flooring Pty Ltd	**0.08**	0.03
Management fees - Primary Flooring Pty Limited	**0.07**	0.03
Management fees - Keraben Grupo S.A.	**0.28**	0.03
Management fees - Ceramiche Serra S.p.A	**0.07**	0.03
Management fees - Ascot Gruppo Ceramiche SRL	**0.10**	-
Management fees - Ceramica Saloni, S.A.	**0.19**	0.03
Management fees - Iberoceramica S.L.U.	**-**	0.02
Interest receivable - Victoria Bidco B.V	**2.75**	1.60
Interest receivable - Victoria Carpets Ltd	**0.39**	0.35
Interest receivable - Abingdon Flooring Ltd	**0.48**	0.54
Interest receivable - Whitestone Carpets Holdings Ltd	**0.87**	0.88
Interest receivable - Interfloor Group Ltd	**0.50**	0.94
Interest receivable - Interfloor Operations Ltd	**0.64**	0.62
Interest receivable - Ezi Floor Ltd	**0.73**	0.62
Interest receivable - Victoria Belgium n.v	**0.13**	0.10
Interest receivable - The Victoria Carpet Company Pty Ltd	**0.01**	0.01
Interest receivable - Estillon B.V	**0.04**	0.09
Interest receivable - Primary Flooring Pty Limited	**1.04**	1.11
Interest receivable - Keraben Grupo S.A.	**2.63**	2.21
Interest receivable - Kinsan Trade, S.L.	**2.99**	3.34
Interest receivable - Iberoceramica S.L.U.	**-**	0.17
Interest receivable - Sandover Investments, S.L.U	**1.27**	1.32
Interest receivable - Ceramica Saloni, S.A.	**1.40**	2.21
Interest receivable - Victoria Midco Holdings Ltd	**-**	1.27
Dividend Income - Victoria Midco Holdings Ltd	**5.80**	-
Dividend Income - Quest Flooring Pty Ltd	**0.63**	0.71
Amounts due from subsidiary undertakings	**458.1**	514.6
Amounts due to subsidiary undertakings	**0.1**	5.5

27. RELATED PARTIES (CONTINUED)

Transactions with the Business Growth Fund

Gavin Petken, a Non-Executive Director of Victoria PLC, was formerly the Business Growth Fund's ("BGF") Head of Investment South, Wales and Quoted. On 30 September 2014 the Company entered into a £10m unsecured loan facility with BGF, which is repayable in December 2021, plus a £2.1m redemption premium.

Interest charged to the income statement during the period in relation to the BGF loan was £0.9m (2020: £0.6m), of which £0.6m cash interest and the remainder an accrual in relation to the redemption premium.

From 30 September 2020, Gavin was no longer employed by the BGF.

Transactions with Koch Equity Development LLC

Blake Ressel, a Non-Executive Director of Victoria PLC from 15 December 2020, is a Managing Director at Koch Equity Development LLC. On the 30 October 2020, the Company entered into a conditional investment agreement whereby KED Victoria Investments, LLC, an affiliate of Koch Equity Development, committed to invest £175 million of preferred equity in Victoria. See Note 16 for further details.

28. POST BALANCE SHEET EVENTS

Acquisitions of Italian Businesses

On 21 April 2021 the Group completed the purchase of the business and assets of ceramic tile distributors, Ceramica Colli and Vallelunga. The Group also acquired 100% of the equity of ceramic tile manufacturer, Ceramiche Santa Maria.

Located near Victoria's existing Italian operations, these successful, growing brands also bring significant additional spare production capacity. As a result, they will not only provide an immediate earnings contribution to the Group in their own right, but will enable continued profitable growth at Victoria's already established Italian business through the utilisation of that spare production capacity.

The total cash consideration was €35m (£30.2m[1])

[1] Applying the GBP to EUR exchange rate at the date of acquisition of 1.1573.

At the time when the financial statements were authorised for issue, the determination of the fair values of the assets and liabilities acquired had not been finalised, because the independent valuations had not been concluded. It was also not possible to provide detailed information about each class of acquired receivables and any contingent liabilities of the acquired entity.

Acquisition of Edel Group BV

On 4 May 2021 the Group acquired 100% of the equity of Edel Group BV ("Edel"), Netherlands-based designers, manufacturers, and distributers of artificial grass and carpets.

Established in 1918, Edel primarily supplies artificial grass for domestic and landscaping purposes across Europe, a market in which Victoria already has a strong presence following its February 2017 acquisitions of Avalon and GrassInc.

The consideration of €49.4m (£42.9m[2]) was paid in cash on completion.

[2] Applying the GBP to EUR exchange rate at the date of acquisition of 1.1500.

At the time when the financial statements were authorised for issue, the determination of the fair values of the assets and liabilities acquired had not been finalised, because the independent valuations had not been concluded. It was also not possible to provide detailed information about each class of acquired receivables and any contingent liabilities of the acquired entity.

28. POST BALANCE SHEET EVENTS (CONTINUED)

Acquisition of Cali Bamboo Holdings Inc

On 23 June 2021 the Group acquired 100% of the equity of Cali Bamboo Holdings Inc. ("Cali").

Cali is an exceptionally high-growth US-based business that has achieved an organic CAGR of 17% for the past five years via its online B2C customer acquisition model, data-driven analytics, a high-touch consultative sales team, and direct delivery capability, alongside B2B channels.

The consideration of US$76.1m (£55.1m[3]) was paid in cash on completion.

[3] *Applying the GBP to USD exchange rate at the date of acquisition of 1.3800*

At the time when the financial statements were authorised for issue, the determination of the fair values of the assets and liabilities acquired had not been finalised, because the independent valuations had not been concluded. It was also not possible to provide detailed information about each class of acquired receivables and any contingent liabilities of the acquired entity.

29. RESTATEMENT OF ACQUISITION ACCOUNTING

Impact on the consolidated financial results and position of the Group

The prior period income statement, balance sheet, cash flow statement and related other statements and notes have been re-stated to reflect a change in accounting treatment of the contingent earn-out consideration payable on certain historical acquisitions. Earn-outs are deferred elements of consideration, typically paid in cash over a three to four-year period following acquisition, that are contingent on the financial performance of the target business meeting certain pre-determined targets over that period.

This accounting change has no impact on the underlying results, the cash flow or the tax position of the Group.

Whilst earn-outs form part of the purchase price that was negotiated in the past with each respective seller, and are contractually payments in exchange for the shares or assets of a business, on review of developing and developed guidance regarding interpretation of the relevant standards (including revisiting our assessment of IFRS Interpretations Committee decision "IFRS 3 Business Combinations—Continuing employment") the Group has remedied the accounting treatment of these items where leaver provisions exist that result in the earn-out effectively being contingent on the continued employment of the seller(s) following the acquisition. This is relevant where the leaver provisions included in the acquisition agreement result in a "good leaver" scenario being highly unlikely or outside the control of the seller (a good leaver scenario is where the seller is able to leave employment but still retain all or a proportion of their unpaid earn-out).

Such leaver provisions are included in our acquisitions in order to protect the goodwill being acquired over the first few years of ownership. However, in accordance with the IFRS interpretation noted above, in such circumstances the relevant earn-outs are now being treating as non-underlying remuneration costs, accrued over the earn-out period (i.e. the period over which the effective employment condition is applicable). Previously they were fully recognised at fair value at the point of acquisition, thereby forming part of goodwill.

The historical acquisitions that have been impacted by this restatement are as follows:

- Prior to 30 March 2019:
  - Westex, acquired in December 2013;
  - Abingdon, acquired in September 2014;
  - Whitestone, acquired in January 2015;
  - Ezi Floor, acquired in October 2016;
  - Avalon, acquired in February 2017;
  - Ceramiche Serra, acquired in December 2017; and
- Prior to 28 March 2020:
  - Estillon, acquired in November 2019.

29. RESTATEMENT OF ACQUISITION ACCOUNTING (CONTINUED)

Consequently, the FY20 results, including the March 2019 opening balance sheet, have been restated in these financial statements to reflect a decrease in goodwill corresponding to the fair value initially recognised for the relevant earn-outs on these acquisitions (subject to subsequent exchange rate movements where applicable), being £21.8m as at 28 March 2020 (2019: £20.0m).

For those historical acquisitions where the relevant earn-outs had been fully paid by 28 March 2020 – being Westex, Abingdon, Whitestone and Avalon – the only other impact of this accounting restatement in the Group FY20 balance sheet, and all subsequent Group financial accounts, is a corresponding reduction in retained earnings (subject to subsequent exchange rate movements where applicable going to the foreign exchange reserve). For those acquisitions where the relevant earn-outs periods have not ended by 28 March 2020, the restated FY20 balance sheet includes the removal of all related earn-out liabilities, with fair values totalling £22.0m as at 28 March 2020 (2019: £20.1m), and the inclusion instead of an 'acquisition-related performance plan liability' which represents the outstanding balance of the above-mentioned accrued non-underlying remuneration costs, being £20.2m as at 28 March 2020 (2019: £17.9m).

GROUP BALANCE SHEET

	As at 28 March 2020			As at 30 March 2019		
	Previous basis £m	Impact of restatement £m	Restated £m	Previous basis £m	Impact of restatement £m	Restated £m
Goodwill	194.4	(21.8)	172.6	223.7	(20.0)	203.7
Other non-current assets	541.0		541.0	438.0	-	438.0
Total non-current assets	735.4	(21.8)	713.6	661.7	(20.0)	641.7
Current assets	486.3	-	486.3	322.9	-	322.9
Trade and other current payables	242.0	(0.8)	241.2	168.6	(0.2)	168.4
Other current liabilities	16.7	-	16.7	10.4	-	10.4
Total current liabilities	258.7	(0.8)	257.9	179.0	(0.2)	178.8
Trade and other non-current payables	17.5	(0.9)	16.6	19.5	(2.0)	17.5
Other non-current liabilities	684.8	-	684.8	466.2	-	466.2
Total non-current liabilities	702.3	(0.9)	701.4	485.7	(2.0)	483.7
Net assets	260.7	(20.1)	240.6	319.9	(17.8)	302.1
Share capital	6.3	-	6.3	6.3	-	6.3
Share premium	288.7	-	288.7	288.7	-	288.7
Retained earnings	(42.8)	(19.9)	(62.7)	20.6	(18.1)	2.5
Foreign exchange reserve	5.9	(0.2)	5.7	2.3	0.3	2.6
Other reserves	2.6	-	2.6	2.0	-	2.0
Total equity	260.7	(20.1)	240.6	319.9	(17.8)	302.1

The impact on the FY20 income statement is the removal of a net financial cost representing the fair value adjustments to the previously recognised earn-out liabilities, including the unwinding of present value discounting, totalling £1.7m, the inclusion of the above mentioned non-underlying remuneration costs, totalling £2.0m, and the inclusion of an adjustment to the non-current portion of the new 'acquisition-related performance plan liability', totalling £1.3m, which represents the unwinding of present value discounting on that item.

Notes to the accounts

29. RESTATEMENT OF ACQUISITION ACCOUNTING (CONTINUED)

GROUP INCOME STATEMENT

	52 weeks ended 28 March 2020		
	Previous basis £m	Impact of restatement £m	Restated £m
Revenue	621.5	-	621.5
Underlying operating profit	74.3	-	74.3
Non-underlying operating items	(30.9)	(2.0)	(32.9)
Other exceptional operating items	(49.9)	-	(49.9)
Operating loss	(6.5)	(2.0)	(8.5)
Interest on loans and notes	(21.5)	-	(21.5)
Other finance costs	(4.8)		(4.8)
Other non-underlying finance items	(31.2)	0.4	(30.8)
Loss before tax	(64.0)	(1.6)	(65.6)
Taxation	(4.2)	-	(4.2)
Loss after tax frrom continuing operations	(68.2)	(1.6)	(69.8)
Loss from discontinued operations	(2.0)	-	(2.0)
Loss for the period	(70.2)	(1.6)	(71.8)

The resultant impact of the restatement on the earnings per share of the Group are summarised below.

	52 weeks ended 28 March 2020		
	Previous basis	Impact of restatement	Restated
Earnings/ loss per share			
Basic loss per share	(55.97p)	(1.25p)	(57.22p)
Diluted loss per share	(55.97p)	(1.25p)	(57.22p)
Basic adjusted earnings per share	28.42p	-	28.42p
Diluted adjusted earnings per share	28.42p	-	28.42p

The restatement has no impact on capital expenditure, depreciation or amortisation.

The restatement has an impact on the cash flow statement whereby the £2.0m increase in operating loss at the top of the reconciliation is offset by a £2.1m reduction in 'investing activities' outflow (representing earn-out payments on the old basis) and a £0.1m decrease in movement in 'trade and other payables' (representing the difference between the new accrued 'acquisition-related performance plan' liability and the amount paid in the year).

29. RESTATEMENT OF ACQUISITION ACCOUNTING (CONTINUED)

Impact on the financial results and position of the Company

The financial results of the Company are only impacted by this restatement in relation to any acquisitions that were made directly by the Company (rather than by a direct or indirect subsidiary of the Company). For these acquisitions, during the earn-out period the Company was directly liable for the earn-out amounts accrued and paid. All acquisitions completed since the start of 2015 have been made via subsidiaries, hence the only relevant ones are Westex and Abingdon.

Following the restatement, the non-underlying remuneration costs in relation to these acquisitions is treated as an increase in the quantum of the relevant investment in subsidiary, with no income statement impact in the Company itself as the amounts reflect services to the subsidiary and were paid on the subsidiary's behalf.

For both of the above acquisitions, the earn-out periods ended prior to 2019, hence no further earn-out payments were made beyond 30 March 2019. However, there was a small £0.1m fair value adjustment to the previously recognised Westex earn-out liability in FY20, which brought the liability to zero. Hence the only impact to the FY20 accounts of the Company are an increase in investments in subsidiaries and corresponding increase in retained earnings of £4.6m (2019: £4.5m), and the removal of the above mentioned £0.1m fair value adjustment sitting as a financial credit in the income statement.

The restated parent company balance sheet as at 30 March 2019 has been disclosed as part of this note as opposed to being included as part of the primary statement on the basis that this additional information is not considered material to thse financial statements.

COMPANY BALANCE SHEET

	As at 28 March 2020			As at 30 March 2019		
	Previous treatment £m	Impact of restatement £m	New treatment £m	Previous treatment £m	Impact of restatement £m	New treatment £m
Investment in subsidiaries	178.0	4.6	182.6	51.4	4.5	55.9
Other non-current assets	489.0	-	489.0	578.5	-	578.5
Total non-current assets	667.0	4.6	671.6	629.9	4.5	634.4
Total current assets	151.2	-	151.2	53.4	-	53.4
Total liabilities	559.5	-	559.5	393.2	-	393.2
Net assets	258.7	4.6	263.3	290.1	4.5	294.6
Share capital	6.3	-	6.3	6.3	-	6.3
Share premium	288.7	-	288.7	288.7	-	288.7
Retained earnings	(38.9)	4.6	(34.3)	(6.9)	4.5	(2.4)
Other reserves	2.6	-	2.6	2.0	-	2.0
Total equity	258.7	4.6	263.3	290.1	4.5	294.6

Shareholder information

CORPORATE WEBSITE

The Annual Report, Company announcements and other information are available on the Group's website at: www.victoriaplc.com

SHAREHOLDER QUERIES

If you have any queries in relation to Victoria PLC shares, please contact the Company's registrars whose details are as follows: Link Group – Unit 10, Central Square, 29 Wellington Street, Leeds, LS1 4DL.

Telephone: 0871 664 0300 Overseas: +44 20 8639 3399 website: www.linkassetservices.com Calls cost 12p per minute plus your phone company's access charge. Overseas: +44 371 664 0300. Calls outside the UK will be charged at the applicable international rate. Lines are open between 9.00 am – 5.30 pm, Monday to Friday excluding public holidays in England and Wales.

Website: www.linkassetservices.com

DIVIDEND PAYMENTS

Our registrars have the facility to pay shareholders' dividends directly into their bank accounts, instead of receiving the dividend payment by cheque. They are also able to convert dividend payments into local currency and send the funds by currency draft or, again, if preferred, pay them straight into a bank account.

More information on the above services can be obtained from our registrar Link Asset Services.

UNSOLICITED MAIL

The Company is required by law to make its share register available on request to the public and organisations which may use it as a mailing list resulting in shareholders receiving unsolicited mail. Shareholders wishing to limit such mail should write to the Mailing Preference Service DMA house, 70 Margaret Street, London, W1W 8SS or register online at www.mpsonline.org.uk

VICTORIA PLC REGISTERED OFFICE

Worcester Road
Kidderminster
Worcestershire
DY10 1JR

COMPANY REGISTERED NO. (ENGLAND & WALES)

282204

ADVISERS

Auditor	Grant Thornton UK LLP – The Colmore Building, 20 Colmore Circus, Birmingham, B4 6AT
Bankers	HSBC Bank PLC – Penman Way, Grove Park, Enderby, Leicester, LE19 1SY Credit Suisse International – One Cabot Square, London, E14 4QJ National Westminster Bank PLC – 250 Bishopsgate, London, EC2M 4AA ING – 8-10 Moorgate, London, EC2R 6DA
Registrar	Link Group – Unit 10, Central Square, 29 Wellington Street, Leeds, LS1 4DL
Solicitor	Brown Rudnick LLP – 8 Clifford Street, London, W1S 2LQ
Nominated Adviser and Joint Broker	Singer Capital Markets – 1 Bartholomew Lane, London, EC2N 2AX
Joint Brokers	Joh Berenberg Gossler & co.KG – 60 Threadneedle Street, London, EC2R 8HP Peel Hunt – 100 Liverpool Street, London, EC2M 2AT
Public Relations	Buchanan Communications – 107 Cheapside, London, EC2V 6DN

Registered offices of subsidiaries

Company	Registered Office Address
Victoria Midco Holdings Ltd	Worcester Road, Kidderminster, Worcestershire, DY10 1JR, UK
Victoria Carpets Limited	Worcester Road, Kidderminster, Worcestershire, DY10 1JR, UK
Whitestone Carpets Holdings Limited	Worcester Road, Kidderminster, Worcestershire, DY10 1JR, UK
Ezi Floor Limited	Worcester Road, Kidderminster, Worcestershire, DY10 1JR, UK
Alliance Flooring Distribution Limited	Worcester Road, Kidderminster, Worcestershire, DY10 1JR, UK
Distinctive Flooring Limited	Worcester Road, Kidderminster, Worcestershire, DY10 1JR, UK
V-Line Carpets Limited	Worcester Road, Kidderminster, Worcestershire, DY10 1JR, UK
Hanover Carpets Limited	Worcester Road, Kidderminster, Worcestershire, DY10 1JR, UK
Carpet Line Direct Limited	Park View Road East, Hartlepool, Cleveland, TS25 1HT, UK
Hanover Flooring Limited	Park View Road East, Hartlepool, Cleveland, TS25 1HT, UK
Flooring at Home Limited	Worcester Road, Kidderminster, Worcestershire, DY10 1JR, UK
The Victoria Carpet Company Limited	Worcester Road, Kidderminster, Worcestershire, DY10 1JR, UK
Abingdon Flooring Limited	Parkway, Pen Y Fan Industrial Estate, Croespenmaen Crumlin, Newport, NP11 4XG, UK
Abingdon Flooring (Ireland) Limited	The Black Church, St Mary's Place, Dublin 7, DO7 P4AX, Ireland
Venture Floorcoverings Limited	Unit 1 Parkway, Crumlin, Newport, Wales,NP11 3XG, UK
Globesign Limited	Castle Mills, Moorend, Cleckheaton, West Yorkshire, BD19 3PS, UK
Westex (Carpets) Limited	Castle Mills, Moorend, Cleckheaton, West Yorkshire, BD19 3PS, UK
Interfloor Limited	Broadway, Haslingden, Rossendale, Lancashire, BB4 4LS, UK
Interfloor Group Limited	Broadway, Haslingden, Rossendale, Lancashire, BB4 4LS, UK
Interfloor Operations Limited	Broadway, Haslingden, Rossendale, Lancashire, BB4 4LS, UK
Tacktrim Limited	Unit 10 Heathhall Industrial Estate, Dumfries, DG1 3PH, UK
Stikatak Limited	Broadway, Haslingden, Rossendale, Lancashire, BB4 4LS, UK
View Logistics Limited	Park View Road East, Hartlepool, Cleveland, TS25 1HT, UK
Whitestone Weavers Limited	Park View Road East, Hartlepool, Cleveland, TS25 1HT, UK
Thomas Witter Carpets Limited	Park View Road East, Hartlepool, Cleveland, TS25 1HT, UK
Gaskell Mackay Carpets Limited	Park View Road East, Hartlepool, Cleveland, TS25 1HT, UK
Hugh Mackay Carpets Ireland Limited	31 Admiral Park, Baldoyle, Dublin 13, D13 TOV6, Ireland
G-Tuft Limited	Thornhill Road Business Park, Tenter Fields, Dewsbury, West Yorkshire, WF12 9QT, UK
G-Tuft (Holdings) Limited	Thornhill Road Business Park, Tenter Fields, Dewsbury, West Yorkshire, WF12 9QT, UK
G-Tuft (2015) Limited	Thornhill Road Business Park, Tenter Fields, Dewsbury, West Yorkshire, WF12 9QT, UK
The Victoria Carpet Company Pty Limited	7-29 Gladstone Road, Dandenong, Victoria, 3175, Australia
Primary Flooring Pty Limited	7-29 Gladstone Road, Dandenong, Victoria, 3175, Australia
Quest Flooring Pty Ltd	43-55 Mark Anthony Drive, Dandenong South, Victoria, 3175, Australia
Victoria Bidco BV	7122 AH Aalten, Dinxperlosestraatweg 52, 7122 AH Aalten, The Netherlands
Avalon BV	7122 AH Aalten, Dinxperlosestraatweg 52, 7122 AH Aalten, The Netherlands
GrassInc BV	Landweerstraat-Zuid 95 B, 5349 AK, Oss, The Netherlands
Millennium Weavers N.V	Jean Benaetsstraat, 99 Box 6, 1180, Brussels, Belgium
Ceramiche Serra S.p.A	Via Estense, 10589, Serramazzoni, 41020, Italy
Victoria Ceramiche Holdco S.r.l	Foro Bonaparte 71, 20122, Milan, Italy
Keradom S.r.l	Rubiera, Italy
Self Style S.R.L	Modena, Italy
Kinsan Trade, S.L.	Ctra Valancia - Barcelona, Km. 44.3, Nules, Castellon, Spain
Keraben Grupo S.A.U	Ctra Valancia - Barcelona, Km. 44.3, Nules, Castellon, Spain
Sandover Investments, S.L.U	Ctra Valancia - Barcelona, Km. 44.3, Nules, Castellon, Spain
Ceramica Saloni, S.A.	Ctra Alcora, 17, 12006, Castellon, Spain
Saloni Portugal Materiais De Construcao LTDA	Materiais de Construcao, Lda, Praca Pedro Alvares Cabral, 2C, 2700-608 Amodora, Portugal
Saloni UK Limited	Unit 130 Business Design Centre, 52 Upper Street, London, N1 0QH, UK
Saloni France S.A.S.	89-91 Rue du Faubourg Saint-Honore, 75008 Paris, France
Munster Carpets Limited	6th Floor, 2 Grand Canal Square, Dublin 2, Ireland

Glossary

BGF	Business Growth Fund
Capex	Capital expenditure
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EPS	Earnings per share
FY20	The 52 weeks ended 28 March 2020
FY21	The 53 weeks ended 3 April 2021
H1	The 27 weeks ended 3 October 2020
H2	The 26 weeks ended 3 April 2021
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
KPIs	Key performance indicators used to assess the business performance
LFL	Like for like
LVT	Luxury vinyl tile
M&A	Mergers and acquisitions
PBT	Profit before taxation
TSR	Total shareholder return

Appendix

RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES

Victoria PLC's consolidated financial statements include reference to a number of alternative performance measures, which are a necessary expansion to traditional GAAP measures to provide further information for the Board to make key strategic and operational decisions. These are not defined terms under IFRS and may not be comparable with similar titled measures reported by other companies. These performance measures have been reconciled to the financial statements.

Exceptional costs, non-underlying items, earnings per share and movement in net debt have been reconciled separately within the Financial Review to these accounts and within notes 2, 3, 7 and 17 respectively.

A reconciliation of operating profit / (loss) for the period, the most directly comparable IFRS measure, to underlying EBITDA is set out below:

	Reference	**53 weeks ended 3 April 2021 £m**	52 weeks ended 28 March 2020 £m
Reported operating profit / (loss)	Income Statement	**£45.9m**	(£8.5m)
Exceptional items	Note 2	**£7.8m**	£49.9m
Non-underlying items	Note 2	**£26.1m**	£32.9m
Underlying operating profit	Income Statement	**£79.8m**	£74.3m
One-off Covid-19 credit loss provision	Income Statement	**-**	£2.8m
Depreciation and amortisation of IT software (including depreciation of right-of-use lease assets)	Note 1	**£47.6m**	£40.9m
Underlying EBITDA		**£127.4m**	£118.1m

Underlying EBITDA per share is included as a KPI within the Chairman and CEO's Review. As noted, this is assessed on a pre-IFRS 16 basis for consistency with prior periods. A reconciliation of Underlying EBITDA above to this metric is set out below:

	Reference		**53 weeks ended 3 April 2021 £m**	52 weeks ended 28 March 2020 £m
Underlying EBITDA	Reconciled above		**£127.4m**	£118.1m
Less: pre-IFRS 16 lease costs			**(£15.4m)**	(£10.9m)
Adjusted EBITDA (pre-IFRS 16)		A	**£112.0m**	£107.2m
Weighted average number of ordinary shares (000s) for the purposes of diluted earnings per share[1]	Note 7	B	**122,787**	125,398
EBITDA (pre-IFRS 16) per share		(A/B*1000)	**£0.91**	£0.85

Appendix

Return on Tangible Assets (RoTA) is included as a KPI within the Chairman and CEO's Review. The following table sets out the calculation of RoTA, reconciling from underlying operating profit, tangible fixed assets and working capital:

	Reference		53 weeks ended 3 April 2021 £m	52 weeks ended 28 March 2020 £m
Underlying operating profit	Reconciled above		**£79.8m**	£74.3m
One-off Covid-19 credit loss provision	Income Statement		**-**	£2.8m
Pro-forma adjustment for full-year effect of acquisitions			**£5.1m**	£4.9m
		A	**£84.9m**	£82.0m
Tangible fixed assets	Note 11		**£202.1m**	£211.6m
Working capital				
Inventories	Note 13		**£164.4m**	£165.4m
Trade and other receivables	Note 14		**£150.1m**	£144.1m
Trade, other creditors & accruals (current)	Note 15		**(£183.1m)**	(£202.7m)
Trade, other creditors & accruals (long term)	Note 15		**(£9.1m)**	(£8.9m)
Total working capital			**£122.3m**	£97.8m
Total tangible fixed assets and working capital		B	**£324.4m**	£309.4m
Return on Tangible Fixed Assets (RoTA)		(A/B)	**26.2%**	26.5%

Free cash flow is referred to in the Financial Review and represents the cash generated by the business in the period before items relating to corporate activity such as investments in acquisitive or organic growth or refinancing. A reconciliation from cash inflow from operating activities, the most directly comparable IFRS measure, is shown below:

	Reference	53 weeks ended 3 April 2021 £m	52 weeks ended 28 March 2020 £m
Reported net cash flow from operating activities before movements in working capital, tax and interest payments	Cashflow Satement	**£114.2m**	£108.7m
Movement in working capital	Cashflow Satement	**(£18.3m)**	(£5.4m)
Payments under right-of-use lease obligations and interest relating to associated assets	Cashflow Satement	**(£14.4m)**	(£11.6m)
Adjustment for exceptional non-cash items and acquisition performance plan	Note 2	**£12.5m**	£5.8m
Operating cash flow before interest, tax and exceptional items		**£94.0m**	£97.5m
Interest paid	Cashflow Satement	**(£30.4m)**	(£25.0m)
Corporation tax paid	Cashflow Satement	**(£5.0m)**	(£8.6m)
Capital expenditure - replacement / maintenance of existing capabilities	N1	**(£20.9m)**	(£25.4m)
Proceeds from fixed asset disposals	Cashflow Satement	**£1.1m**	£0.7m
Free cash flow before exceptional items		**£38.8m**	£39.2m

N1 *Capital expenditure specific to replacement and maintenance. The balance being growth capital expenditure is later included on the net debt reconciliation in the Financial review.*

Underlying operating cash flow per share is included as a KPI within the Chairman and CEO's Review. A reconciliation to this metric is set out below:

	Reference		**53 weeks ended 3 April 2021 £m**	52 weeks ended 28 March 2020 £m
Operating cash flow before interest, tax and exceptional items	Reconciled above	A	**£94.0m**	£97.5m
Weighted average number of shares for the purpose of basic and adjusted earnings per share	Note 7	B	**122,787**	125,398
Underlying operating cash flow per share		(A/B*1000)	**£0.77**	£0.78

Diluted adjusted EPS is included as a KPI within the Chairman and CEO's Review. A reconciliation to this metric is set out below:

	Reference		**53 weeks ended 3 April 2021 £m**	52 weeks ended 28 March 2020 £m
Adjusted earnings per share	Note 7	A	**£37.1m**	£35.6m
Weighted average number of ordinary shares (000s) for the purposes of diluted earnings per share[1]	Note 7	B	**122,787**	125,398
Diluted Adjusted EPS (in Chairman and CEO's Review)		(A/B*100000)	**30.21p**	28.42p

1 *The number shares applied does not include dilution impact of unutilised preferred equity funding at year end.*

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