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

Preliminary Results
for the year ended 2 April 2022
and
Q1 FY2023 Trading Update

Record FY2022 Revenues and Operating Profits

Victoria PLC (LSE: VCP) the international designers, manufacturers and distributors of innovative floorcoverings, is pleased to announce its preliminary results for the year ended 2 April 2022.

FY2022 Financial and Operational highlights

Continuing operations	Year ended 2 April 2022	Year ended 3 April 2021	Change on prior year
Revenue	£1,019.8m	£662.3m	+54.0%
Underlying EBITDA[1]	£162.8m	£127.4m	+27.8%
Underlying operating profit[1]	£107.9m	£79.8m	+35.2%
Operating profit	£53.6m	£45.9m	+16.8%
Underlying profit before tax[1]	£73.8m	£50.1m	+47.3%
Net profit / (loss) after tax	(£12.4m)	£2.8m	-
Underlying free cash flow[2]	£34.2m	£38.8m	-
Net debt[3]	£406.6m	£345.7m	-
Net debt / EBITDA[4]	2.66x	3.10x	-
Earnings / (loss) per share:			
- Basic	(10.61p)	2.30p	-
- Diluted adjusted[1]	40.21p	28.66p	+40.3%

- FY2022 was the ninth consecutive record year for Victoria in terms of revenue and underlying operating profit, despite challenging operational conditions due to supply chain constraints and significant inflationary pressures.

- Five value-adding acquisitions completed during the year – one in the UK & Europe Soft Flooring division, three in the UK & Europe Ceramic Tiles division, and one in the US forming a new North America division.

- Strong trading continued, achieving record annual revenue of £1,020 million, including like-for-like organic growth of +19.2%.

- Underlying EBITDA grew by +27.8% over the prior year to £162.8 million.

- Notwithstanding the significant increase in EBITDA on an absolute basis, the underlying EBITDA margin % was 16.0% due to two key mathematical factors:

  (1) acquisition mix effect of c. -190bps – our acquisition targets generally had significantly lower margins than the incumbent group on acquisition; and

  (2) cost inflation pass-through effect of c. -180bps – unprecedented cost inflation during the year was, to the extent not mitigated by operational measures, passed onto customers but without any mark-up, thereby protecting absolute profits but not % margins.

  After accounting for these factors, the residual organic movement in margin was c. +50bps.

- Strong cash generation with £34.2 million of underlying free cash flow, which equated to a 32% conversion from underlying operating profit. The group increased capex following Covid-19 related reductions in the prior year, and also increased investment into raw materials as a precautionary measure to protect our production schedules in the face of possible supply chain disruption. The resulting uplift in inventory is expected to unwind in the future. B

- Successful £150 million incremental issue of preferred equity to Koch Equity Development, with beneficial changes in terms including a 100bps reduction in coupon.

- Year-end net leverage was 2.66x, with the Group's senior debt consisting entirely of fixed rate, covenant-lite bonds falling due in August 2026 and March 2028.

- A resilient balance sheet, with cash and undrawn credit lines at the year-end, even after adjusting for the post year-end acquisition of Balta, in excess of £200 million.

Q1 FY2023 Trading Update

Overall revenue and earnings during the first quarter of Victoria's financial year were in line with the Board's original budget expectations. The value of the geographic diversity that the Group has carefully built over the last nine years is again to the fore as outperformance in some markets supports softer demand elsewhere.

Whilst the Board remains very mindful of the economic headwinds in the world and is taking numerous actions to mitigate their impact, with Victoria's track record of resilience and strong management, it is confident that the business is well positioned to meet these challenges and capitalise upon them.

Geoff Wilding, Executive Chairman of Victoria PLC commented:

"Victoria continues to be in an enviable operational position thanks to the achievements of our management team, who have successfully managed a year that has seen the highest inflation in a generation alongside massive disruption to global supply chains. This year they remain laser-focussed on integration of recent acquisitions and execution of detailed synergy plans that will drive higher productivity, lower costs, and better customer service. I remain confident Victoria will continue to create wealth for shareholders."

[1] Underlying performance is stated before exceptional and non-underlying items. In addition, underlying profit before tax and adjusted EPS are stated before non-underlying items within finance costs.
[2] Underlying free cash flow represents cash flow after interest, tax and replacement capital expenditure, but before investment in growth, financing activities and exceptional items.
[3] Net debt shown before right-of-use lease liabilities, preferred equity, bond issue premia and the deduction of prepaid finance costs.
[4] Leverage shown consistent with the measure used by our lending banks

For more information contact:

Victoria PLC +44 (0) 1562 749 610
Geoff Wilding, Executive Chairman
Philippe Hamers, Group Chief Executive
Michael Scott, Group Finance Director

Singer Capital Markets (Nominated Adviser and Joint Broker) +44 (0) 207 496 3095
Rick Thompson, Phil Davies, Alex Bond

Berenberg (Joint Broker) +44 (0) 203 207 7800
Ben Wright, Richard Bootle

Peel Hunt (Joint Broker) +44 (0) 207 418 8900
Adrian Trimmings, Andrew Clark

Buchanan Communications (Financial PR) +44 (0) 20 7466 5000
Charles Ryland, Chris Lane, Jack Devoy

Chairman and CEO's Review

INTRODUCTION

FY2022 has not been without its challenges. However, we are pleased to report that, thanks to the remarkable efforts of our management team, Victoria has again produced record operating profits and operating cash generation. As set out in previous Annual Reports, the historical progression of some KPIs has been summarised in the table below:

	Underlying EBITDA per share[1,2]	Underlying EBITDA margin[1]	Diluted adjusted EPS[2]	Underlying operating cash flow per share[2,3]	EBITDA by geography[1]			
Year	£	%	Pence	£	UK	Australia	Europe	North America[4]
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	0.87	16.9%	30.21	0.77	33.6%	13.0%	53.4%	-
FY22	1.04	14.1%	40.21	0.96	42.1%	10.0%	43.9%	3.9%

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 below.

This review focuses on the underlying operating results of the business, which delivered underlying EBITDA of £162.8 million (FY21: £127.4m) and underlying EBIT of £107.9 million (FY21: £79.8m). The Financial Review covers non-underlying items in detail, following which IFRS reported operating profit was £53.6 million (FY21: £45.9m), and furthermore covers items in the income statement below operating profit (financial items and tax).

One of the objectives of this review, along with the Financial Review, is to help our shareholders better understand the business and be able to reach an informed view of the value of the company, its future prospects, and its financial resilience. We also hope that investors will better appreciate some of Victoria's unique characteristics that the Board believes makes it an attractive investment.

To achieve these objectives requires data to be shared in a way that communicates information and this will include both IFRS-compliant and non-IFRS, performance measures. Shareholders are of course free to accept or discard any of this data, but we want to ensure that you have access to similar information used by Victoria's board and management in making decisions.

[1] In this review, underlying EBITDA in FY20, FY21 and FY22 is stated before the impact of IFRS 16 for consistency of comparison with earlier years.
[2] FY15 adjusted for 5-for-1 share split; FY16 and FY20 figures for continuing operations.
[3] Number of shares based on basic, weighted-average calculation consistent with basic EPS.
[4] Victoria's North American business, Cali, was acquired on 23 June 2021 and therefore contributed 9 months of trading in FY2022. On an annualised basis, the contribution is c. 5% of Group EBITDA.

FY2022 OPERATIONAL REVIEW

Overview

Anyone hoping for an easier year in FY2022 following the previous two challenging years was disappointed. However, the work achieved by our operational management during FY2020 and FY2021 – improving our market position, sustainably improving productivity, and taking advantage of some weaker competition – ensured the business prospered, in spite of the wider operating environment.

Before commenting specifically on each of the different operating divisions, there were several Group-wide items in FY2022 that we think are worth highlighting.

Inflation

We are not macro-economists and therefore express no opinion on whether the inflation we have experienced over the last 18 months is "transitory", "enduring", or "systemic". What we are doing is managing the business to ensure our return on equity remains acceptable for equity investors, *taking into account the effects of inflation*. Management reacted with alacrity to protect the business and we would like to draw shareholders' attention to some of Victoria's qualities that underpin our business model:

- Victoria has a long-proven ability to increase prices and successfully did so up to four times across each product area during FY2022 to protect earnings.
- Management is laser-focussed on delivering a number of carefully planned synergy projects that will increase operating margins, mitigating some inflationary pressures.
- The Group's industry-leading operating margins provide room for manoeuvre against struggling competitors.
- We actively hedge or otherwise manage key input costs to provide management with time to adapt our business and prices to higher input costs so that margins are protected.

Notwithstanding the above, Victoria is fortunate to have an operational management team who have personal experience of running a business in a high inflationary environment (it is one of the few advantages of age) and who recognises that high inflation is an invidious force whose effects are far more wide-ranging than the simple margin impact described in the preceding paragraph. These less obvious factors, which include the level of investment required in tangible assets, must also be successfully negotiated by management in order for wealth to continue to be built.

For example, whilst margins are protected through price increases, the consequential increase of purchases and sales in nominal Sterling (or Euros or Dollars) generates a one-off reduction in free cash flow and results in a proportionally greater amount of cash absorbed in receivables and inventories (partially offset by an increase in creditors). Options to address this include additional price increases to ensure an adequate investment return on the increased working capital, negotiating better payment terms from suppliers, improving inventory turn to offset the capital being absorbed, as well as faster debtor collection.

Furthermore, if inflation endures for an extended period, the money invested in fixed assets (plant and machinery) will also increase over time, absorbing cash. When the time comes – and it always does – to replace those assets, the purchase price of the new machinery is dramatically higher due to inflation and the amount put aside by depreciating the old equipment is inadequate. This impact is exacerbated by the fact that fixed assets are depreciated at their historical cost, which means the tax shelter legitimately generated is also insufficient.

The risk, if these often-overlooked effects aren't addressed, is that the business may barely generate sufficient cash to fund the inflationary needs of the existing business, with nothing left over for real growth, for distribution to owners, or for the acquisition of new businesses.

However, Victoria benefits from having a much higher return on tangible assets (consistently in excess of 25%) than many of its competitors. Furthermore, and because we have only acquired high quality businesses, much of our historical investment is tied to intangible assets. In contrast with tangible assets, during periods of inflation, intangible assets (goodwill, brands, customer relationships) that genuinely generate income are wonderful. The income they generate continues to increase (in nominal EUR/GBP/USD/AUD) and yet none of this cash is required to maintain the assets – almost all of it is available for investment purposes.

Demand

Sam Goldwyn famously said "Forecasts are difficult to make – particularly those about the future." With that caveat, there are some reasons to be cautiously positive about demand for Victoria's products.

Firstly, as a manufacturer and distributor of typically mid to high-end flooring, Victoria's core customers are less sensitive to economic uncertainty and inflation. A (relatively) recent example of this was demonstrated during the 2007-9 global financial crisis during which Victoria's *organic* revenues continued to grow:

- 2007 £55.4 million
- 2008 £61.7 million
- 2009 £62.2 million

And over the last 25 years, revenues have grown organically by more than 3% CAGR.

Secondly, since late last (calendar) year, we have seen commercial demand returning. After two years of very substantially reduced spending on flooring, hospitality, healthcare, cruise ships, offices, etc. are all again investing in maintaining and upgrading their facilities and driving demand for flooring products. This renewed commercial demand (40.5% of the flooring market by volume in the US; 54.6% in Europe, including the UK[4]) is additive to consumer spending and is still early in the cycle.

[4] *Source: Freedonia Global Flooring Report 2021*

Nonetheless lower demand for a period of time cannot be ruled out. However, it is our view that Victoria is uniquely placed within the flooring sector to weather such an event:

- The Group has been deliberately structured with low operational gearing. (In other words, a high proportion of costs vary with revenue). The benefit was clearly demonstrated during the pandemic when the Group remained EBITDA positive every quarter despite lockdowns driving down revenues by as much as 80%. This was not just an accounting benefit – shareholders will recall that, despite the lockdown in all of Victoria's geographies in the June 2020 quarter, negative cash flow was just £7 million for the three months.
- Victoria has averaged 90.5% pre-tax operating cash conversion[5] over the last five years. The Group is highly effective at managing its working capital. High cash conversion ensures the Group continues to generate cash, even during periods of lower demand.
- Much of our production output is supplied to our customers based on end-consumer orders, not supplied to our customers (retailers) for inventory. This reduces exposure to de-stocking risks.
- A resilient balance sheet with cash and undrawn credit lines at the year-end, even after adjusting for the post year-end acquisition of Balta, in excess of £200 million. Furthermore, the Group's senior debt consists entirely of long-duration, fixed interest rate, covenant-lite bonds.

[5] *Based on underlying cash flow before interest, tax and exceptional items; Conversion from pre-IFRS 16 EBITDA*

Finally, it is our strong view that in the event of one or two years of subdued demand, after which the business returns to growth (we think it is a reasonable assumption that people will continue to need to walk on floors), there will be little impact on the long-term value of Victoria. Remember, Victoria's revenue has grown *organically* at more than 3% CAGR for the last 25 years – which includes the recession of 2001-2, the global financial crisis of 2007-8, Brexit in 2016, and the Covid-19 pandemic in 2020-21. For 127 years Victoria has been a remarkably resilient business.

Koch Equity Investment

Following the success of their initial investment in November 2020, Koch Equity Development agreed to increase their preferred equity investment in Victoria in January of this year to a total of £225 million, alongside a holding of 12.5 million ordinary shares that they acquired in 2020 in the secondary market. The purpose of this capital has been, and will continue to be, investment in both expansion capex and acquisitions to accelerate the growth of Victoria's earnings and free cash flow per share. It is the current intention of the Board to be in a position to fully redeem the preferred equity shares with cash on hand prior to their conversion.

The commercial terms of this investment are detailed in Note 6 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	£8.00	£10.00	£12.00	£14.00	£16.00	£18.00
Number of shares*	**4.21m**	**3.37m**	**2.81m**	**2.41m**	**2.11m**	**1.87m**
*% of shares in issue***	*3.6%*	*2.9%*	*2.4%*	*2.1%*	*1.8%*	*1.6%*

**Assuming the warrants are exercised 36 months after the initial funds were received and net settled. Note that no new warrants were issued as part of the follow-on preferred equity issuance in January 2022, but the number of ordinary shares to be issued on exercise has changed slightly as a result of the mathematical impact on the warrants mechanism.*
***Based on number of shares in issue at the year-end (116,843,232).*

Koch continue to be excellent partners, actively supporting Victoria's growth both financially and practically. We are delighted to have them as shareholders.

Operating Margins

Price increases, alongside other cost saving measures during the year, successfully mitigated the impact of significant inflation in raw material and energy prices on operating profit – albeit %age margins experienced an impact from the resultant increase in revenue, as we chose to focus on achieving earnings and not to add a mark-up when covering cost inflation. Details of this mathematical impact are provided in the Financial Review section.

It is essential to understand the impact on reported margins from acquisitions. Given Victoria's operational management team's extraordinary skill in optimising the productivity and profitability of our subsidiaries and consequently achieving truly industry-leading operating margins, it is an inevitable corollary that most new acquisitions will be margin dilutive – at least until they too are fully integrated. This is why, in a year when Victoria completed no major acquisitions, a record underlying EBITDA margin of 19.2% was achieved in FY2021.

It is important shareholders appreciate that, unlike the last three financial years, there will be some exceptional and reorganizational costs in FY2023 as our management integrate the recent acquisitions. Omelettes cannot be made without eggs being broken. However, the track record of Victoria's management delivering synergy projects on time and on budget with the planned outcome achieved is exemplary and the uplift in earnings and cash flow on completion of these projects will be material.

DIVISIONAL REVIEW

This section focuses on the underlying operating performance of each individual division, excluding exceptional and non-underlying items, which are discussed in detail in the Financial Review and Note 2 to the accounts.

UK & Europe Soft Flooring – record revenues and profits

	FY22	**FY21**	**Growth**
Revenue	£423.1 million	£280.4 million	+50.9%
Underlying EBITDA	£70.3 million	£49.0 million	+43.4%
Underlying EBITDA margin	*16.6%*	*17.5%*	
Underlying EBIT	£45.4 million	£28.7 million	+58.5%
Underlying EBIT margin	*10.7%*	*10.2%*	

The UK & Europe Soft Flooring division delivered an extraordinarily strong performance, with true LFL revenues[6] having increased organically by 31% whilst maintaining operating margins, despite inflationary pressures. Managing director, Jan Debrouwere, has, together with his management team, completed an incredible job in optimising operations (it was only a few years ago this was a mid-single-digit margin business). He and his team are now focussed on integrating Balta's carpet business where similar margin expansion is expected over time.

[6] Revenue growth normalised for the one-off impact of acquisitions, the extra week in the prior financial year, and translational exchange rate differences.

Historically, revenues in this division were slightly weighted towards H2. This is no longer the case as our artificial grass business, which contributes almost £100 million of annual revenue, is very heavily weighted towards H1 with people buying grass for the summer season.

Carpet and underlay

- The Group completed the relocation of its prestigious Westex brand manufacturing to new production facilities in Dewsbury, Yorkshire. 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.

- High-speed tufters and a beaming facility were installed in the Abingdon plant in Wales to enhance productivity, enabling smaller production runs to be efficient, enhancing productivity and reducing working capital.
- We created an extra layer of inventory, being 'mother-rolls', to further improve service levels above our competitors and reduce the conversion time of yarn (fibre) into finished product.

Logistics

- The investment in our logistics capacity provides Victoria with an unassailable competitive advantage that continues to drive market share gains. Retailers value service over the last few pennies in price. It is one of the key reasons for our 31%+ LFL revenue growth over FY2022.
- On-Time-Delivery for available stock across the country within three days further increased to 94.4%, resulting in retailers favouring Victoria Group products over those from competitors with slower and less certain delivery.
- During FY2022 we completed the construction of a new warehouse on the Abingdon site in Wales. This provides storage for roll-stock deliveries and takes pressure off the fulfilment centres, which can remain focussed on delivering higher-margin cut length carpet.
- The Group committed to a state-of-the-art, carbon neutral, purpose-built 185 000 ft² warehouse in Worcester. This fulfilment centre will replace the Kidderminster warehouse (the former Victoria carpet factory) and will house the Victoria Group HQ. This project is under construction and will be ready for occupancy by December 2022.

UK & Europe Ceramic Tiles – record revenues and profits

	FY22	**FY21**	**Growth**
Revenue	£371.6 million	£282.4 million	+31.6%
Underlying EBITDA	£71.4million	£63.1 million	+13.2%
Underlying EBITDA margin	*19.2%*	*22.3%*	
Underlying EBIT	£47.5million	£40.4 million	+17.5%
Underlying EBIT margin	*12.8%*	*14.3%*	

There is typically a revenue and earnings bias towards H1 in the ceramics division. Nonetheless, against very strong comparatives, the Group's ceramic tile division delivered record revenues and profits in FY2022.

With regard to margin performance, it is important to understand that the main reason for the difference between FY2021 and FY2022 is the pro-forma effect of acquisitions. Victoria acquired three ceramic tile businesses during 2022 – all of which were producing lower margins than the incumbent businesses in this division. However, the margins of these new acquisitions will grow as integration continues.

Furthermore, the management team had to contend with extraordinarily high energy prices for part of H1 and the entirety of H2. Energy costs comprise approximately 10% of revenues for our ceramic business and therefore, the continued gains achieved in H2 is a credit to the management and the material synergies they are delivering from integrating the acquisitions made in early (calendar) 2021. (Given 12 months have now elapsed since energy prices started to increase substantially, shareholders should note that the pricing mechanisms and operational changes implemented to deal with them are now baked into our business).

Finally, it is worth highlighting the advantage that Victoria's scale provides in flexing costs with demand. We have 20 kilns instead of the usual 2 or 3 kilns of smaller ceramics manufacturers. This means that if revenue declines by 5% we can turn off one kiln – saving energy, labour, maintenance, etc. and keep the balance in full production. A smaller operator has to wait until revenue has declined 33% (if they have three kilns) before being able to do the same. Until they reach this point, the cost of keeping three kilns operating with, say, 20% less revenue is very expensive. Alternatively, they can shut their kiln down early, which results in them losing the revenue that the kiln was making. Either way, smaller operators have much higher operating leverage than Victoria.

Italy

- Despite adding a very material amount of capacity, all the additional production output was sold, and we have an order backlog of many months.
- Our €10 million investment program, streamlining the production activities of the Italian plants, was finalised. This comprised:
  - bringing the Santa Maria plant (acquired in April 2021) up to standard and certification as well as activation of the 2nd atomiser available at the plant. The atomising capacity can now serve 3 kilns for the Group;
  - at the Serra plant, replacing one of three lines (a 24 year-old line) with a new, more efficient, and multi-purpose line capable of making both red body and porcelain tiles; and
  - at the Dom plant (acquired in February 2020), replacing an old line and installation of a new large-size line, along with a new polishing line that allows us to insource a high-cost process that until recently we paid a third party to do.
- All logistics and administration activities were consolidated into a building immediately adjacent to our factories that was acquired during the year.

Spain

- With no new acquisitions in Spain this year, focus on organic performance resulted in significant LFL revenue growth despite continued and substantial disruption from government-mandated actions related to Covid-19 that lasted much longer than in other European countries.

Turkey

- Victoria completed the acquisition of Turkish ceramic tile manufacturer, Graniser, in February this year. This is a profitable and growing business, primarily exporting to Europe and delivers a good-quality, low-cost manufacturing platform to the Group. With the vast majority of Graniser's revenue in Euros or Dollars whilst most costs are in Lira, the business provides us with a meaningful competitive advantage for certain product lines and end markets.

Australia – strong LFL revenue growth +11.4%

	FY22	FY21	Growth
Revenue	£109.5 million	£99.6 million	+10.0%
Underlying EBITDA	£16.4 million	£16.6 million	-1.4%
Underlying EBITDA margin	*15.0%*	*16.7%*	
Underlying EBIT	£11.8 million	£11.9 million	-0.8%
Underlying EBIT margin	*10.8%*	*12.0%*	

FY2022 saw another very strong result from our Australian management team. Incredibly they managed to achieve LFL revenue growth of 11.4%, despite rolling lock-downs that impacted both the Group's production facilities and its customers, and which lasted until October.

The Victoria brand is particularly strong in Australia and the company is seen as a trusted partner by retailers. Material inflationary pressures alongside higher operating costs due to Covid-19 measures had a small impact on margins, albeit cash profits remained constant. It is also worth mentioning that this was against an especially strong comparative – margins increased by 590bps last year.

North America – a new division with strong organic growth +22%[7]

	FY22*
Revenue	£115.6 million
Underlying EBITDA	£6.4 million
Underlying EBITDA margin	*5.6%*
Underlying EBIT	£5.2 million
Underlying EBIT margin	*4.5%*

**Data for 9 months only; Cali was not a Victoria subsidiary until 23 June 2021.*

[7] *Organic growth based on unaudited USD revenues for 12 months ended March 2022 versus March 2021.*

On 23 June 2021, we acquired Cali Bamboo Holdings Inc. ("Cali"). Cali already had a long track record of good organic growth (17.6% CAGR for 2016-2020), but this has accelerated under Victoria's ownership to 22% for the 12 months ended March 2022. Even more could have been achieved but significant constraints (primarily shipping) limited product availability until post-acquisition operational changes by Victoria flowed through to deliver much better supply of product in H2.

New product categories are being introduced into Cali's omnichannel distribution system this year – primarily outdoor rugs and artificial grass manufactured by Victoria's European subsidiaries. February 2022 saw the successful debut of Cali at the US flooring exhibition, Surfaces 2022, introducing "Your Floor Outdoor"™ with product category expansion into Rugs, Turf, and Laminate Tile categories. Our strategy continues to be to diversify the Cali product mix while leveraging Victoria's sourcing, manufacturing, and logistics competencies to capture additional share in the US marketplace.

As a pure distribution business, Cali requires nominal capex required to maintain its income. Therefore we are, of course, entirely comfortable with a lower EBITDA margin as free cash flow generation is strong. Nonetheless there are specifically identified opportunities to increase the current operating margins and management are expected to deliver materially improved margins this year alongside continued revenue growth.

CAPITAL ALLOCATION

It is the firmly held view of Victoria's Board that the greatest wealth will be created for shareholders by maximising medium-term free cash flow per share. It is free cash flow – which is cash flow from underlying operations, after interest and tax, but before specific growth investments – 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. Consequently, every decision is viewed through this prism.

In FY2022 our businesses generated £101.4 million of cash from underlying operations before investing £26.3 million into working capital and £40.9 million on replacing and upgrading plant and machinery:

- The large investment into working capital was partially the result of inflation, and partially the result of a deliberate decision to increase our raw materials inventory to protect our production output during a year of supply chain disruption and uncertainty. (Shareholders may recall we began this action in late-FY2021). As supply chains continue to normalise (and we are seeing a trend in that direction), we will allow our inventory levels to return to normal, which will release cash for other investment purposes.
- This 'maintenance capex' was significantly higher than normal – 61% higher than in FY2020 – due to reduced capex during the pandemic the previous year, and is expected to normalise going forwards.

From the free cash flow of the Group, £12.4 million was invested into discrete growth projects we expect to deliver a high return on capital, (which we measure cash-on-cash). The table below sets out the breakdown of capex spending for the last five years:

	2018	**2019**	**2020**	**2021**	**2022**
	£m	**£m**	**£m**	**£m**	**£m**
Capex					
Maintenance	14.1	23.5	25.4	20.9	40.9
Growth*	15.2	20.9	8.4	7.6	12.4
	29.3	44.4	33.8	28.5	53.3

** Includes capital expenditure incurred as part of reorganizational and synergy projects to drive higher productivity and lower operating costs.*

A full description of the Group's cash flows is provided in the Financial Review.

It is worthwhile noting that whilst businesses in some sectors consume vast amounts of cash in working capital as they grow, a well-run flooring group like Victoria does not due to high cash conversion ratios, which is one of the attractions Berkshire Hathaway referenced in making the decision to acquire the world's second-largest flooring company, Shaw Industries.

Return on Tangible Assets

Finally, whilst on the subject of capital allocation, 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 customarily goodwill or other intangible assets.

As explained in previous years, 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 long-term wealth creation. This is for two related reasons: firstly, the intangible '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 is accentuated in times of sustained inflation). Consequently, businesses achieving a high return on tangible assets generate more free cash over time, which is then available to further grow the value of the business.

Below is a table setting out Victoria's Return on Tangible Assets for the last five years, which shows the ability of the company to generate sustainable returns in excess of 25% - despite a very substantial increase in the capital base – producing cash that we can continue to deploy to grow the value of the company.

(£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%
FY 2022	120.5	444.4	27.1%

DIVIDENDS

For the reasons detailed in previous years' Annual Reports, it remains the Board's view (as it has been for the last nine years) that it can continue to successfully deploy capital to optimise the creation of wealth for shareholders and therefore it has again resolved not to pay a final dividend for FY2022.

OUTLOOK

All our businesses have strong economic fundamentals, and skilled and dedicated management. Nonetheless there are some important external headwinds we (and all other businesses) must now face: ongoing inflationary pressures, higher corporate taxes in some jurisdictions, and falling consumer confidence, amongst others.

Operations

Victoria has been manufacturing and selling flooring for 127 years. It is a remarkably resilient business: revenues have grown organically over the last 25 years at more than 3% CAGR. And, properly managed, flooring manufacturers generate a significant amount of cash due to the longevity of the assets and high cash conversion.

As a stress-case exercise, we have given detailed consideration to, and modelled, a range of scenarios for the current year including a very substantial double-digit drop in revenues (much deeper than the sector experienced during the 2008 Global Financial Crisis) and, as predicted given our operational structure, we would expect the Group to continue to be both profitable and cash generative even in such extreme circumstances. We would stress that this is not our expected outcome for the year, but is illustrative of Victoria's deep financial resilience.

Additionally, Victoria is in the fortunate position of having a number of internal projects underway that will drive up underlying operating margins and earnings. These synergies flow out of our recent acquisitions and will mitigate the effects of continued inflation or possible demand weakness.

In most situations a handful of variables drive the majority of outcomes. We have sought to identify these few things that matter for each business and ensure our operational plan covers them. Therefore, we feel confident in the future earnings power of our businesses.

Acquisitions

During FY2022 Victoria successfully signed several high-quality acquisitions, adding (pre-synergies) approximately £65 million of EBITDA (including Balta, which completed after the year end). Continuing with our policy of being a highly disciplined acquiror (in what was a very frothy market – unbelievable as that may seem now), these acquisitions were made at a very attractive average EV/EBITDA multiple of c. 5.7x, pre-synergies. Our operational management team are now fully engaged in integrating the acquired companies into our business and it is expected they will have a meaningful impact on Victoria's cash flow and operating profits over the coming years.

The current economic environment mandates prudence. Nonetheless, acquisitions remain a core part of Victoria's growth strategy and we will continue to invest time this year in visiting flooring businesses and building strong relationships with their owners. Victoria has become a permanent home of choice for flooring companies in Europe and the US – particularly for family-owned businesses – and the Group's potential pipeline of accretive acquisitions continues to be compelling.

Then, at the right time we will deploy capital thoughtfully and conservatively to build scale, expand distribution, broaden our product range, and widen the economic moat around our business.

> *"No one could have foreseen the huge expansion of the Vietnam War, wage and price controls, two oil shocks, the resignation of a president… But, surprise - none of these blockbuster events … render unsound the negotiated purchases of fine businesses at sensible prices. Imagine the cost to us, then, if we had let a fear of unknowns cause us to defer or alter the deployment of capital.* ***Indeed, we have usually made our best purchases when apprehensions about some macro event were at a peak. Fear is the foe of the faddist, but the friend of the fundamentalist.****"*
>
> Warren Buffett, 1994

CONCLUSION

The future is uncertain (when isn't it?). Not a single economic forecast we received at the beginning of 2020 made reference to a global pandemic. And not one we received at the beginning of 2022 mentioned a Russian invasion of Ukraine. Therefore, rather than spending an inordinate amount of time studying tea leaves or reading runes, the Board and management of Victoria seeks to run the business in a manner that ensures it is resilient. As part of our mission to create wealth for shareholders, 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 supply-chain is localised and diversified, our customer base is highly diversified, we are geographically diversified, managers are empowered to take meaningful decisions so they can react quickly to changing circumstances, the list is almost endless.

Key to our success is our operational management team. The commitment, knowledge, and ability of our management team will prove invaluable in the months ahead. There is a whole generation of entrepreneurs, managers, and investors who have built their entire perspective on valuation and operations during an extraordinary bull market and favourable economic conditions. The 'unlearning' process is likely to be painful, surprising, and unsettling to many. However, we are fortunate at Victoria to have a senior management team who have been around long enough to have personal experience of challenging conditions - inflation, higher interest rates, recession, amongst others - and will take this new reality in their stride.

There will be opportunities that arise from this "crisis". There always are. And Victoria is positioned to take advantage of them.

Geoffrey Wilding
Executive Chairman

Philippe Hamers
Chief Executive Officer

19 July 2022

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, Turkey, the USA, Belgium and Australia, employing approximately 4,900 people at more than 27 sites.

The Group designs and manufactures a wide range of wool and synthetic broadloom carpets, flooring underlay, ceramic tiles, 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.

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 Financial Review.

	2022	2021
	£'m	£'m
Revenue	**1,019.8**	**622.3**
% growth at constant currency	**57.5%**	**7.4%**
Underlying EBITDA	**162.8**	**127.4**
% margin	**16.0%**	**19.2%**
Underlying operating profit	**107.9**	**79.8**
% margin	**10.6%**	**12.0%**
Operating cash flow[1]	**111.8**	**93.9**
% conversion against underlying EBITDA[1]	**78%**	**83%**
Free cash flow[2]	**34.2**	**38.8**
% conversion against underlying operating profit	**32%**	**49%**
Underlying pre-IFRS 16 EBITDA per share	**103.68p**	**86.52p**
Earnings per share (diluted, adjusted)	**40.21p**	**28.66p**
Operating cash flow per share[3]	**95.65p**	**76.90p**
Adjusted net debt / EBITDA[4]	**2.66x**	**3.10x**

[1] *Operating cash flow shown before interest, tax and exceptional items.*
[2] *Before investment in growth capex, acquisitions and exceptional items*
[3] *Operating cash flow per share based on current number of shares outstanding (non-diluted)*
[4] *Applying our lending banks' measure of 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 2 April 2022 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 Outlook and Conclusion sections of Chairman and CEO's Review.

PRINCIPAL RISKS AND UNCERTAINTIES

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

Inflation –The issues surrounding inflation have the capacity to impact companies' earnings by interrupting supply chains, workforce sustainability, demand and rising interest costs.

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

1. Victoria has the ability to increase prices and successfully did so up to four times during the year ended 2 April 2022 to protect earnings;

2. Management is focussed on delivering a number of carefully planned synergy projects that will increase operating margins, mitigating some inflationary pressures.

3. The Group's industry-leading operating margins provide room for manoeuvre against struggling competitors;

4. We actively hedge or otherwise manage key input costs to provide management with time to adapt our business and prices to higher input costs so that margins are protected;

5. The main component of the Group's debt (€750m) is Senior Secured Notes ("bonds") and carry a fixed coupon, of which €500m falls due in August 2026 and €250m falls due in March 2028.

On the demand side specifically, Victoria operates in the mid to high-end of the flooring market, where customers are less sensitive to economic uncertainty and inflation. Nonetheless, in the event of lower demand for a period, Victoria is well placed to manage this for the following reasons:

1. Victoria enjoys comparatively low operational gearing across its businesses;

2. Victoria has averaged 90.5% pre-tax operating cash conversion in the last five years, and this high cash conversion[1] ensure the Group continues to generate cash, even during periods of lower demand;

3. Much of our production output is supplied to order, not supplied for inventory. This reduces exposure to de-stocking risks.

4. A resilient balance sheet with cash and undrawn credit lines in excess of £200 million. Furthermore, the Group's senior debt consists entirely of long-duration, fixed interest rate, covenant-lite bonds.

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 energy prices and certain raw material prices – in particular wool and synthetic yarn, polyurethane foam, and clay – could affect the Group's profitability. Price increases, alongside other cost saving measures, have largely mitigated the impact on operating profit. 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.

In the year the principal risks have been updated to include inflationary risks as highlighted above, reflecting the significant price inflation experienced in 2022 to date, in particular with rising energy prices. We have also updated our principal risks to remove covid-19 as a specific risk item given the global response and easing of restrictions experienced in all of the territories in which we operate.

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

19 July 2022

Financial Review

HIGHLIGHTS

The 2021-22 financial year has been another record year for Victoria PLC, despite numerous economic headwinds. The Group delivered healthy organic revenue growth across all of its divisions, breaking the £1 billion mark for the first time. It also managed to preserve operating profits in a severe cost inflation environment.

This strong operating performance re-enforces management's view that the residential flooring industry is relatively resilient, being driven by long-term improvement and repair cycles and being at the low-cost end of impactful home renovation options for consumers. It is clearly a mature market overall – everyone has multiple floorcoverings of some description at home – but also, by definition, a very large market, and one in which consumers are making a generally long-planned investment into their quality of life, rather than being driven by shorter-term fashion trends.

As discussed in the previous half-year interim results and annual report, this performance is as much driven by the capacity and operational flexibility delivered by the Group's historical synergy and operational restructuring projects, as it is driven by positive market conditions. Indeed, these projects enabled the Group to fully leverage the market conditions, as well as to address any significant month-to-month swings (driven by Covid-19 related restrictions), which still occurred during the financial year.

This Financial Review is structured over several sections. The first parts focus on the underlying performance of the Group, analysing the trends in revenue and underlying operating margin, and providing an overview of acquisition and financing activities in the year. Thereafter, the Exceptional & Non-Underlying Items section provides an important, detailed report on all of the items that bridge from the underlying results (for example, underlying operating profit of £107.9 million) to the IFRS statutory performance of £53.6 million operating profit and, ultimately, £12.4 million loss after tax. The final parts set out the cash flows of the Group on a basis consistent with past years, and the year-end net debt position. Underlying measures of performance are classified as 'Alternative Performance Measures' and should be reviewed in conjunction with comparable IFRS figures. It is important to note that these APMs may not be comparable to those reported by other companies. A summary of the underlying and reported performance of the Group is set out below.

	2022			2021		
	Underlying performance £m	**Non-underlying items £m**	**Reported numbers £m**	Underlying performance £m	Non-underlying items £m	Reported numbers £m
Revenue	1,019.8	-	1,019.8	662.3		662.3
Gross Profit	362.3	(5.5)	356.8	234.9		234.9
Margin %	*35.5%*			*35.5%*		

Amortisation of acquired intangibles	-	(32.4)	(32.4)	-	(26.8)	(26.8)
Other operating expenses	(254.4)	(16.4)	(270.8)	(155.1)	(7.1)	(162.2)
Operating profit	107.9	(54.3)	53.6	79.8	(33.9)	45.9
Margin %	*10.6%*			*12.0%*		
Add back depreciation & amortisation	54.9			47.6		
Underlying EBITDA	162.8			127.4		
Margin %	*16.0%*			*19.2%*		
Preferred equity items	-	(33.0)	(33.0)	-	(13.1)	(13.1)
Other finance costs	(34.1)	1.1	(33.0)	(29.7)	(10.6)	(40.3)
Profit before tax	73.8	(86.2)	(12.4)	50.1	(57.6)	(7.5)
Profit after tax	55.7	(68.1)	(12.4)	37.1	(34.3)	2.8
EPS basic	47.62p		(10.61p)	30.34p		2.30p
EPS diluted	40.21p		(10.61p)	28.66p		2.29p

Revenue growth was driven by a combination of both increased volume and price across all divisions. Whilst continuous work was undertaken – in consultation with our customers – on balancing product ranges and numerous operating actions taken in order to help protect absolute profits, multiple sales price increases were necessary during the year in each product category in reaction to unprecedented levels of cost inflation. Despite these price increases, the Group also delivered significant volume growth in all divisions.

Although such actions to increase sales prices successfully protected profits in absolute terms, inevitably the resultant increase in revenue has had a detrimental impact on margins when reported as a percentage of revenue. The chart below shows the impact of this on underlying EBITDA margin %.

Group EBITDA margin bridge

FY21 reported	19.2%
Acquisition mix effect	*-1.9%*
Cost inflation pass-through	*-1.8%*
FY21 adjusted	**15.5%**
Other organic movement	*+0.5%*
FY22 reported	**16.0%**

Further details of like-for-like growth and margin performance by division, are set out later in this Financial Review.

In addition to the active and successful year for the Group organically, a total of five acquisitions were also completed (with another, the acquisition of the Rugs and UK Broadloom businesses of Balta, completed shortly after the year-end). Whilst the overall acquisition opportunity in this industry is always significant due to its remaining fragmented in nature, this record number of transactions reflects the huge investment opportunity that existed – even within the context of Victoria's specific focus areas and criteria – as business owners reconsidered their ambitions as a result of the Covid-19 pandemic. The acquisitions were in both soft and hard flooring categories, across two of the three Group divisions, with one – Cali, an LVT and wood flooring designer and distributor in the US – creating a new management division and reporting segment in the Group, North America.

The Group incurred £6.9 million of exceptional operating costs during the year, primarily relating to one-off acquisition costs (origination work, due diligence and legal services from third-party advisers). In addition, the Group incurred £32.4 million of amortisation of acquired intangibles (primarily customer relationships and brand names) and £15.0 million of other non-underlying costs (primarily the accounting impact of acquisition earn-outs and acquired balance sheet fair value adjustments). Further details are provided later in this Financial Review.

LIKE-FOR-LIKE PERFORMANCE

As with previous financial years, it is necessary to analyse the underlying organic performance of each division of the Group separately from the impact of acquisitions, both in terms of revenue growth and margin trends.

Basis of analysis

In general, we undertake this assessment by (i) removing from the current-year data the contribution from acquisitions made during the year, and (ii) adding into the prior-year data pre-acquisition financial performance (from target company records and due diligence) for acquisitions made during that year in order to include a full-year effect. Occasionally for some current-year acquisitions, where they were made early in the period and significant integration or synergies have already been delivered by the year-end, thereby making it harder to disseminate the overall contribution impact from the data, we go back and add in the pre-acquisition performance to the prior year.

All of these adjustments have the impact of reducing the calculated year-on-year growth – stripping out the acquisition impact and showing like-for-like growth only – and presenting a 'normalised' profit margin for both the current and the prior year, from which the organic movement (as opposed to acquisition mix effect) can be determined. As part of this analysis, we also normalise for translational currency differences between the two years, and any differences in period length (note that whilst the current reported financial year is 52 weeks in length, the prior financial year was 53 weeks).

LFL revenue performance

	Growth
UK & Europe Soft Flooring revenue	+30.9%

UK & Europe Ceramics revenue	+11.2%
Australia revenue	+11.4%
Group revenue	**+19.2%**

The Group delivered a record year in terms of organic revenue growth, averaging just under 20% overall on a LFL basis, of which approximately half was volume driven and half price driven.

In general, revenue performance was consistently strong across the year. Year-on-year LFL growth was particularly high in the first half of the year given the weaker prior-year comparative (due to the initial, severe Covid-19 lockdowns in April and May 2020). The second half of the year had a stronger comparative period, nevertheless – subject to the normal seasonality patterns seen in the Group's different markets – revenues remained equally robust.

Cost inflation impact on LFL analysis

This year, we have added an additional element to the margin part of the like-for-like analysis, to show separately the impact of cost inflation that has been passed through on a 1-for-1 basis to sales price inflation. To explain with a simple example: if a company has £100 million of revenue and £80 million of costs (excluding depreciation and amortisation), then its EBITDA is £20 million and its EBITDA margin is 20%. If, in the following year, it experiences 15% cost inflation (on average) which it passes through on a precise 1-for-1 basis to customers, and does so whilst managing to maintain the same sales volume, then its costs increase to £92 million and revenue increases to £112 million. The EBITDA of £20 million has been successfully preserved, however the EBITDA margin in this example has now fallen to 17.9%. Looking at this margin statistic on face value, being a decrease of 214bps, it looks like the company has performed poorly. But in fact, in the face of enormous cost inflation, the company has done a fantastic job of preserving profit levels. It simply did not try to add an additional mark-up to the cost inflation when it subsequently raised its sales prices to customers.

Of course, cost inflation occurs every year and the above concept is technically always relevant, but normally the effect is relatively small and entirely blends with factors such as volume growth and other operational or commercial matters impacting margin (none of which are considered in the above simple example). However, in a year when Victoria's cost inflation indeed averaged circa 15%, the one-off impact on percentage margins in FY22 is clearly pronounced.

This period of abnormally high cost inflation in fact started during the prior year, in late 2020, with polypropylene yarn, which is a key component used in carpet manufacturing. Natural gas, a key component used in all ceramics industries' manufacturing, to heat the kilns, saw sustained but gradual inflation through 2021 before experiencing a significant upward step change in early December.

Other inputs to the business were also impacted, primarily by the cost of energy. Notwithstanding longer-term mitigating operational measures against future inflation, some of which are discussed in the ESG Report within this Annual Report, the short-term impact on the Group's cost base in FY22 was of course highly significant.

The vast majority of cost increases that could not be mitigated through short-term operational actions were passed onto customers – without a mark-up of course – resulting in a mathematical adverse impact on EBITDA margin % of circa 180bps overall.

LFL margin performance

UK & Europe Soft Flooring

	FY22	FY21	Growth
Revenue	£423.1m	£280.4m	+50.9%
Underlying EBITDA	£70.3m	£49.0m	+43.4%
Margin %	*16.6%*	*17.5%*	-87bps
Underlying EBIT	£45.4m	£28.7m	+58.5%
Margin %	*10.7%*	*10.2%*	+51bps

UK & Europe Ceramics

	FY22	FY21	Growth
Revenue	£371.6m	£282.4m	+31.6%
Underlying EBITDA	£71.4m	£63.1m	+13.2%
Margin %	*19.2%*	*22.3%*	-312bps
Underlying EBIT	£47.5m	£40.4m	+17.5%
Margin %	*12.8%*	*14.3%*	-153bps

Australia

	FY22	FY21	Growth
Revenue	£109.5m	£99.6m	+10.0%
Underlying EBITDA	£16.4m	£16.6m	-1.4%
Margin %	*15.0%*	*16.7%*	-174bps
Underlying EBIT	£11.8m	£11.9m	-0.8%
Margin %	*10.8%*	*12.0%*	-118bps

As noted above, the one-off impact this year of abnormal cost inflation pass-through has had a significant adverse mathematical impact on reported margins. This is in addition to the acquisition mix effect – whereby, in general, newly acquired businesses have a lower underlying EBITDA margin at the point of acquisition than the divisional or Group average, thereby mathematically lowering the average reported margin as their results are consolidated. The underlying EBITDA margin charts below, which bridge from the prior-year to the current year reported margin, strip out the impact of these two phenomenon to show the underlying margin trend in each division (other than North America, which was only created this year).

UK & Europe – Soft Flooring EBITDA margin bridge

FY21 reported	17.5%
Acquisition mix effect	*+0.2%*
Cost inflation pass-through	*-2.4%*
FY21 adjusted	**15.2%**
Other organic movement	*+1.4%*
FY22 reported	**16.6%**

UK & Europe – Ceramic Tiles EBITDA margin bridge

FY21 reported	22.3%
Acquisition mix effect	*-1.8%*
Cost inflation pass-through	*-1.4%*
FY21 adjusted	**19.1%**
Other organic movement	*+0.1%*
FY22 reported	**19.2%**

Australia EBITDA margin bridge

FY21 reported	16.7%
Acquisition mix effect	-
Cost inflation pass-through	*-1.0%*
FY21 adjusted	**15.7%**
Other organic movement	*-0.7%*
FY22 reported	**15.0%**

** Calculation of cost inflation pass-through within LFL margin analysis based on average cost and price inflation, using volume growth for key product categories (as adjusted for the 53-week period in the prior year). Overall cost inflation is assessed using an average operating leverage of 70% variable, which is assessed based on previously disclosed ratios of fixed costs, fully variable costs and semi-variable costs (assumed 50:50).*

With these impacts removed, the remaining organic movement in underlying EBITDA margin in the year was circa +140bps in UK & Europe Soft Flooring, +10bps in UK & Europe Ceramic Tiles, and -70bps in Australia. The Australian market was more challenging than others this year as Covid-19 lockdowns remained in place for much longer (until October 2021) when compared to European countries (generally started to relax restrictions in March 2021 and completely removed, other than for international travel, by July 2021).

Overall, this illustrates that the Group successfully protected profits and delivered robust margins in the context of the current global economic environment.

ACQUISITIONS

Following the successful pre-emptive capital raise activities during the prior year – the £75 million preferred equity issue (including £100 million follow-on commitment) in November 2020 and the bond refinancing (including €250 million new issue for future investment) in March 2021 – the Group scoped a very large number of potential acquisition targets over the last 18 months. Due diligence was also undertaken on many, some of which were completed and some not.

The first two acquisitions were of Italian ceramic tile businesses in April 2021 for total consideration of circa €24 million (c. £21m) – (i) the Colli & Vallelunga brands, being commercial design and sales operations without their own manufacturing, and (ii) Santa Maria, which – in addition to two additional brands – includes a low-cost manufacturing operation. These businesses collectively generated very little EBITDA at the point of acquisition, but have since been fully integrated into our incumbent Italian operations, with significant cost synergies.

The third acquisition, in May 2021, was of an artificial grass designer and manufacturer based in the Netherlands, Edel Group, for total consideration of circa €56 million (c. £48m). This business is highly complementary to the Group's existing artificial grass businesses (both of which are also based in the Netherlands) as they historically outsource their manufacturing whereas Edel has large and well invested extrusion and tufting operations, in Germany and the Netherlands, respectively. This acquisition also brought two new commercial artificial grass brands to the Group.

The fourth acquisition, in June 2021, was of a hard (LVT and wood) flooring designer and distributor based in the US, Cali, for total consideration of circa $83 million (c.£59m). Whilst the Group already exports products to North America from Europe, this was the Group's first acquisition in North America. Cali has a strong brand and omni-channel distribution model, and the Group is working on a number of potential sourcing and revenue synergies.

The final acquisition completed in the year, in February 2022, was of a ceramic tile designer and manufacturer based in Turkey, Graniser, for total consideration of circa €47 million (c.£39m). Graniser is a low-cost manufacturer that is focused on export sales (c. 70% of revenues), primarily to Europe. It brings further diversification of manufacturing base to our UK & Europe Ceramic Tiles division, and significant potential for commercial synergies and capex-related capacity and margin improvement, which is being implemented currently.

In November 2021, the Group also announced signing of the acquisition of the Rugs and UK Broadloom Carpet businesses of Balta. Completion of this acquisition was subject to various carve-out related conditions on the seller (carving out from the rest of their group which was not subject to the transaction) and ultimately took place following the year-end. There were no provisions within the contract that amount to 'power over the investee' under IFRS 10 in relation to the period between signing and completion, hence consolidation of the target's results will not occur until FY23.

FINANCING

Debt financing and facilities

Following the major refinancing of the Group's senior secured bonds in the prior year as noted above, there was no new issue of senior debt during the financial year. The Group's senior debt therefore comprises €500 million (c. £421m) of notes with a coupon of 3.625% and maturity of August 2026, and €250 million (c. £211m) of notes with a coupon of 3.75% and maturity of March 2028.

It is important to note that these coupons are fixed until maturity and not subject to changes in base rates or any other metric.

Separately, in December 2021 the Group's Revolving Credit Facility was increased in size from £75 million to £120 million to keep it proportional to the overall size of the Group following the various acquisitions. This RCF was undrawn at the year-end. Following the year-end the RCF increased further in size as a result of the acquisition of Balta, to £150 million.

Other debt facilities in the Group represent small, local working capital facilities at the subsidiary level, which are insignificant in size compared to the group senior debt and are renewed or amended as appropriate from time to time. The total outstanding amount drawn from these facilities at the year-end was £32 million, as shown below in the Net Debt section of this Financial Review.

Preferred equity

In order to comply with the Board's own financial policy and internal leverage limits, the acquisition of Balta was partially funded by the issue of additional preferred equity to Koch Equity Development in January 2022. Additional preferred shares totalling £150 million were issued, bringing the total in issue to £225 million (plus those issued for the 'Payment In Kind' of the fixed coupon, whereby new preferred shares are issued as opposed to cash payment, at the Group's option). No new discount or fee was deductible or payable on the issue of the new preferred shares.

In addition to issuing new notes, various terms of the notes were changed. The material changes were as follows:

- Coupon across both existing and new notes lowered by 100bps (to 8.85% if PIK'ed or 8.35% if cash paid, payable quarterly).
- Whilst no further equity warrants were issued, the £225 million of preferred equity is now split between £125 million of 'Pref A's (being the original issue plus £50 million of the new issue) and £100 million of 'Pref B's. The 20% IRR cap applying to the warrants is based on the total returns of the warrants and the 'Pref A's only.

These changes were such that, from an accounting perspective, they were treated as a substantial modification resulting in derecognition and recognition of a new financial instrument. Further details of the preferred equity and their accounting treatment are provided in Note 6 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.

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 £6.9 million of exceptional costs during the year (FY21: £7.8m). 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.

Exceptional items	**2022** **£'m**	2021 £'m
Acquisition and disposal related costs	**(10.7)**	(3.0)
Reorganisation costs	**(5.3)**	(5.5)
Negative goodwill arising on acquisition	**6.9**	6.5
Contingent consideration linked to positive tax ruling	**(0.6)**	(5.7)
Profit on disposal of fixed assets	**2.9**	-
Total exceptional items	**(6.9)**	(7.8)

This total exceptional cost figure is made up of numerous components, both income and costs. Description of the specific items is provided below:

- *Acquisition related costs* – the largest exceptional item was acquisition related costs, which totalled £10.7 million (FY22: £3.0m), resulting from the raised level of acquisition-related activity in the year in light of positive market conditions driving greater opportunity. As a result, five acquisitions were completed during the year, compared to two small acquisitions in the prior year, and many more were investigated. These costs relate to third-party advisory fees for due diligence and legal services.

- *Reorganisation costs* – a similar level of one-off restructuring costs was incurred in the year versus the prior year, however the specific items were entirely separate. In the prior year, this figure included primarily the cost of closure of the Westex factory and precautionary health & safety measures in reaction to Covid-19. In the current year there were no such Covid-19 related costs, instead this figure relates to post-acquisition integration costs in Italy and at Edel Group, plus small incremental restructuring of activities in the UK (primarily in underlay manufacturing) and Spain (further manufacturing rationalisation). The majority of these are either redundancy costs or fees from external service providers; we do not class any ongoing employee costs as exceptional (for example, where an employee works on a reorganisation or synergy project).

- *Negative goodwill arising on acquisition* – when an acquisition is completed, under IFRS the opening balance sheet of the target must be consolidated reflecting the fair value (as opposed to book value) of all assets and liabilities, including any intangible assets such as brands or customer relationships. The fair value is effectively the net realisable value if those assets or liabilities were to be sold or transferred on the open market at the time. Any excess of purchase price over the fair value of the balance sheet is then shown in the consolidated accounts as goodwill. However, if the assessed fair value exceeds the purchase price paid, then the resulting 'negative goodwill' is income. In FY22, this was the case with the acquisitions of Santa Maria in Italy and Graniser in Turkey.

- *Contingent consideration linked to positive tax ruling* – in the case of two historical specific acquisitions – Keraben and Saloni, both in Spain – part of the deal included an element of deferred consideration linked to obtaining a positive tax ruling over the use of historical tax losses to offset current or future tax liabilities. In both cases a positive tax ruling was achieved, hence additional consideration had to be paid to the sellers. The figure in the prior year related to Keraben, and in the current year to Saloni. No other acquisitions to date have this feature.

- *Profit on disposal of fixed assets* – following the closure of the Westex factory in the prior year (see above regarding reorganisation costs), the factory land and buildings were sold for a profit of £2.9 million to the book value previously held. This income, whilst operational, has been classed as exceptional due to being one-off in nature and linked to reorganisation.

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.

Other non-underlying items	**2022** **£m**	2021 £m
Acquisition-related performance plan charge	**(7.1)**	1.7
Non-cash share incentive plan charge	**(2.3)**	(1.0)
Amortisation of acquired intangibles	**(32.4)**	(26.8)
Unwind of fair value uplift to acquisition of opening inventory	**(5.3)**	-
Depreciation of fair value uplift to acquisition building valuation	**(0.2)**	-
	(47.4)	(26.1)

There were five 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.

- *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 FY22 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).

- *Unwind of fair value uplift to acquisition opening inventory* – as noted above (see 'negative goodwill' bullet) under IFRS the opening balance sheet of each acquisition is fair valued, and this includes inventory. As such, this opening inventory is no longer held at cost, rather at net realisable value, which means that for the period of time over which it is sold (typically 3-4 months) no profit will be recorded in the Group consolidated accounts despite the fact that the target business itself generated a profit. Any newly purchased inventory post-acquisition is held at cost in the ordinary course. Given this is not representative of the underlying performance of the acquired business, this one-off uplift in cost of sales is classed as exceptional. In the prior year this effect was immaterial.

- *Depreciation of fair value uplift to acquisition property* – this is the same effect as described above, except relating to property within fixed assets as opposed to inventory.

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

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

Non-underlying financial costs	**2022 £m**	2021 £m
Release of prepaid finance costs	**-**	7.3
Net cost of redemption premium on refinancing of previous senior notes	**-**	6.3
One-off refinancing related	**-**	13.6
Finance items related to preferred equity	**33.0**	13.1
Acquisition related items	**-**	2.1
Interest on short-term draw of Group Revolving credit facility	**-**	1.4
Fair value adjustment to notes redemption option	**6.3**	(4.6)
Unsecured loan redemption premium charge / (credit)	**0.4**	0.2
Mark to market adjustments and gains on foreign exchange forward contracts	**(2.0)**	4.2
Translation difference on foreign currency loans	**(5.7)**	(6.3)
Other non-underlying	**(1.1)**	(5.1)
	31.9	23.7

The significant items are described below:

- *Finance items related to preferred equity* – the preferred equity issued in November 2020 and further in January 2022 as described above is treated under IFRS 9 as a financial instrument with a number of associated embedded derivatives. There are a number of resulting financial items taken to the income statement in each period, including the cost of the underlying host contract 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 – it is contractually subordinated, never has to be serviced in cash, and contains no default or acceleration rights – hence the resultant finance costs or income are treated as non-underlying.

Finance Items related to preferred equity	**2022** **£m**	2021 £m
Amortised cost of host instrument	**14.9**	3.4
Accounting impact of terms modification in Jan 2022	**11.5**	-
Fair value movement on associated equity warrants	**11.3**	1.6
Fair value movement on embedded redemption option	**(10.7)**	5.2
Charge associated with previous KED commitment to additional pref's (now ended)	**6.0**	2.9
Total	**33.0**	13.1

- *Fair value adjustment to notes redemption option* – the corporate bonds issued in March 2021 comprise two tranches maturing in August 2026 and March 2028. 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 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	2022 £m	2021 £m
Underlying operating profit	**107.9**	79.8
Reported operating profit (after exceptional items)	**53.6**	45.9
Underlying profit before tax	**73.8**	50.1
Reported loss before tax (after exceptional items)	**(12.4)**	(7.5)

Reported operating profit (earnings before interest and taxation) increased to £53.6 million (FY21: £45.9 million). After removing the exceptional and non-underlying items described above, underlying operating profit was £107.9 million, representing a 35.2% increase over the prior year.

Reported loss before tax increased to £12.4 million (FY21: loss of £7.5 million). After removing the exceptional and non-underlying items described above, underlying profit before tax was £73.8 million, representing a 47.3% increase over the prior year.

TAXATION

The reported tax charge in the year of £nil 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 £18.1 million against adjusted profit before tax of £73.8 million, implying an underlying effective tax rate of 24.5%.

EARNINGS PER SHARE

The Group delivered a basic loss per share of 10.61p (FY21: earnings per share of 2.30p). However, adjusted earnings per share (before non-underlying and exceptional items) on a fully-diluted basis was 40.21p (FY21: 28.66p).

Earnings per share	2022	2021
Basic earnings / (loss) per share	**(10.61p)**	2.30p
Diluted adjusted earnings per share	**40.21p**	28.66p

OPERATING CASH FLOW

Cash flow from operating activities before interest, tax and exceptional items was £111.8 million which represents a conversion of 78% of underlying EBITDA (pre-IFRS 16).

Operating and free cash flow	2022 £m	2021 £m
Underlying operating profit	**107.9**	79.8

Add back: underlying depreciation & amortisation	**54.9**	47.6
Underlying EBITDA	**162.8**	127.4
Payments under right-of-use lease obligations	**(18.8)**	(14.4)
Non-cash items	**(5.9)**	(0.8)
Movement in working capital	**(26.3)**	(18.3)
Operating cash flow before interest, tax and exceptional items	**111.8**	**93.9**
% conversion against underlying operating profit	**104%**	118%
% conversion against underlying EBITDA (pre-IFRS 16)	**78%**	83%
Interest paid	**(28.4)**	(30.4)
Corporation tax paid	**(13.7)**	(5.0)
Capital expenditure - replacement / maintenance of existing capabilities	**(40.9)**	(20.9)
Proceeds from fixed asset disposals	**5.3**	1.2
Free cash flow before exceptional items	**34.2**	38.8
% conversion against underlying operating profit	**32%**	49%
% conversion against underlying EBITDA (pre-IFRS 16)	**24%**	34%

Pre-exceptional free cash flow of the Group – after interest, tax and net replacement capex – was £34.2 million. Compared with underlying operating profit (i.e. post-depreciation), this represents a conversion ratio of 32%. Cash conversion was adversely impacted in the year by higher-than-usual investment in working capital, which was driven by both cost inflation and increased purchases of raw materials to mitigate supply chain risk in the current economic environment, which are expected to unwind in the future. Furthermore, there was an element of ‘catch-up’ capital expenditure following Covid-19.

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 2 April 2022, the Group’s net debt position (excluding IFRS 16 right-of-use leases and preferred equity) was £406.6 million. Free cash flow of £34.2 million was generated in the year, of which £14.9 million was invested in organic growth / synergy initiatives. Acquisition-related expenditure (including debts assumed on acquisition) was £233.8 million, which was funded from the remaining free cash flow, cash on balance sheet, and the net cash proceeds from the additional preferred equity issuance of £143.0 million.

Applying our lending banks’ measure of leverage, the Group’s year end net debt to EBITDA ratio was 2.66x (FY21: 3.10x).

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	**2022 £m**	2021 £m
Free cash flow before exceptional items (see above)	**34.2**	38.8
Capital expenditure - growth	(12.4)	(7.6)
Exceptional reorganisation cash cost	(2.5)	(5.5)
Investment in organic growth / synergy projects	**(14.9)**	(13.1)
Acquisitions of subsidiaries	(127.9)	(2.8)
Total debt acquired or refinanced	(74.8)	(9.9)
Deferred and contingent consideration payments[1]	(20.5)	(21.3)
Exceptional M&A costs	(10.7)	(3.0)
Acquisition-related	**(233.8)**	(37.0)
Buy back of ordinary shares	(0.6)	(30.0)
Preferred equity issuance	143.0	65.3
Refinanced bonds - redemption premia	-	(17.6)
Net refinancing cash flow	**142.4**	17.7
Other debt items including prepaid finance costs	1.5	(6.8)
Translation differences on foreign currency cash and loans	9.7	20.6
Other exceptional items	**11.2**	13.8
Total movement in net debt	**(60.9)**	20.2
Opening net debt	(345.7)	-
Closing net debt	**(406.6)**	(345.7)

[1] *Includes the repayment of acquisition-related capital investment to Keraben senior management team*

Net debt	**2022 £m**	2021 £m
Net cash and cash equivalents	258.0	344.8
Senior secured debt (at par)	(631.6)	(637.7)
Unsecured loans	(32.2)	(51.7)
Finance leases and hire purchase arrangements (pre IFRS 16)	(0.8)	(1.1)
Net debt before obligations under right-of-use leases	**(406.6)**	(345.7)

Adjusted net debt / EBITDA	**2.66x**	3.10x
Bond embedded redemption option	2.7	9.0
Bond issue premium - non-cash (related to embedded redemption option)	(4.3)	(4.3)
Pre-paid finance costs on senior debt	9.8	10.9
Preferred equity, associated warrants and embedded derivatives	(254.2)	(76.2)
Obligations under right-of-use leases (incremental to above finance leases)	(104.8)	(86.0)
Statutory net debt (net of prepaid finance costs)	**(757.4)**	(492.2)

ACCOUNTING STANDARDS

The financial statements have been prepared in accordance with UK-adopted international accounting standards. 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. For further details, see Note 10 of the Accounts.

Michael Scott
Group Finance Director
19 July 2022

Consolidated Income Statement

For the 52 weeks ended 2 April 2022

		52 weeks ended 2 April 2022			53 weeks ended 3 April 2021		
		Underlying performance	**Non-underlying items**	**Reported numbers**	Underlying performance	Non-underlying items	Reported numbers
	Notes	**£m**	**£m**	**£m**	£m	£m	£m
Continuing Operations							
Revenue	1	**1,019.8**	**-**	**1,019.8**	662.3	-	662.3
Cost of Sales		**(657.5)**	**(5.5)**	**(663.0)**	(427.4)	-	(427.4)
Gross profit		**362.3**	**(5.5)**	**356.8**	234.9	-	234.9
Distribution costs		**(108.2)**	**-**	**(108.2)**	(74.8)	-	(74.8)
Administrative expenses		**(148.3)**	**(51.7)**	**(200.0)**	(84.2)	(33.9)	(118.1)
Other operating income		**2.1**	**2.9**	**5.0**	3.9	-	3.9
Operating profit		**107.9**	**(54.3)**	**53.6**	79.8	(33.9)	45.9
Comprising:							
Operating profit before non-underlying and exceptional items		**107.9**	**-**	**107.9**	79.8	-	79.8
Amortisation of acquired intangibles	1,2	**-**	**(32.4)**	**(32.4)**	-	(26.8)	(26.8)
Other non-underlying items	1,2	**-**	**(15.0)**	**(15.0)**	-	0.7	0.7
Exceptional items	1,2	**-**	**(6.9)**	**(6.9)**	-	(7.8)	(7.8)
Finance costs	3	**(34.1)**	**(31.9)**	**(66.0)**	(29.7)	(23.7)	(53.4)
Comprising:							
Interest on loans and notes	3	**(27.9)**	**-**	**(27.9)**	(23.9)	(1.4)	(25.3)
Amortisation of prepaid finance costs and accrued interest	3	**(2.3)**	**-**	**(2.3)**	(2.6)	(7.3)	(9.9)
Unwinding of discount on right-of-use lease liabilities	3	**(3.8)**	**-**	**(3.8)**	(3.0)	-	(3.0)
Preferred equity items	3	**-**	**(33.0)**	**(33.0)**	-	(13.1)	(13.1)

Other finance items		3	**(0.1)**	**1.1**	**1.0**	(0.2)	(1.9)	(2.1)
Profit / (loss) before tax			**73.8**	**(86.2)**	**(12.4)**	50.1	(57.6)	(7.5)
Taxation (charge) / credit			**(18.1)**	**18.1**	**-**	(13.0)	23.3	10.3
Profit / (loss) for the period from continuing operations			**55.7**	**(68.1)**	**(12.4)**	37.1	(34.3)	2.8
(Loss) / earnings per share - pence	basic	4			**(10.61)**			2.30
	diluted	4			**(10.61)**			2.29

Consolidated Statement of Comprehensive Income

For the 52 weeks ended 2 April 2022

	Note	**52 weeks ended 2 April 2022**	53 weeks ended 3 April 2021 30 March 2019
		£m	£m
(Loss) / profit for the period		**(12.4)**	2.8
Other comprehensive income / (expense)			
Items that will not be reclassified to profit or loss:			
Actuarial (loss) / gain on defined benefit pension scheme	7	**1.6**	(0.1)
Items that will not be reclassified to profit or loss		**1.6**	(0.1)
Items that may be reclassified subsequently to profit or loss:			
Retranslation of overseas subsidiaries		**3.5**	(6.1)
Items that may be reclassified subsequently to profit or loss		**3.5**	(6.1)
Other comprehensive income / (expense)		**5.1**	(6.2)
Total comprehensive (expense) / income for the period attributable to the owners of the parent		**(7.3)**	(3.4)

Consolidated Balance Sheet

As at 2 April 2022

	Note	**2 April 2022**	3 April 2021
		£m	£m
Non-current assets			
Goodwill		**244.6**	164.8
Intangible assets other than goodwill		**259.7**	224.2
Property, plant and equipment		**256.0**	202.1
Right-of-use lease assets		**99.6**	82.6
Investment property		**0.2**	0.2
Deferred tax assets		**27.2**	17.2
Total non-current assets		**887.3**	691.1
Current assets			
Inventories		**280.7**	164.4
Trade and other receivables		**223.8**	150.1
Cash and cash equivalents		**273.6**	348.8
Total current assets		**778.1**	663.3
Total assets		**1,665.4**	1,354.4
Current liabilities			
Trade and other current payables		**337.2**	213.8
Current tax liabilities		**0.7**	5.1
Obligations under right-of-use leases - current		**16.9**	13.0
Other financial liabilities		**25.2**	30.2
Total current liabilities		**380.0**	262.1

Non-current liabilities			
Trade and other non-current payables		**7.5**	17.0
Obligations under right-of-use leases - non-current		**88.7**	74.0
Other non-current financial liabilities		**646.0**	647.5
Preferred equity		**207.9**	70.1
Preferred equity – contractually-linked warrants		**46.4**	6.1
Deferred tax liabilities		**81.4**	62.9
Retirement benefit obligations	7	**4.9**	6.5
Total non-current liabilities		**1,082.8**	884.1
Total liabilities		**1,462.8**	1,146.2
Net Assets		**202.6**	208.2
Equity			
Share capital		**6.3**	6.3
Retained earnings		**187.3**	198.7
Foreign exchange reserve		**3.1**	(0.4)
Other reserves		**5.9**	3.6
Total equity		**202.6**	208.2

Consolidated Statement of Changes in Equity

For the 52 weeks ended 2 April 2022

	Share capital £m	Share premium £m	Retained earnings £m	Foreign exchange reserve £m	Other reserves £m	Total equity £m
At 28 March 2020	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 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
Loss for the period to 2 April 2022	-	-	(12.4)	-	-	(12.4)
Other comprehensive income for the period	-	-	1.6	-	-	1.6
Retranslation of overseas subsidiaries	-	-	-	3.5	-	3.5
Total comprehensive loss	-	-	(10.8)	3.5	-	(7.3)
Buy back of ordinary shares	-	-	(0.6)	-	-	(0.6)
Share-based payment charge	-	-	-	-	2.3	2.3
Transactions with owners	-	-	(0.6)	-	2.3	1.7
At 2 April 2022	**6.3**	**-**	**187.3**	**3.1**	**5.9**	**202.6**

Consolidated Statements of Cash Flows
For the 52 weeks ended 2 April 2022

	52 weeks ended 2 April 2022	53 weeks ended 3 April 2021
	£m	£m
Cash flows from operating activities		
Operating profit	**53.6**	45.9
Adjustments For:		
Depreciation and amortisation of IT software	**55.2**	47.7
Amortisation of acquired intangibles	**32.4**	26.8
Negative goodwill arising on acquisition	**(6.9)**	(6.5)
Acquisition-related performance plan charge	**7.1**	-
Amortisation of government grants	**(0.5)**	(0.5)
Profit on disposal of property, plant and equipment	**(2.9)**	(0.1)
Share incentive plan charge	**2.3**	1.0
Defined benefit pension	**(0.1)**	(0.1)
Net cash flow from operating activities before movements in working capital, tax and interest payments	**140.2**	114.2
Change in inventories	**(51.8)**	7.6
Change in trade and other receivables	**(29.9)**	(0.3)
Change in trade and other payables	**55.5**	(25.6)
Cash generated by continuing operations before tax and interest payments	**114.0**	95.9
Interest paid on loans and notes	**(28.4)**	(30.4)
Interest relating to right-of-use lease assets	**(3.8)**	(3.0)
Income taxes paid	**(13.7)**	(5.0)
Net cash inflow from operating activities	**68.1**	57.5
Investing activities		
Purchases of property, plant and equipment	**(51.3)**	(27.6)
Purchases of intangible assets	**(2.0)**	(0.9)

Proceeds on disposal of property, plant and equipment	**5.3**	1.2
Deferred consideration and acquisition-related performance plan payments	**(12.7)**	(15.6)
Acquisition of subsidiaries net of cash acquired	**(127.9)**	(2.8)
Net cash used in investing activities	**(188.6)**	(45.7)
Financing activities		
Repayment of borrowings	**(89.8)**	(164.7)
Issue of preferred equity	**150.0**	65.3
Preferred equity ticking fee	**(7.0)**	-
Buy back of ordinary shares	**(0.6)**	(30.0)
Payments under right-of-use lease obligations	**(15.0)**	(11.3)
Repayments of acquisition-related capital investment to Keraben senior management team	**(7.2)**	
Net cash (used) / generated in financing activities	**30.4**	163.0
Net (decrease) / increase in cash and cash equivalents	**(90.1)**	174.8
Cash and cash equivalents at beginning of period	**344.8**	174.7
Effect of foreign exchange rate changes	**3.3**	(4.7)
Cash and cash equivalents at end of period	**258.0**	344.8
Comprising:		
Cash and cash equivalents	**273.6**	348.8
Bank overdrafts	**(15.6)**	(4.0)
	258.0	344.8

1. Segmental information

The Group is organised into four operating segments: soft flooring products in UK & Europe; ceramic tiles in UK & Europe; flooring products in Australia; and flooring products in North America. 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, Turkey 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. The North America segment comprises legal entities in the USA, whose operations involve the distribution of hard flooring 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

	52 weeks ended 2 April 2022										
	UK & Europe Soft Flooring	**UK & Europe Ceramic Tiles**	**Australia**	**North America**	**Unallocated central expenses**	**Total**	UK & Europe Soft Flooring	UK & Europe Ceramic Tiles	Australia	Unallocated central expenses	Total
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	£m	£m	£m	£m	£m
Income statement											
Revenue	**423.1**	**371.6**	**109.5**	**115.6**	**-**	**1,019.8**	280.4	282.5	99.6	-	662.3
Underlying operating profit	**45.4**	**47.5**	**11.8**	**5.2**	**(2.0)**	**107.9**	28.7	40.4	11.9	(1.3)	79.8

Non-underlying operating items	**(9.9)**	**(27.5)**	**(1.7)**	**(5.1)**	**(3.2)**	**(47.4)**	(5.0)	(18.9)	(1.7)	(0.5)	(26.1)
Exceptional operating items	**(4.0)**	**2.2**	**(0.1)**	**(1.8)**	**(3.2)**	**(6.9)**	0.1	(4.3)	-	(3.6)	(7.8)
Operating profit	**31.5**	**22.2**	**10.0**	**(1.7)**	**(8.4)**	**53.6**	23.8	17.2	10.2	(5.3)	45.9
Underlying net finance costs						**(34.1)**					(29.7)
Non-underlying finance costs						**(31.9)**					(23.7)
Loss before tax						**(12.4)**					(7.5)
Tax credit						**-**					10.3
(Loss) / profit for the period						**(12.4)**					2.8

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.

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

	2022	2021
	£m	£m
Revenue		

	2022	2021
United Kingdom	**336.6**	243.4
Spain	**205.8**	197.2
Italy	**155.2**	85.2
Netherlands	**86.5**	36.9
Turkey	**10.7**	-
Australia	**109.5**	99.6
North America	**115.6**	-
	1,019.8	662.3

Balance sheet

	52 weeks ended 2 April 2022						53 weeks ended 3 April 2021					
	UK & Europe Soft Flooring	**UK & Europe Ceramic Tiles**	**Australia**	**North America**	**Central**	**Total**	UK & Europe Soft Flooring	UK & Europe Ceramic Tiles	Australia	North America	Central	Total
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	£m	£m	£m	£m	£m	£m
Total assets	**380.4**	**794.0**	**100.8**	**96.3**	**286.5**	**1,658.0**	274.5	692.2	91.7	-	296.0	1,354.4
Total liabilities	**(194.4)**	**(302.6)**	**(36.5)**	**(37.5)**	**(884.4)**	**(1,455.4)**	(136.7)	(246.4)	(32.4)	-	(730.6)	(1,146.2)
Net Assets	**186.0**	**491.4**	**64.3**	**58.8**	**(597.9)**	**202.6**	137.7	445.8	59.3	-	(434.6)	208.2

The Group's non-current assets (net of deferred tax) as at 2 April 2022 were split geographically as follows:

	2022	2021
	£m	£m
Non-current assets (net of deferred tax)		
United Kingdom	**146.6**	171.9

Spain	**375.6**	389.1
Italy	**97.7**	72.3
Netherlands	**98.8**	0.9
Turkey	**35.5**	-
Australia	**40.1**	39.7
North America	**65.8**	-
	860.1	673.9

Other segmental information

	52 weeks ended 2 April 2022						53 weeks ended 3 April 2021					
	UK & Europe Soft Flooring £m	**UK & Europe Ceramic Tiles £m**	**Australia £m**	**North America £m**	**Un-allocated central expenses £m**	**Total £m**	UK & Europe Soft Flooring £m	UK & Europe Ceramic Tiles £m	Australia £m	North America £m	Un-allocated central expenses £m	Total £m
Depreciation of tangible fixed assets and IT software amortisation	**13.4**	**21.8**	**0.3**	**0.9**	**-**	**36.4**	13.0	20.3	0.4	-	-	33.8
Depreciation of right-of-use lease assets	**11.5**	**2.3**	**4.2**	**0.4**	**0.4**	**18.8**	7.3	2.3	4.3	-	-	13.8
Amortisation of acquired intangibles	**7.4**	**20.8**	**1.7**	**2.5**	**-**	**32.4**	4.9	20.2	1.7	-	-	26.8
	32.3	**44.9**	**6.2**	**3.8**	**0.4**	**87.6**	25.2	42.9	6.4	-	-	74.4

	52 weeks ended 2 April 2022						53 weeks ended 3 April 2021					
	UK & Europe Soft Flooring	**UK & Europe Ceramic Tiles**	**Australia**	**North America**	**Central**	**Total**	UK & Europe Soft Flooring	UK & Europe Ceramic Tiles	Australia	North America	Central	Total
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	£m	£m	£m	£m	£m	£m
Total capital expenditure (cashflow)	**12.9**	**30.6**	**3.1**	**1.2**	**0.2**	**47.9**	11.9	13.3	2.2	-	-	27.4

2. Exceptional and non-underlying items

	52 weeks ended 2 April 2022	**53 weeks ended 3 April 2021**
	£m	£m
Exceptional items		

(a) Acquisition related costs	**(10.7)**	(3.0)
(b) Reorganisation costs	**(5.3)**	(5.5)
(c) Negative goodwill arising on acquisition	**6.9**	6.5
(d) Contingent consideration linked to positive tax ruling	**(0.6)**	(5.7)
(e) Profit on disposal of fixed assets	**2.9**	-
	(6.9)	(7.8)
Non-underlying operating items		
(f) Acquisition-related performance plans	**(7.1)**	1.7
(g) Non-cash share incentive plan charge	**(2.3)**	(1.0)
(h) Amortisation of acquired intangibles	**(32.4)**	(26.8)
(i) Unwind of fair value uplift to acquisition opening inventory	**(5.3)**	-
(j) Depreciation of fair value uplift to acquisition property	**(0.2)**	-
	(47.4)	(26.1)
Total	**(54.3)**	(33.9)
Representing functional categorisation of:		
Cost of sales (i, j)	**(5.5)**	-
Administrative expenses	**(51.7)**	(33.9)
Other operating income (e)	**2.9**	-
	(54.3)	(33.9)

(a) One-off third-party professional fees in connection with prospecting and completing specific acquisitions during the period.

(b) One-off costs relating to a number of efficiency projects during the year, including post-acquisition integration costs in Italy and at Edel Group, plus small incremental restructuring of activities in the UK (primarily in underlay manufacturing) and Spain (further manufacturing rationalisation). In the prior year, this figure included cost of closure of the Westex factory and one-off precautionary measures in reaction to 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.

(c) Negative goodwill of £4.2m arose on the consolidation of Santa Maria, and £4.7m on the consolidation of Graniser, both acquired during the period, achieved through favourable bilateral negotiations. This is offset by a £1.9m charge relating to Hanover.

Hanover was acquired during the prior year, however in accordance with the terms of the contract an adjustment to the cash consideration paid on completion was subsequently assessed and settled. This payment, of £1.9m, was made following the year-end and was not accounted for at the point of acquisition, hence is charged to the income statement in the period.

(d) One-off charge in the year reflecting the final instalment of contingent consideration on the acquisition of Saloni, which was linked to a positive ruling over the tax deductibility of certain pre-acquisition costs. The prior year amount was of the same nature but linked to the Keraben acquisition.

(e) Gain on sale of the Westex property following completion of the synergy project to consolidate manufacturing into another factory (G Tuft).

(f) Charge relating to the accrual of expected liability under acquisition-related performance plans.

(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.

(i) One-off cost of sales charge reflecting the IFRS 3 fair value adjustment on inventory acquired on new business acquisitions, given this is not representative of the underlying performance of those businesses (see Note 23 for further details).

(j) Cost of sales depreciation charge reflecting the IFRS 3 fair value adjustment on buildings acquired on new business acquisitions, given this is not representative of the underlying performance of those businesses.

3. Finance costs

	52 weeks ended 2 April 2022	53 weeks ended 3 April 2021
	£m	£m
Underlying finance items		
Interest on bank facilities and notes	**27.1**	23.1
Interest on unsecured loans	**0.8**	0.8
Total interest on loans and notes	**27.9**	23.9
Amortisation of prepaid finance costs on loans and notes	**2.3**	2.6
Unwinding of discount on right-of-use lease liabilities	**3.8**	3.0
Net interest expense on defined benefit pensions	**0.1**	0.2
	34.1	29.7
Non-underlying finance items		
(a) Release of prepaid finance costs	**-**	7.3
(b) Net cost of redemption premium on refinancing of previous senior notes	**-**	6.3
One-off refinancing related	**-**	13.6
(c) Finance items related to preferred equity	**33.0**	13.1
Preferred equity related	**33.0**	13.1
(d) Unwinding of present value of deferred and contingent earn-out liabilities	**-**	0.3
(e) Other adjustments to present value of contingent earn-out liabilities	**-**	0.7
(f) Unwinding of present value of acquisition-related performance plans	-	1.1

Acquisitions related	**-**	2.1
(g) Interest on short-term draw of Group revolving credit facility	**-**	1.4
(h) Fair value adjustment to notes redemption option	**6.3**	(4.6)
(i) Unsecured loan redemption premium charge	**0.4**	0.2
(j) Mark to market adjustments and gains on foreign exchange forward contracts	**(2.0)**	4.2
(k) Translation difference on foreign currency loans and cash	**(5.7)**	(6.3)
Other non-underlying	**(1.1)**	(5.1)
	31.9	23.7

(a) Prior period non-cash charge relates solely to the release of prepaid costs on previous bank facilities on refinancing.

(b) Prior period 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) The net impact of items relating to preferred equity issued to Koch Equity Development during the current and prior periods (see Note 6).

(d) Prior period non-cash costs relating to the unwind 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.

(e) Prior period 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.

(f) Prior period non-cash cost relating to the unwind of the present value discount on acquisition-related performance plans.

(g) Prior period interest cost associated with drawing of the Group's revolving credit facility as a precautionary measure in response to the Covid-19 pandemic.

(h) Fair value adjustment to embedded derivative representing the early redemption option within the terms of the senior secured notes (see Note 6).

(i) Charge relating to the £2.1 million redemption premium on the BGF loan. The BGF loan, including redemption premium, was fully repaid in the period.

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

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

See Financial Review for further details of these items.

4. Earnings per share

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

	52 weeks ended 2 April 2022		53 weeks ended 3 April 2021	
	Basic	**Adjusted**	Basic	Adjusted
	£m	**£m**	£m	£m
(Loss) / profit attributable to ordinary equity holders of the parent entity	**(12.4)**	**(12.4)**	2.8	2.8
Exceptional and non-underlying items:				
Income statement impact of preferred equity	**-**	**33.0**	-	13.1
Amortisation of acquired intangibles	**-**	**32.4**	-	26.8
Other non-underlying items	**-**	**15.0**	-	(0.7)

Other exceptional items	**-**	**6.9**	-	7.8
Interest on short -term draw of Group revolving credit facility	**-**	**-**	-	1.4
Amortisation of prepaid finance costs	**-**	**-**	-	7.3
Fair value adjustment to notes redemption option	**-**	**6.3**	-	(4.6)
Translation difference on foreign currency loans	**-**	**(5.7)**	-	(6.4)
Other non-underlying finance items	**-**	**(1.6)**	-	12.9
Tax effect on adjusted items where applicable	**-**	**(18.1)**	-	(23.3)
(Loss) / earnings for the purpose of basic and adjusted earnings per share	**(12.4)**	**55.7**	2.8	37.1

Weighted average number of shares

	52 weeks ended 2 April 2022	**53 weeks ended 3 April 2021**
	Number of shares	Number of shares
	(000's)	(000's)
Weighted average number of shares for the purpose of basic and adjusted earnings per share	**116,858**	122,257
Effect of dilutive potential ordinary shares:		
Share options and warrants	**1,759**	530
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**118,617**	122,787
Preferred equity and contractually-linked warrants	**19,774**	6,625
Weighted average number of ordinary shares for the purposes of diluted adjusted earnings per share	**138,391**	129,412

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

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

	52 weeks ended 2 April 2022	**53 weeks ended 3 April 2021**
	Pence	Pence
Earnings / loss per share		
Basic earnings / (loss) per share	**(10.61)**	2.30
Diluted earnings / (loss) per share	**(10.61)**	2.29
Basic adjusted earnings per share	**47.62**	30.34
Diluted adjusted earnings per share	**40.21**	28.66

Diluted earnings per share for the period is not adjusted for the impact of the potential future conversion of preferred equity due to this instrument 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 this instrument as shown in the table above setting out the weighted average number of shares.

5. Rates of exchange

	2022		2021	
	Average	**Year end**	Average	Year end
Australia - AUD	**1.8269**	**1.7509**	1.8392	1.8172
Europe - EUR	**1.1777**	**1.1874**	1.1244	1.1761
United States - USD	**1.3627**	**1.3114**	N/A	N/A
Turkey - TRY	**18.7879**	**19.2606**	N/A	N/A

6. Net Debt

Analysis of net debt

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

	At 4 April 2021 £m	Cash flow £m	Capital expenditure £m	Acquisitions £m	Other non-cash changes £m	Exchange movement £m	**At 2 April 2022 £m**
Cash and cash equivalents	348.8	(85.8)	-	7.3	-	3.3	**273.6**
Bank overdraft	(4.0)	(10.9)	-	(0.7)	-	-	**(15.6)**
Net cash and cash equivalents	344.8	(96.7)	-	6.6	-	3.3	**258.0**
Senior secured debt (gross of prepaid finance costs):							
- due in more than one year	(633.0)	-	-	-	(6.2)	5.9	**(633.2)**
Unsecured loans:							
- due in less than one year	(26.2)	88.3	-	(58.2)	(13.5)	0.1	**(9.6)**
- due in more than one year	(25.5)	-	-	(10.4)	13.0	0.3	**(22.6)**
Net debt	(339.9)	(8.4)	-	(62.0)	(6.7)	9.6	**(407.4)**

Obligations under right-of-use leases:

- due in less than one year	(13.0)	15.0	(2.3)	(3.0)	(13.6)	(0.0)	**(16.9)**
- due in more than one year	(74.0)	-	(8.7)	(22.1)	15.6	0.5	**(88.7)**
Preferred equity (gross of prepaid finance costs)	(77.1)	(150.0)	-	-	(27.1)	-	**(254.2)**
Prepaid finance costs:							
- In relation to preferred equity	0.9	0.3	-	-	(1.2)	-	**-**
- In relation to senior debt	10.9	1.2	-	-	(2.3)	0.1	**9.8**
Financing liabilities	(837.0)	(45.3)	(11.0)	(93.7)	(35.2)	6.8	**(1,015.4)**
Net debt including right-of-use lease liabilities, issue premia, preferred equity and prepaid finance costs	(492.2)	(142.0)	(11.0)	(87.1)	(35.2)	10.1	**(757.4)**

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.

Senior debt

Senior debt as at 2 April 2022 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 the prior period in relation to the refinanced notes (see Note 3). The fair value of the liability as at 2 April 2022 was €718.6m (2021: €779.0m), which has been determined based on a quoted price in an active market.

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 £2.7m (2021: £9.0m), and therefore an associated non-cash debit was recognised through the income statement for the period of £6.3m (2021: £4.6m credit).

Prepaid legal and professional fees associated with the issue of the new notes totalling £12.1m (1.9% of gross debt raised) is offset against the senior debt liability and is amortised over its life (£2.3m in the year (2021: £0.1m). The net prepaid value as at 2 April 2022 is £9.8m.

As a result, as at 2 April 2022 there is a total liability recognised of £623.4m (2021: £622.1m) in relation to notes with a par value of £631.6m (2021: £637.7m).

Additionally, the Group has a variable rate £120m multi-currency revolving credit facility maturing in 2026, which at the year-end was undrawn.

Unsecured loans

Unsecured loans comprises of a number of smaller local loans and credit lines utilised by the Group's operating subsidiaries for working capital purposes. The Group's fully subordinated £10m loan facility with the Business Growth Fund ('BGF') reached maturity on 31 December 2021 and was fully repaid at this time, along with a redemption premium of £2.1m. Interest costs recognised in the income statement for the period to maturity of £0.95m comprised (i) cash interest of £0.45m, (ii) £0.25m in relation to the redemption premium and (iii) £0.25m extension fee for deferring repayment of the redemption premium from 2019 to 2021.

Preferred equity

Background and key terms

On 16 November 2020 the Company issued £75m of preferred equity to Koch Equity Development, LLC. (via its affiliate KED Victoria Investments, LLC).

The agreement was subsequently amended on 23 December 2021 and the Company issued additional preferred shares for a total subscription price of £150m. The additional preferred shares issued consist of "A" preferred shares for a subscription price of £50 million and "B" preferred shares for a subscription price of £100 million. The "A" shares mirror the existing preferred shares (resulting in a total of £125m "A" shares made up of the £50m new and the existing £75m were redesignated as "A" shares and the terms amended). The "B" shares represent a separate tranche with all the same characteristics except for: i) the process for early redemption (described below); and ii) that the "B" shares do not contribute to the overall return cap pertaining to the warrants. No further warrants were issued as part of this amendment and, at the point of completion, fees in relation to the follow-on commitment ceased to apply. Additionally, a reduction of 100bp to the dividend rates (both cash and PIK) was agreed.

The preferred equity attracts a dividend of 8.35% if cash settled, or 8.85% 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 (or SONIA, if it is not possible to ascertain LIBOR). The spread starts at 8.35% and 8.85% (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:

For the “A” shares, 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. For the “B” shares, the premia are applied in the same way except that if redeemed after the 3rd anniversary no redemption premium is payable. Any redemption for some, but not all, of the preferred shares must comprise a redemption of the “A” shares and the “B” shares pro rata to the number of “A” shares and “B” shares in issue at the applicable time.

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.

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 across the "A" preferred equity and the warrants (the "B" shares do not contribute to this), 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. Additionally, if the IRR achieved by KED on the aggregate subscription price paid for all of the “A” shares and “B” shares and the warrants is less than 12.0%, the exercise price is reduced from £3.50/share by such minimum amount as necessary to ensure that the IRR achieved by KED on such aggregate subscription price would be equal to 12% (but the exercise price cannot be less than £0.05/share).

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 liability 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.

The effect of the amendments, both to the dividend rates and other contractual terms was such that consideration must be given as to whether the instrument had been substantially modified as a result. The test carried out, comparing the present value of expected cashflows using the original EIR to the present value of the expected remaining cash flows of the original debt host contract, yielded a difference of greater than 10%, thereby implying a substantial modification. Consequently, the modification should be accounted for as an extinguishment of the existing financial liability and recognition of a new financial liability, based on the amended contractual terms.

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 carrying value of the host debt at the point of extinguishment was £79.9m, which was net of £0.9m of prepaid advisory fees. The value of the host debt recognised following the amendment was £220.8m.

At each reporting date the terminal value is re-assessed based on long-term LIBOR (or SONIA) 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 2 April 2022 was £228.4m (2021: £72.6m), with the fair value at 2 April 2022 was £218.7m (2021: £67.4m).

Associated costs and advisory fees incurred in relation to the transaction have been expensed to the income statement in the period.

There is no commitment fee associated with the new instrument therefore with a value of £nil as at 2 April 2022 (2021: £2.8m asset). At the point of extinguishment, the commitment fee had a carrying value £0.7m (asset).

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) – the asset had a fair value of £15.4m at the point of extinguishment on 23 December 2021. The asset was subsequently recognised at a fair value £24.6m following the amendment, and is to be fair valued at each subsequent reporting date through the income statement. The fair value of the asset as at 2 April 2022 was £20.5m (2021: £0.5m). 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 same position pre and post amendment). 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 had a fair value of £34.6m at the point of extinguishment. The fair value liability was subsequently recognised at £63.5m following the amendment and is fair valued at each reporting date through the income statement, with a fair value of £46.4m as at 2 April 2022 (2021: £6.1m). 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. Below is a summary of the Preferred Equity P&L charge.

Preferred Equity P&L charge

	2022	2021

	£m	£m
Host contract	**14.9**	3.4
Fair value warrants	**11.3**	1.6
Fair value redemption asset	**(10.7)**	5.2
Loan commitment	**1.3**	0.7
Ticking fee	**4.7**	2.2
Loss on substantial modification	**10.3**	-
Preferred equity	**31.8**	13.1
Preferred equity prepaid finance costs	**1.2**	-
Preferred equity including prepaid finance costs	**33.0**	13.1

Of the £31.8m preferred equity, all elements are non-cash in nature except for the ticking fee which was paid in full (£7.0m) in the period and will not be a cost in future periods.

7. 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 £5,660,000 (2021: £4,634,000), of which £2,837,000 (2021: £2,350,000) relates to the UK schemes. The total contributions outstanding at year-end were £nil (2021: £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 2021.

The contributions made by the employer over the financial period were £136,000 (2021: £136,000) in respect of the Main Scheme and £nil (2021: £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 £213,000 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 2024.

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.

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

	2022	2021
	£m	£m
Net interest expense	**0.1**	0.1

Curtailments / Settlements	**-**	-
Past service cost	**-**	-
Components of defined benefit costs recognised in profit or loss	**0.1**	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:

	2022	2021
	£m	£m
The return on plan assets (excluding amounts included in net interest expense)	**0.6**	3.6
Actuarial gains arising from changes in demographic assumptions	**(0.5)**	(0.4)
Actuarial (losses) / gains arising from changes in financial assumptions	**1.5**	(3.2)
Actuarial gains arising from experience adjustments	**-**	-
Remeasurement of the net defined benefit liability	**1.6**	(0.1)

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:

	2022	2021
	£m	£m
Present value of defined benefit obligations	**(29.2)**	(31.2)
Fair value of plan assets	**24.3**	24.7
Net liability arising from defined benefit obligation	**(4.9)**	(6.5)
Deferred tax applied to net obligation	**1.3**	1.2

The Group expects to make a contribution of £213,000 (2021: £136,000) to the defined benefit schemes during the next financial period.

8. Acquisition of subsidiaries

(a) Colli and Vallelunga

On 16 April 2021 the Group completed the purchase of the business and assets of ceramic tile distributors, Ceramica Colli and Vallelunga.

The total cash consideration of €15.3m (£13.2m[1]) was paid on completion.

The Group results for the 52 weeks ended 2 April 2022 include contribution from Ceramica Colli and Vallelunga of €14.5m (£12.3m[2]) of revenue and €1.0m (£0.9m[2]) of profit before tax (before amortisation of acquired intangibles and acqusition 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 €2.2m (£1.9m[2]) and €0.3m (£0.3m[2]) respectively.

[1] *Applying the GBP to EUR exchange rate at the date of acquisition of 1.1573*
[2] *Applying the average exchange rate over the financial year of 1.1777*

(b) Santa Maria

On 20 April 2021 the Group acquired 100% of the equity of ceramic tile manufacturer, Ceramiche Santa Maria.
The total cash consideration of €8.5m (£7.3m[1]) was paid on completion.

The Group results for the 52 weeks ended 2 April 2022 include contribution from Santa Maria of €23.6m (£20.0m[2]) of revenue and €0.9m (£0.8m[2]) of loss 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 €2.1m (£1.8m[2]) and €0.3m (£0.3m[2]) loss respectively.

[1] *Applying the GBP to EUR exchange rate at the date of acquisition of 1.1573*
[2] *Applying the average exchange rate over the financial year of 1.1777*

(c) Edel Group

On 30 April 2021 the Group acquired 100% of the equity of Edel Group BV ("Edel"), Netherlands-based designers, manufacturers, and distributors 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 €49.8m (£43.1m[3]) was paid in cash on completion.

The Group results for the 52 weeks ended 2 April 2022 include contribution from Edel of €39.0m (£33.1m[4]) of revenue and €4.6m (£3.9m[4]) 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 €5.5m (£4.7m[4]) and €0.7m (£0.6m[4]) respectively.

[3] *Applying the GBP to EUR exchange rate at the date of acquisition of 1.1561*
[4] *Applying the average exchange rate over the financial year of 1.1777*

Subsequently, on 18 August 2021 the Group acquired 100% of the equity of Edel Grass. Edel Grass was already an intended acquisition for the previous Edel Group owners. Although it was a separate transaction from different owners there was a distinct link with the Edel Group acquisition

The consideration of €6.1m (£5.2m[5]) was paid in cash on completion.

The Group results for the 53 weeks ended 2 April 2022 include contribution from Edel Grass of €13.0m (£11.1m[6]) of revenue and €0.7m (£0.6m[6]) of loss 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 €14.2m (£12.0m[2]) and €0.2m (£0.1m[2]) respectively.

[5] *Applying the GBP to EUR exchange rate at the date of acquisition of 1.1675*
[6] *Applying the average exchange rate over the financial year of 1.1777*

(d) Cali Bamboo Holdings Inc

On 23 June 2021 the Group acquired 100% of the equity of Cali Bamboo Holdings Inc. ("Cali").

Cali is a high-growth vinyl and wood flooring distributor based in the US, with an online B2C customer acquisition model and direct delivery capability, alongside B2B channels.

Total consideration of Cali was \$82.6m (£59.2m[7]). The consideration of \$82.1m (£58.8m[7]) was paid in cash on completion and \$0.5mn (\$0.4m[7]) was paid subsequently in November 2021 as a closing cash adjustment.

The Group results for the 52 weeks ended 2 April 2022 include contribution from Cali of \$156.3m (£115.6m[8]) of revenue and \$5.1m (£3.7m[8]) 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 \$35.6m (£27.1m[8]) and \$0.7m (£0.6m[8]) respectively.

[7] *Applying the GBP to USD\$ exchange rate at the date of acquisition of 1.3967*
[8] *Applying the average exchange rate over the financial year of 1.3627*

(e) Graniser

On 9 February 2021 the Group acquired 100% of the equity of Turkish ceramic tile manufacturer and exporter, B3 Ceramics Danismanlik ("Graniser").

Total consideration of Graniser was TRY 133.7m (£7.3m[9]) was paid in cash on completion.

The Group results for the 52 weeks ended 2 April 2022 include contribution from Graniser of TRY 205.4m (£10.9m[10]) of revenue and TRY 25.5m (£1.4m[10]) 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 TRY 451.7m (£24.0m[11]) and TRY 115.9m (£6.2[11]) respectively.

[10] *Applying the GBP to TRY exchange rate at the date of acquisition of 18.338*
[11] *Applying the average exchange rate over the financial year of 18.7879*

9. Post balance sheet events

Acquisition of Balta

On 5 April 2022 the Group completed the purchase of the rugs division of Balta Group, a Belgium-based flooring company, along with the purchase of its UK polypropylene carpet and non-woven carpet businesses and the internationally known brand 'Balta'.

The total consideration paid was €164m (£139m[1]), including a small completion adjustment settled after completion. Acquisition-related costs total £3.7m in FY22.

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 individual valuations had not been concluded. It was not possible to provide detailed information about each class of acquired receivables and any contingent liabilities of the acquired entity.

[1] *Applying the GBP to EUR exchange rate at the date of acquisition of 1.18.*

Revolving credit facility

Following the year-end, the Group extended its multi-currency revolving credit facility to £150m. This facility was undrawn at the year-end.

10. Basis of Preparation

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's Review, the Strategic Report, and the Financial Review.

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 2022 was £273.6m (2021: £348.8m). The Group expects to continue to generate positive operating cash flows in the forecast period to March 2024.

The Group has €500m of bonds maturing in August 2026 and €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 £150m multi-currency revolving credit facility (‘RCF’) maturing in 2026; at year end the facility was £120m, which was undrawn. A single leverage financial covenant applies to the RCF facility if it is drawn in excess of 40% at our September and March test dates. Considering the above, the Group expects to maintain a significant level of liquidity headroom throughout the forecast period such that there is no relevant period where the covenant test is expected to apply.

In assessing the Group as a going concern, a two-year cashflow forecast was modelled, with the base case set to the FY23 budget and moderate growth assumptions thereafter, consistent with the growth assumptions used in the testing of goodwill impairment. No future, hypothetical, acquisitions were included in the assumed cashflows, due to there being no certainty over any acquisitions outside of those already completed to date. Furthermore, a stress-test case was also modelled, assuming a significant drop in revenue and margins versus the base case to ensure than even in an extreme downside scenario, sufficient liquidity was maintained through the forecast period.

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.

The results have been extracted from the audited financial statements of the Group for the 52 weeks ended 2 April 2022. The results do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. Whilst the financial information included in this announcement has been computed in accordance with the principles of international accounting standards in conformity with the requirements of the Companies Act 2006, this announcement does not itself contain sufficient information to comply with international accounting standards. The Group will publish full financial statements that comply with international accounting standards. The audited financial statements incorporate an unqualified audit report. The Auditor's report on these accounts did not draw attention to any matters by way of emphasis and did not contain statements under S498(2) or (3) Companies Act 2006.

Statutory accounts for the 53 weeks ended 3 April 2021, which incorporated an unqualified auditor's report, have been filed with the Registrar of Companies. The Auditor's report on these accounts did not draw attention to any matters by way of emphasis and did not contain statements under S498(2) or (3) Companies Act 2006.

The Annual Report & Accounts will be posted to shareholders in due course. Further copies will be available from the Company's Registered Office: Worcester Road, Kidderminster, Worcestershire, DY10 1JR or via the website: www.victoriaplc.com.