VICTORIA PLC

Annual Report and Accounts for the 52 weeks ended 2 April 2022

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VICTORIA PLC

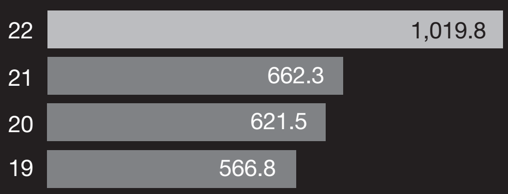
WELCOME TO VICTORIA PLC

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

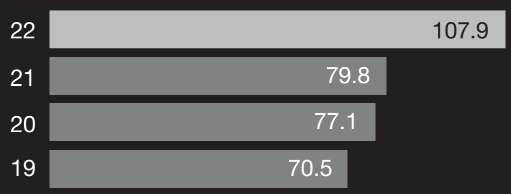
BY APPOINTMENT TO
HER MAJESTY THE QUEEN
CARPET MANUFACTURERS
VICTORIA CARPETS LTD
KIDDERMINSTER

GROUP FINANCIAL AND OPERATIONAL HIGHLIGHTS

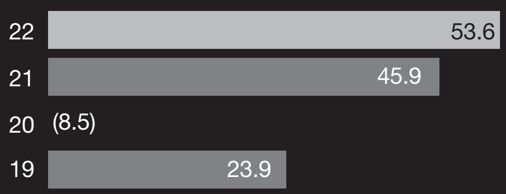
REVENUE (£m)



UNDERLYING OPERATING PROFIT (£m)*



IFRS REPORTED OPERATING PROFIT / (LOSS) £m



ADJUSTED NET DEBT / EBITDA **

- 2022 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.
- Record annual revenue of £1,020 million (FY21: £662.3m) was achieved, 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.

- After accounting for non-underlying operating and finance items, the Group generated a loss before tax of £12.4 million (FY21: £7.5m). A detailed description of non-underlying items is provided in the Financial Review, and a reconciliation of underlying metrics to IFRS metrics in the Appendix.
- 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 case of possible supply chain disruption.
- 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 (as measured by our lending banks) 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.

** underlying and before exceptional and non-underlying items*

*** applying our lending banks' measure of financial leverage*

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

OUR MISSION STATEMENT

TO CREATE WEALTH FOR OUR SHAREHOLDERS

CONTENTS

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

Visit our corporate website www.victoriaplc.com

A snapshot of Victoria PLC

OVERVIEW

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

REVENUE

UK & Europe Soft Flooring	41.5%
UK & Europe Ceramic Tiles	36.4%
Australia	10.8%
North America	11.3%

OPERATING PROFIT

UK & Europe Soft Flooring	41.3%
UK & Europe Ceramic Tiles	43.2%
Australia	10.8%
North America	4.7%

EMPLOYEES

UK & Europe Soft Flooring	30.7%
UK & Europe Ceramic Tiles	58.8%
Australia	7.6%
North America	2.9%

UK & EUROPE SOFT FLOORING

Revenue	Employees	m^2 flooring sold	m^2 underlay sold
£423.1m	1,508	35.6m	54.1m

UK & EUROPE CERAMIC TILES

Revenue	Employees	m^2 flooring sold
£371.6m	2,891	51.8m

AUSTRALIA

Revenue	Employees	m^2 flooring sold	m^2 underlay sold
£109.5m	371	8.9m	14.2m

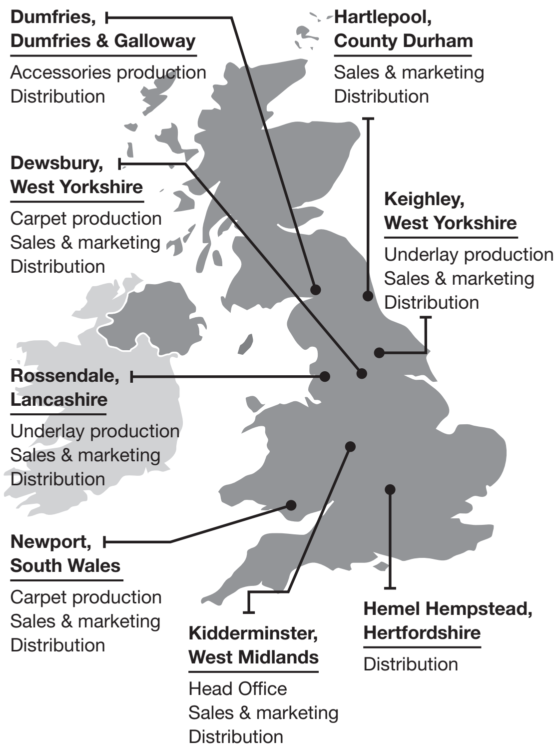
NORTH AMERICA

Revenue	Employees	m^2 flooring sold
£115.6m	143	4.6m

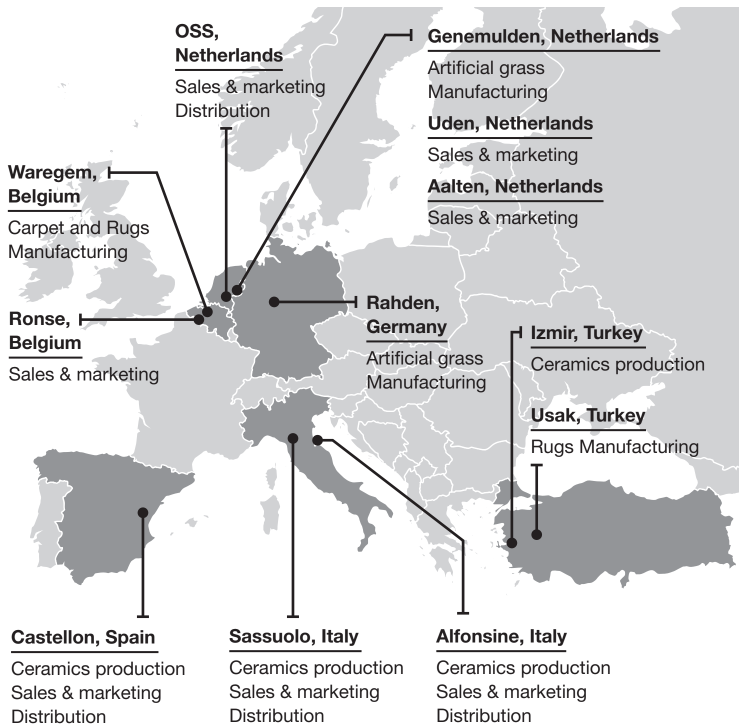
LOCATION OF OPERATIONS

The Group has operations in the UK, Europe, Turkey, the USA and Australia, employing approximately 4,900 people at more than 27 sites.

UNITED KINGDOM

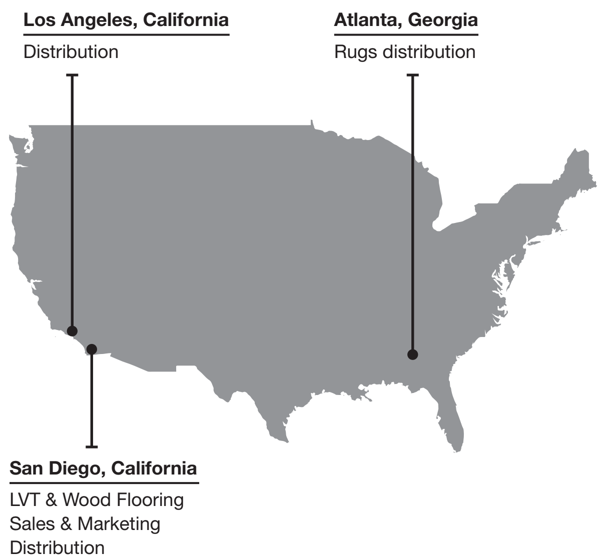


EUROPE



AUSTRALIA

NORTH AMERICA



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:

Year	Underlying EBITDA per share[1, 2] £	Underlying EBITDA margin[1] %	Diluted adjusted EPS[2] Pence	Underlying operating cash flow per share[2,3] £	EBITDA by geography[1] 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.

[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.*

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. (The 'alternative performance measures' are reconciled to IFRS-compliant measures in the appendix to this Annual Report). 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.

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.

Chairman and CEO's Review

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[5]) is additive to consumer spending and is still early in the cycle.

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[6] 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.

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 16 to the accounts and we do not propose to repeat them here. However, part of Koch's investment return on their preferred equity is expected to come from attached ordinary share warrants and we thought it would be helpful for shareholders to update the table provided in the Interim Report

[5] *Source: Freedonia Global Flooring Report 2021*
[6] *Based on underlying cash flow before interest, tax and exceptional items; Conversion from pre-IFRS16 EBITDA*

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 of this Annual Report.

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[7] 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.

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.

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

Chairman and CEO's Review

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%[8]

	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%*

[8] *Organic growth based on unaudited USD revenues for 12 months ended March 2022 versus March 2021.*
* *Data for 9 months only; Cali was not a Victoria subsidiary until 23 June 2021.*

Chairman and CEO's Review

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 £m	2019 £m	2020 £m	2021 £m	**2022** **£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 reorganisational 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 <u>not</u> 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.

Chairman and CEO's Review

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

19 July 2022

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.

Strategic report

STRATEGY

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

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

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

KEY PERFORMANCE INDICATORS

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

	2022 £'m	2021 £'m
Revenue	**1,019.8**	662.3
% 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	**78%**	83%
Free cash flow[2]	**34.2**	38.8
% conversion against underlying operating profit	**32%**	49%
Underlying pre-IFRS 16 EBITDA per share (diluted)	**103.68p**	86.52p
Earnings per share (diluted, adjusted)	**40.21p**	28.66
Operating cash flow per share[3]	**95.65p**	76.90p
Adjusted net debt / EBITDA[4]	**2.66x**	3.10x

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

[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. The calculation is set out in the Appendix to this report.*

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.

Further details of our stakeholder engagement are set out in the Directors Report on page 42.

Further details of the impact of the company's operations on the community and the environment are set out in the Environmental, Social and Governance Report on pages 30 to 39.

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

Strategic report

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, North America and Australia. Economic risks in any one region is mitigated by the independence of the Group's four 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 – 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).

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.

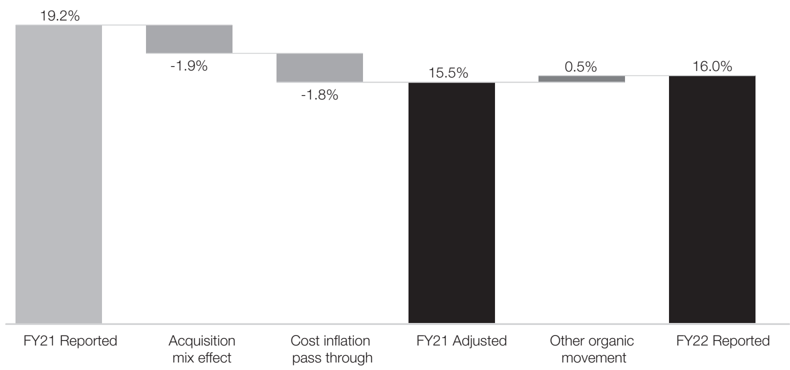
	2022			2021		
	Underlying performance £m	**Non-underlying items £m**	**Reported numbers £m**	Underlying performance £m	Non-underlying items £m	Reported numbers £m
Revenue	**1,019.8**	**–**	**1,019.8**	662.3	–	662.3
Gross profit	**362.3**	**(5.5)**	**356.8**	234.9	–	234.9
Margin %	***35.5%***			*35.5%*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

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

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



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

Financial review

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%	–87 bps
Underlying EBIT	**£45.4m**	£28.7m	+58.5%
Margin %	**10.7%**	10.2%	+51 bps

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%	–312 bps
Underlying EBIT	**£47.5m**	£40.4m	+17.5%
Margin %	**12.8%**	14.3%	–153 bps

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

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).

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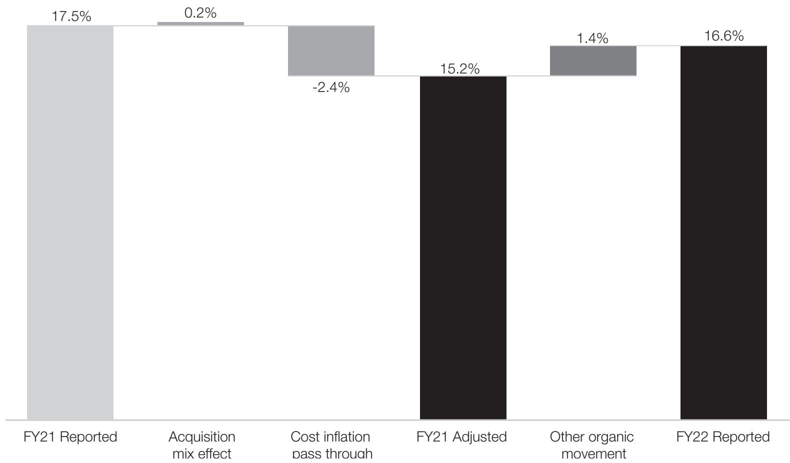
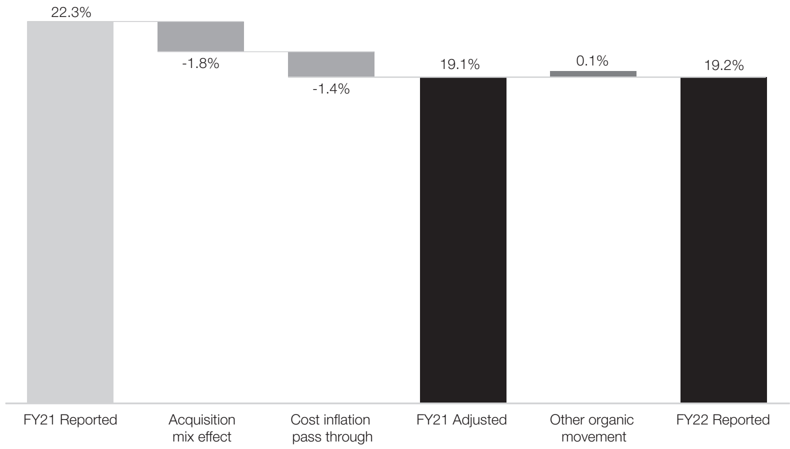
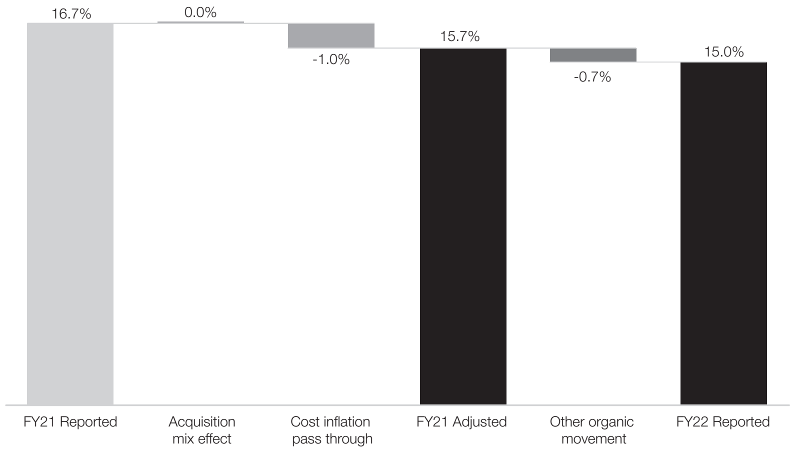
UK & Europe Soft Flooring EBITDA margin bridge



UK & Europe Ceramic Tiles EBITDA margin bridge



Australia EBITDA margin bridge



** 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.

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

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.

Financial review

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 16 to the Accounts.

EXCEPTIONAL AND NON-UNDERLYING ITEMS

This section of the Financial Review runs through all of items classified as exceptional or non-underlying in the financial statements. The nature of these items is, in many cases, the same as the prior year as the financial policy around these items has remain unchanged, for consistency.

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 operating 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 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.

Financial review

- ***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 the Accounting Policies and 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 structured 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 the Accounting Policies and in Note 3 to the accounts.

OPERATING PROFIT AND PBT

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

Operating profit and PBT	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 £m	2021 £m
Basic earnings/ (loss) per share	(10.61p)	2.30p
Diluted adjusted earnings per share	40.21p	28.66p

Financial review

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)
Underlying 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 banks' adjusted measure of financial 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)
Acquisition 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)
Acquisitions - 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 initial value of 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)

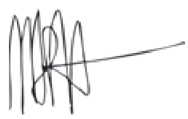
ACCOUNTING STANDARDS

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.

The Director's Report on page 43 sets out the justification for this basis of preparation.



Michael Scott
Group Finance Director

19 July 2022

Environmental, Social and Governance Report

OVERVIEW

Victoria has long been a supporter of sustainable action: reducing waste and improving efficiency while maintaining high quality. Doing more with less and looking after the health and safety of our people are at the heart of what makes us successful as a Group.

Sustainable operational improvements have been at the core of our track record in growing and enhancing the business. For example, the consolidation of our UK carpet manufacturing and logistics operations, and investment in more efficient machinery, saw our production output increase by 46% while delivering a significant reduction in man hours and waste (see below).

OUR APPROACH TO ESG

We are now refining and formalising our ESG strategy so that the way we manage sustainability issues, collect data and report our progress is fully embedded and consistent across the Group. This report sets out what we believe are the key ESG issues we face as a business and what we are doing to address them.

We will develop policies and establish targets and KPIs for priority ESG focus areas, setting a level of ambition for each to help us continuously improve our performance. We will also develop tangible action plans to ensure we deliver against those targets.

SUCCESSFUL CONSOLIDATION OF OUR UK CARPET MANUFACTURING & DISTRIBUTION

Through a number of acquisitions, Victoria used to have a number of sites in the UK for the manufacturing, distribution and operations of our carpet business. Today, we have consolidated what were four manufacturing sites into just two– in Newport, Wales and in Dewsbury, England. Despite this, we're making more carpet, at a higher quality, less waste and lower overheads.

In 2013, Victoria acquired Westex for £12.5million, just a year later in 2014, we acquired Abingdon Flooring for £13.4 million, finally, the Group acquired G-Tuft in 2019 for £1.6m. G-Tuft's production capacity was consolidated into the Westex site a year later. In 2017, we commenced a £10.3 million investment plan to improve the throughput, efficiency and quality of Abingdon's production. First, we consolidated our production from the Victoria Carpets Kidderminster site into the Abingdon factory in Wales, which already had newer and more efficient machinery and production lines.

During this period, we also offshored our yarn extrusion process to businesses with more modern, energy efficient equipment. We also replaced two old and inefficient finishing lines with one modern line and invested in new, faster tufting machines.

Overall, our investments for growth saw production capacity increase by 46% to 24 million square metres per year. We also achieved production cost savings per square metre of carpet produced. This means less waste, less power usage, reduced carbon emissions per square meter of carpet produced and overall improved efficiency.

We also opened a new warehouse capable of providing better customer service, including delivery to 94% of the UK within three days from stock rolls. Meanwhile, the logistics fleet was enlarged to 270 vehicles to improve our service offering to customers and investment in software for routing and delivery planning has improved vehicle utilisation and reduced the fuel used per square metre of carpet delivered.

The table below sets out what we believe to be the key ESG risks for each area of our business along with their priority, it is not intended as an objective measure the Group's risk exposure in each area. The priority of a particular risk to each area of the Group depends on the nature of their operations. For example, soft flooring and ceramic tile manufacturing are very different processes and therefore some risks will naturally be of higher or lower priority to different parts of the Group.

	Business Area		
ESG topic area	Soft Flooring Manufacturing	Ceramic Tile Manufacturing	Logistics
Environmental			
Energy management	Low	High	Low
Carbon Emissions	Low	High	Low
Waste and Water management	High	Low	–
Product lifecycle	High	Low	–
Chemicals Management	Medium	Low	–
Social			
Attracting, Developing and Retaining Talent	Medium	Medium	Medium
Diversity & Inclusion	Medium	Medium	Medium
Health Safety and Wellbeing	Medium	High	Medium
Responsible Sourcing	Medium	Medium	Low
Human Rights and Modern Slavery	Medium	Medium	Medium
Governance			
Reporting, Disclosure and Transparency	Medium	Medium	Medium

ESG Risk Priority

○ Low Priority ◍ Medium Priority ● High Priority

Environmental, Social and Governance Report

ENVIRONMENT

Managing our energy usage & our Carbon Emissions

We already review our GHG footprint through the Streamlined Energy and Carbon Reporting (SECR) process. This will data has enabled us to identify the areas of our business which produce the most emissions and take significant, direct action to reduce our energy usage and carbon emissions. These activities align the business with the long-term goals of the Paris Agreement to limit global temperature increases in this century to 1.5 degrees Celsius.

Streamlined Energy and Carbon Reporting (SECR)

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

GHG Emission (1st April 2021 to 31st March 2022)	Units	UK & Europe soft flooring	UK & Europe ceramic tiles	Australia	North America	Total
Emissions from combustion of gas (Scope 1)	tCO_2e	13,629	232,522	3,084	–	249,234
Emissions from combustion of fuel for transport purposes (Scope 1)	tCO_2e	10,712	2,889	322	–	13,924
Emissions from purchased electricity (Scope 2)	tCO_2e	10,760	24,005	5,696	21	40,482
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3)		59	18	–	–	77
Total Gross emissions	**tCO_2e**	**35,160**	**259,434**	**9,102**	**21**	**303,717**
Energy consumption used to calculate above emissions	kWh	159,031,444	1,364,436,619	25,085,776	100,451	1,548,654,291

Within the UK, the total Gross emissions for the year were 26,259 tCO_2e (previous year 21,842 tCO_2e) and total associated energy consumption was 126,414,714 kWh (previous year 103,569,298 kWh).

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

	Units	UK & Europe soft flooring	UK & Europe ceramic tiles	Australia	North America	Total
Intensity Measurement	m^2 of sales volume	105,938,357	49,216,413	23,143,346	4,642,262	182,940,376
Intensity Ratios 2021-22	$tCO_2e/ 1000m^2$	0.332	4.887	0.393	0.004	1.660
Intensity Ratios 2020-21	$tCO_2e/ 1000m^2$	0.299	5.652	0.351	–	1.856

Victoria Plc have followed the 2019 HM Government Environmental Reporting Guidelines and report in alignment with relevant aspects of the GHG Protocol. Emissions factors used are tonnes of CO_2 equivalent and data has been calculated using the 2021 UK Government's Conversion Factors for Company Reporting, for all UK electricity and global fuels data. The Australian Government National Greenhouse Accounts Factors, International Energy Agency, Association of Issuing Bodies and the Environmental Protection Agency have been used for all remaining geographical electricity conversion factors for location-based reporting.

Scope 1 emissions relate to on-site gas usage and emissions from Company owned and long-term lease vehicles.

Scope 2 emissions relate to on-site imported electricity usage and CO_2e emissions calculated are associated to the generation only and do not include Scope 3 Transmission and Distribution losses.

Scope 3 emissions relate to grey fleet.

Where there is Combined Heat and Power (Cogeneration) plant operated on site, the emissions reported have been associated and calculated from the natural gas input.

The primary source for energy consumption data is supplier invoices and supplier consumption data. The majority of transport usage has been calculated from record of litres used. The remainder of the transport data has been taken from mileage records, some of which have been estimated where records did not exist. Estimated data makes up less than 5% of reported emissions.

The usage and emissions presented align with monthly supplier invoices and are calculated and presented for 1st April 2021 to 31st March 2022. Companies acquired during the financial year have been included from the start of the following month, with the exception of Graniser given it was acquired towards the end of the year. The Graniser emissions have been included in the total Gross emissions but excluded from the intensity metric.

The emissions reporting includes all of Victoria Plc sites globally, this reflects the activities and financial information presented within the financial reporting. There has been no de-minimis applied and all Victoria Plc Companies with a physical presence have been included.

Investing in clean energy

With global energy prices continuing to fluctuate, investing in cleaner, greener and more secure energy, sourced more locally to our operations, has been a key focus across the Group.

Many of our sites have installed solar photovoltaic (PV) panels and wind turbines to generate their own green energy to use on site and sell any excess electricity back to the grid. A number have made the switch to procure their energy from renewable sources, including local wind and solar farms, while some have entered into new contracts to increase the mix of clean energy they use.

In our Spanish and Italian manufacturing operations, we are using the heat from our spray driers to produce electricity from co-generation plants, reducing the need to purchase electricity generated from power stations. At our UK carpet manufacturing site in Newport, a nearby wind turbine is supplying up to 40% of our electricity needs.

Using green hydrogen in Italy

Our Italian ceramics business aims to use green hydrogen technology to reduce its carbon footprint and use of gas.

A new 25,000m^2 plant will generate 16GW of green energy. Together with onsite solar panels and a wind turbine, the business will replace 30% of the site's use of gas with green energy, used to power equipment, including two kilns and two tile dryers. It also means the business will need to purchase fewer GHG emission certificates.

We are also working with the supplier of the hydrogen production plant to find ways to use the oxygen molecules produced by the water electrolysis process in as a catalyst to further abate the carbonic anhydride emitted during the ceramics production process.

By 2030, we expect that improvements to hydrogen technology will enable up to 75% of the plants' energy needs to be met by clean energy, reducing carbon emissions by 35%.

Logistics – Improving our carbon footprint

Moving our products around accounts for a large proportion of our environmental footprint. The fuel we use to run our fleet of trucks represents a significant cost and contributes to the GHG emissions we produce across our Group.

We have made significant investments in recent years to transition our European fleet to be Euro 6 compliant, the latest European standard to reduce pollutants from vehicle exhausts, particularly nitrogen oxide and particulate matter. This has reduced the environmental footprint of our vehicles, particularly in Europe.

In the UK, we have made significant progress in using biodiesel to fuel our trucks. The next cycle of delivery vehicles purchased will use HVO (hydrotreated vegetable oil), a bio-based liquid fuel originating from vegetable oils, such as rapeseed, sunflower and soybean that can be combined with conventional diesel. In addition, our current HGV fleet is able to detect and run on an HVO mix. Therefore, as we move over to using more HVO, we will also be able to adapt our current fleet alongside bringing new vehicles in.

Environmental, Social and Governance Report

We also continue to trial the use of both electric and hydrogen-powered vehicles across global logistics. Right now, electric-powered trucks do not offer the range or capacity we as a business need to move our products, but we will continue to monitor the market and focus on making adjustments to improve our fuel efficiency and reduce the cost transporting our products.

"To futureproof the business, we needed a bigger and better bespoke distribution centre. Worcester will offer a blueprint which we can roll out to other sites across the Group. It really increases our green credentials and gives our employees a workplace to be proud of."

Phil Yates
Managing Director, Alliance Flooring Distribution

Developing one of the UK's first net-zero carbon warehouse

Having outgrown our UK flooring distribution site in Kidderminster, we will move to a new site in Worcester within the next year. When complete, the new warehouse's operations will be net-zero carbon, meaning it will not contribute any greenhouse gas emissions to the atmosphere.

It will achieve this through the building materials used in its construction and the way it will be operated. The site will feature solar panels to provide all of the site's electricity needs, a rainwater harvesting system to provide recycled water for use in the toilets and to wash our trucks, and lower-energy consuming lighting and heating to ensure the warehouse does not use more energy than it creates. The warehouse will also include 125kW of electric vehicle charging infrastructure with 32 charge points for electric cars and forklifts, which enables us to continue trialling electric trucks as a low-carbon transport solution.

We are also working with the Local Education Authority to encourage students to visit the site and we are looking to offer apprenticeships to young people from early 2023.

Waste and Water Management

Victoria PLC has always used raw materials diligently, reducing waste in our manufacturing processes and being as efficient as possible in how we use all resources. We recognise the responsibility of all businesses to manage resources carefully to minimise their effect on the natural environment. Doing more with less also helps us to deliver better financial performance, value for our customers and increasing returns for shareholders.

Soft flooring manufacturing

In the UK, there is currently no readily available way to recycle the offcuts and any other waste carpet produced as part of our manufacturing process. However we are taking part in trials with a partner company to convert this carpet waste into underlay. By the end of 2023, we expect close to 100% of our UK carpet waste to be converted into underlay, with very little, if any being sent to landfill. We have also replaced many plastic packaging elements with cardboard and closed the loop on our cardboard use by partnering with a supplier to return and reuse the cardboard packaging tubes used to transport carpet rolls. The reduction of packaging waste, including plastic and cardboard has long been a priority, helping us to reduce the level of landfill taxes we pay and enhance our recycling rates. We strive to keep waste, in the form of scrap materials, to a minimum. For example, our IT systems use an algorithm to cut rolls of carpet in the most efficient way possible.

Controlling the amount of water, we use in our processes is key to reducing our environmental impact as well as reducing costs. The vast majority of our synthetic carpet is solution dyed rather than being piece dyed. The solution dyeing process involves adding the colour directly into the yarn at the point of extrusion. This process produces less wastage of dyeing chemicals and also uses very little water. By contrast, wool yarn must be dyed in dye pans, a process which does use water as the dyeing medium. However, through better process control the Group's UK carpet manufacturing business has reduced their water usage per square metre of carpet produced by 16% since their acquisition. Additional investment in this business is also planned for 2022/23 which will further improve efficiency in this area.

Our underlay production is, at its heart, a recycling operation. Our manufacturing sites take polyurethane foam waste from other industries such as vehicle seat, soft furnishing and mattress manufacturing and turn it into long-life products for our customers. In addition to this foam waste, we continually look at other recycled components, such as the carpet waste noted above. We are now taking this recycling approach one stage further and developing processes to take back existing foam underlay that has reached the end of its useful life and recycle it into new high quality underlay products. For example, in Australia, our underlay business has diverted more than 1,000 tonnes of waste underlay away from landfill by initiating a recycling programme for all old materials. These materials are collected at end of life, cleaned, sorted and recycled to make more underlay at a factory in New South Wales.

Ceramic tile manufacturing

Today, we continue to foster our culture of waste reduction while incorporating more recycled materials into our manufacturing processes to deliver both environmental and financial benefits whilst ensuring we maintain the high quality of our products. Our ceramic tile manufacturing businesses partner with local suppliers and recyclers to use recycled bricks, tiles and glass to make certain ceramic tile products. Additionally, by their nature, our ceramics are a circular product; when they reach end of life, our tiles can also be re-ground and used to make new tiles, removing the need to take waste to landfill.

Our ceramic tile manufacturing business in Italy has patented a new way of producing the glaze for certain tile products using the fine glass from waste TV screens. We have developed a process to clean the TV screens and recycle the glass, transforming it into a glass powder. The powder is mixed with other components to make the substratum and glaze for certain tiles.

PRODUCT LIFECYCLE

As noted above, our ceramic tile business produces a product which can be readily recycled and used to make other ceramic and aggregate products. However, consumers do not currently have a readily available way of recycling synthetic carpets. We produce high quality products that are designed to last. But we know that all products have a lifespan and will at some point become waste.

Our synthetic carpet and artificial grass products have a diverse material make up which can be challenging to recycle, and while we do also produce a range of carpets which are made from natural fibres, there is a strong consumer preference for synthetic carpet which is why it makes up the majority of the carpet that we produce.

We are committed to carrying out a comprehensive review of our products to assess our options in developing more circular products – those that have a reduced need for virgin resources and are designed with their end of their life in mind. This can be achieved either by producing products which retain a diverse material make up, but with materials that are easier to separate at end of life, or by producing products which are made of a single material.

These new single polymer products are a key area of development for our business. These products are much easier to recycle while also delivering value by simplifying our supply chain. The recycling process is simplified as there is no need to separate the different materials which make up the carpet there is also minimal downgrade to the materials once recycled.

We are also working with partners in the Netherlands to install the world's first biodegradable artificial turf football field. The 1,000m^2 games field can be fully recycled or converted to compost at the end of its life.

In the UK, our underlay business has also launched a 100% recyclable underlay product. This means that as well as taking in waste foam from other industries and recycling it into new products, the business is helping to ensure that those products can also be recycled without any downgrade of the material.

Ethically produced underlay on show at COP26

Our leading European underlay business Interfloor supplied 286 rolls of renu, its first sustainable underlay, to the UN Climate Change summit COP26 which took place in Glasgow in late 2021.

We committed to not only supply the underlay but also to recycle it when the world leaders had left the venue. renu was chosen based on its green credentials. All of the underlay was returned to Interfloor's site in Lancashire where it was then re-granulated and made into new rolls of renu.

Launched in 2021, the product is made from 98% recycled materials. The main body of the underlay is made of foam entirely reclaimed from recycled soft furnishings. This foam is then mixed with a binding agent and subject to high temperature steam under high pressure. The backing is made from 100% recycled and unbleached paper, and water-based inks are used for printing. The film used on renu is made from a bio-based film that comes from sugar cane which actively captures CO_2 from the atmosphere while at the same time releasing oxygen.

"renu is the first circular product in this category. It's 100% recyclable and if you want to give it back at end of life, Interfloor will take it and will recycle it."

Gary McEwan
HR and Business Improvement Director, Interfloor

Environmental, Social and Governance Report

EFFECTIVE, EFFICIENT AND RESPONSIBLE CHEMICALS MANAGEMENT

We use a range of chemicals in our manufacturing processes, each offering a specific solution to our products and businesses. As a Group, we are committed to using chemicals responsibly and take concrete action to protect the natural environment at all stages of their use, storage, transportation and disposal as well as ensuring the Health and Safety of the colleagues who handle them.

We have worked hard in recent years to remove the use of the most harmful chemicals in our products. For example, our Italian ceramic tile manufacturing business moved from using chemical-based coloured dyes and glazing to water-based alternatives. Our Australian carpets business stopped using topical treatments for soil and stain protection on nylon carpets several years ago.

Our manufacturing businesses perform COSHH Task Risk Assessments over any of their production processes that use chemicals. These detail the chemicals used, the potential harm they can cause and the processes put in place to negate the risk of that harm occurring. These assessments also provide a risk score for the chemical as it is used in that process. These are rated from Very Low to Extreme. The majority of our assessments show a Low or Very low scoring, with only a limited number of Medium risk.

All of our businesses have Heath, Safety and Environmental protection policies and guidance in place covering all the chemicals used on our sites. This documentation clearly sets out the packaging, labelling, storage and disposal requirements for the chemicals we use as well as the Personal Protective Equipment (PPE) colleagues must wear when handling them. All colleagues receive periodic training on chemicals handling and usage, completion of this training is a requirement of their roles.

We also have procedures in place should spillages or contact with chemicals occur. Our sites are also equipped with hand and eye wash and specialist clean-up equipment to contain any spillages. Finally, our sites have designated emergency response officers who will handle any incidents which occur. Finally, our manufacturing businesses also engage third party specialists to perform annual discharge surveys to ensure that there are no unintentional discharges into local water courses.

SOCIAL

Attracting, developing and retaining talent

Our long-term success depends on our ability to attract, retain and develop the best people across the Group and give them the support they need as they progress their careers with Victoria.

We are committed to maintaining a diverse and inclusive workforce, while offering a wide range of career opportunities. We develop our people internally through structured training programmes, and supplement this by also bringing in great talent from outside the organisation.

To find new ways of working and develop innovative products it is crucial that we invest in future talent. In the UK, our underlay manufacturing business is focused on encouraging young people, especially girls, into STEM subjects to address the skills shortage in manufacturing and engineering. By building closer working relationships with local education providers and offering apprenticeships, we are creating excitement about entering our industry and planning for the future by attracting the best available talent.

In our UK logistics business, we have managed to avoid the challenge of driver shortages, which has caused problems for many other companies, by looking after our people. We offer drivers a retention bonus and all of our trucks have fridges for drivers to keep refreshments. We also pay for all staff uniforms. During the year, we had no missed routes due to driver shortages.

Employees encouraged to 'Talk With Me' in Spain

Victoria Ceramics Spain initiated the 'Talk With Me' project at the height of the Covid-19 lockdown restrictions when many employees were forced to work remotely. To find out what our people were thinking and experiencing about their work, the HR team carried out a number of interviews with employees. We asked what they valued most about working for Victoria, the areas that needed improvement and whether we were doing enough to provide a good work-life balance.

So far, more than 200 interviews have been conducted, mainly with office staff and technical staff in production and logistics. Future plans include rolling out the 'Talk With Me' programme to include all staff.

Based on what staff told the business, we will offer greater flexibility to work schedules in 2022, and the project has allowed us to identify training needs that had not previously been covered. We have also developed a new Teleworking Policy to formalise and offer more guidance to employees that want to work remotely and more flexibly.

"Participation in the project is voluntary, but everybody we proposed an interview to has accepted it, and the majority of them have valued the project positively. Listening to people and asking them questions is very important to us."

Luis Guaita
Victoria Ceramics Spain

Employee diversity and inclusion

Victoria is committed to being an equal opportunities employer. Across the Group we aim to enhance diversity and foster an inclusive environment in which each individual can fulfil their potential and contribute to our business goals, regardless of their age, gender, ethnicity or background. The Group has clear policies around diversity and inclusion and provides family-friendly working practices for its employees. We are also committed to reporting on gender pay gaps across our businesses and will develop plans to close any gaps that do exist.

We will continue to review our performance in these areas, meeting current regulations and building upon them. Overall, we are dedicated to creating a culture where our employees feel comfortable to bring their unique experiences and diverse backgrounds to work so they can help us grow together to deliver exceptional performance.

Health, safety, and wellbeing

Keeping our people healthy, happy and safe is at the heart of our culture as a Group. We are focused not only on making sure people working within our facilities do not get injured or hurt, but also on giving people the support they need to maintain good physical and mental health, while promoting a better work-life balance.

We foster a 'Safety First' culture which has helped us to achieve improvements in our Lost Time Incidents (LTI) and Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) performance. We have also focussed on encouraging all colleagues to report any incidents or near misses as a way to drive further improvements in workplace safety.

Across the Group, all major manufacturing sites are ISO accredited and committed to the highest standards of health and safety, each with a dedicated Safety Manager in place. We involve our employees in developing risk assessments of all operations, and we report on near-miss incidents to continuously improve our safety performance. The chart below shows the incident rate for our UK manufacturing sites. Through process improvements, increased training and development and a strong management focus, we have been able to deliver consistent improvements in our colleague safety in the workplace.

A limited number of hazardous substances are used in our manufacturing processes with strict procedures in place to govern their transport, storage and careful use. The Group is continually working on reducing the consumption of these substances and replacing them with safer alternatives.

Our people are our most valuable asset, and we continue to find ways to support them in their work with Victoria. We recognise the performance of our employees not only through their pay, but in helping them to look after their health and wellbeing.

Environmental, Social and Governance Report

Responsible Sourcing

The majority of the environmental footprint of our products is associated with the raw materials we source from hundreds of suppliers around the world, especially when it comes to GHG emissions.

We support and encourage our suppliers and partners to address their own environmental, social and governance performance to ensure we procure the very best materials at the best prices, for the long term.

We understand it is becoming more and more important for our customers and the end users of our products to know where materials come from, and who is involved in the production of our products. We select our suppliers based on their ability to deliver high quality materials at the right price. Our relationships are based on experience, trust and integrity. We seek to ensure that all suppliers respect human rights and minimise their environmental impact as much as possible.

For example, we source all of our wood materials from sustainable sources, either certified under the Forest Stewardship Council (FSC) or Programme for the Endorsement of Forest Certification (PEFC) systems or requiring documentation all the way back to the point of forestry and every transaction involved in the chain.

Our LVT business is the part of the Group most reliant on third party sourcing for its products. To ensure that our products comply with all relevant laws and regulations and to maintain the standard of practice customers have come to expect from our business, the product testing is carried out at both point of origin and in the country of sale.

Across the Group, we aim to conduct due diligence of all suppliers to ensure our exposure to ESG risks remain low. We also conduct regular screening and site visits of many of our key commercial partners and have developed supplier codes of conduct which set out the standards and practices we expect our suppliers to adhere to. These are being rolled out across our supplier base, starting with our largest and most critical suppliers.

Underlay business takes responsible sourcing to next level

Our UK underlay business, Interfloor, is focused on enhancing its approach to responsible sourcing. All of its buyers are now Chartered Institute of Procurement & Supply (CIPS) qualified or part-qualified and adhere to the CIPS Code of Conduct in their day-to-day work. This means they must buy goods and services that enable the company to operate in a profitable and ethical manner.

The business is also developing a Supplier Code of Conduct to ensure its supply chain is as sustainable as possible. It aims to have all of its Tier 1 suppliers signed up to it by 2025.

Interfloor is a member of the Ethical Trading Initiative (ETI), an independent body which monitors member companies' supply chains in accordance with an ethical code which looks to improve the working conditions of the people who make products. More than 130 companies, NGOs and trade unions are ETI members, including Marks & Spencer, Transport for London, Oxfam, Tesco and UNICEF.

The business will also carry out a Sedex Members Ethical Trade Audit (SMETA) which assesses the standards of labour, health and safety, environment and business ethics of all Tier 1 suppliers.

Modern Slavery

Across the Group, we treat our people with dignity and respect. We pay them fairly and ensure they have appropriate working conditions. We do not tolerate discrimination, bullying, harassment or victimisation, and we encourage open communication for employees to easily raise any concerns with senior management.

Victoria produces a Modern Slavery Statement which covers all companies in the Group, setting out the steps we have taken to ensure that slavery or human trafficking is not taking place in our organisation or supply chain.

Across our supply chains, human rights violation risks remain low. That is because we have long-standing and trusted relationships with many of our suppliers and carry out regular factory visits with key suppliers to build and maintain transparent partnerships. Our supplier base is also focussed on large, professionally run businesses based in jurisdictions with a strong regulatory environment in relation to Modern Slavery.

GOVERNANCE

Reporting and disclosure

We are committed to improving how we capture data and disclose our performance against action plans to mitigate our ESG risks.

Currently, at a Group level, we collate our carbon impact data and report it against the requirements of the Streamlined Energy and Carbon Reporting (SECR) regulations (see page 32). By enhancing our reporting and disclosure, we will build a clearer picture of the emissions intensity of our products which will support our GHG emission reduction efforts.

We are looking at ways to align with more global reporting frameworks to improve how we capture ESG data. We aim to align our disclosure of climate-related risks and opportunities with the guidelines provided by the Task Force on Climate-related Financial Disclosure (TCFD). We will also monitor a range of environmental metrics across the Group in line with the requirements of the EU's incoming Taxonomy regulations.

Governance policies and procedures

Good governance is essential to all of our work at Victoria. We ensure we have the appropriate controls across our businesses to support and display strong business ethics at all times.

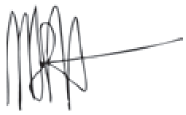
The Group has in place a framework of internal policies and procedures to address anti-corruption, bribery, conflict of interest, whistleblowing, gifts and hospitality, tax evasion and share dealing issues. We ensure Board independence and that all pay is aligned to performance across the Group and senior managers are given full training on ethical standards.

Victoria supports anyone who, in good faith, discloses a failure to meet our high standards of business ethics. We promote a culture where employees feel able to raise concerns without fear of retaliation and in the knowledge that the matters they report will be taken seriously and in confidence.

OUTLOOK

Victoria is committed to being an industry leader in ESG matters and is actively continuing to implement its strategy during the course of this year. This is an evolving initiative with many subsidiary-level actions being taken across the Group under a Board-reviewed framework. Further information will be published as the Group's ESG strategy continues to develop.

On behalf of the Board



Michael Scott
Group Finance Director

19 July 2022

Board of Directors

GEOFFREY WILDING

Executive Chairman

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

PHILIPPE HAMERS

Chief Executive Officer

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

MICHAEL SCOTT

Group Finance Director

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

ANDREW HARRISON

Non-executive Director

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

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

GAVIN PETKEN

Non-executive Director

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

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

ZACHARY STERNBERG

Non-executive Director

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

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

BLAKE RESSEL

Non-executive Director

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

Blake was appointed to the Board in December 2020.

Directors' Report

The Directors present their Annual Report and the audited financial statements for the Group for the year ended 2 April 2022.

PRINCIPAL ACTIVITIES AND STRATEGIC REPORT

The Group's principal activities are the manufacture, distribution and sale of floorcoverings. A review of the group's activities and an indication of likely future developments are set out in the Chairman and CEO's review on pages 04 to 12.

The Company is required by the Companies Act 2006 to prepare a Strategic Report that includes a fair review of the Group's business, the development and the performance of the Group's business during the year and its future development, of the position of the Group at the end of the financial year to 2 April 2022 and a description of the principal risks and uncertainties faced by the Group. The Strategic Report can be found on pages 13 to 15.

RESULTS AND DIVIDENDS

The results include those of Victoria PLC and its subsidiaries for the full year and are set out in the financial statements on pages 61 to 130.

	£m
Loss attributable to shareholders	12.4
Total dividend paid in the financial year	–
Retained loss	**12.4**

The Directors do not recommend the payment of a final dividend for the financial year ended 2 April 2022.

DIRECTORS' INSURANCE AND INDEMNITIES

The Company maintains directors' and officers' liability insurance which gives appropriate cover for any legal action brought against its directors. In accordance with section 236 of the Companies Act 2006, qualifying third-party indemnity provisions are in place for the directors in respect of liabilities incurred as a result of their office, to the extent permitted by law. Both the insurance and indemnities applied throughout the financial year ended 2 April 2022 and through to the date of this report.

DIRECTORS' REMUNERATION

The remuneration of all Directors for the financial year ended 2 April 2022 were as follows:

	Salary/Fees £000	Gain on exercise of share option £000	Benefits in kind £000	Bonus £000	**Total 2022 £000**	Total 2021 £000
Executive						
Geoffrey Wilding	65	–	–	–	**65**	64
Philippe Hamers	647	349	37	–	**1,033**	583
Michael Scott	341	–	15	–	**356**	302
Non-executive						
Andrew Harrison	35	–	–	–	**35**	34
Gavin Petken*	35	–	–	–	**35**	35
Zachary Sternberg	35	–	–	–	**35**	34
	1,158	349	52	–	**1,559**	1,052

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

Directors' interests in share schemes are detailed in note 5.

Directors' Report

DIRECTORS' PENSION ENTITLEMENTS

One Director who held office during the year ended 2 April 2022 was a member of a money purchase scheme. The contributions paid by the Group in respect of this was £24,008 (2021: £21,060).

SHARES HELD IN TREASURY

During the year the Company has purchased 75,340 of the ordinary 5p shares in issue for a total consideration of £596,192. All of the shares purchased were transferred into treasury. The number of shares held in treasury at 2 April 2022 was 8,621,435 (2021: 8,546,095).

The total number of ordinary shares in issue in the Company at 2 April 2022 was 116,843,232 (excluding the shares held in treasury).

EMPLOYEES AND OTHER STAKEHOLDER MANAGEMENT

Employees

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

Employees are encouraged to attend training courses and there is regular consultation with employee representatives to ensure that employees are informed of all matters affecting them. Applications for employment by disabled persons are given full and fair consideration having regard to their particular aptitudes and abilities. Appropriate training within their capabilities is provided for disabled employees seeking career development. Employees who become disabled during their employment have continued in employment wherever possible.

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

Shareholders and bondholders

The company engages with its shareholders and bondholders principally via a Regulatory Information Service, its investor website, formal company meetings and investor roadshows. The Company's contact details, telephone, email and correspondence address, are listed on its website for investors' use. The Company also provides an email alert service on its website to which investors and other interested parties can subscribe, to receive company announcements when they are released.

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

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

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

Customers

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

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

Suppliers

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

Community and the environment

As a manufacturing and distribution business, there is a risk that some of the Group's activities could have an adverse impact on the local environment. Policies are in place to mitigate these risks, and all of the Group businesses are committed to full compliance with all relevant health and safety and environmental regulations. Further details on the Group's approach to environmental matters is included in the Environmental, Social and Governance Report on pages 30 to 39.

STREAMLINED ENERGY AND CARBON REPORTING

Under the Companies (Directors' Report) and Limited Liabilities Partnerships (Energy & Carbon Report) Regulations 2019, we are mandated to disclose our UK energy use and associated greenhouse gas emissions. These disclosures are set out separately in the Streamlined Energy and Carbon Report on page 32.

FINANCIAL INSTRUMENTS

The Group's financial risk management objectives and policies are set out within Note 24 of the financial statements. Note 24 also details the Group's exposure to foreign exchange, share price, interest, credit, capital and liquidity risks. This note is incorporated by reference and deemed to form part of this report.

TAXATION STATUS

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

CORPORATE GOVERNANCE STATEMENT

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

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

GOING CONCERN

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

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Chairman and CEO Statement, the Strategic Report and this Financial Review. In addition, Note 24 to the Accounts includes details of the Group's financial instruments and its exposure to and management of credit risk, liquidity risk, currency risk and interest rate risk.

The Board remains satisfied with the group's funding and liquidity position. During the year ended 2 April 2022 there has been no period where financial covenant tests applied.

The Group's cash position as at the year ended 2 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.

AUDITOR

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

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

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

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

Directors' Report

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

ANNUAL GENERAL MEETING

Notice of the 2022 Annual General Meeting, together with a description of the business to be discussed at the AGM, is set out in the accompanying Notice. The Notice of this year's Annual General Meeting will be available to view on the Company's website at www.victoriaplc.com.

The Directors consider that each of the proposed resolutions to be considered at the Annual General Meeting are in the best interests of the Company and its shareholders and are most likely to promote the success of the Company for the benefit of its shareholders as a whole. The Directors unanimously recommend that shareholders vote in favour of each of the proposed resolutions, as the directors intend to do in respect of their own shareholdings.

POST BALANCE SHEET EVENTS

On 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'.

In May 2022 the group increased its multi-currency revolving credit facility to £150m.

By Order of the Board

David Cressman
Company Secretary

19 July 2022

Directors' Responsibilities Statement

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

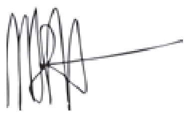
The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the Board



Michael Scott
Group Finance Director

19 July 2022

Independent auditor’s report

to the members of Victoria PLC

OPINION

OUR OPINION ON THE FINANCIAL STATEMENTS IS UNMODIFIED

We have audited the financial statements of Victoria PLC (the ‘parent company’) and its subsidiaries (the ‘group’) for the 52 week period ended 2 April 2022, which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated and Company Statements of Changes in Equity, the Consolidated and Company Statements of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the group’s and of the parent company’s affairs as at 2 April 2022 and of the group’s loss for the period then ended;
- the group financial statements have been properly prepared in accordance with UK- adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR OPINION

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

CONCLUSIONS RELATING TO GOING CONCERN

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

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

- obtaining confirmation for the relevant financing facilities including the nature of those facilities and the associated repayment terms;
- obtaining management’s assessment for the period to March 2024, which included a base case forecast, and obtaining an understanding of how these forecasts were compiled;
- testing the reliability of management’s forecasting by comparing the accuracy of the actual financial performance with forecast information obtained in the prior period;
- assessing the reasonableness of the assumptions used in management’s forecasts approved by the board;
- challenging the assumptions used within the group’s going concern forecasts;

- challenging the sensitivity analysis performed by management on the key assumptions and estimates to determine the impact of reasonably possible movements and assessing the reasonableness of mitigating actions available to management; and
- assessing the adequacy of the going concern disclosures included within the strategic report and accounting policies for compliance with the requirements of International Accounting Standard ('IAS') 1 'Presentation of financial statements'.

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

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

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

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

OUR APPROACH TO THE AUDIT

Grant Thornton

OVERVIEW OF OUR AUDIT APPROACH

Overall materiality:

Group audit: £3,600,000, which is based on and represents approximately 4.9% of the group's underlying profit before tax.

Parent company statutory audit: £10,600,000, which is based on and represents approximately 1% of the parent company's total assets.

Key audit matters were identified as:

- Accounting for significant business combinations, including the accuracy of fair value adjustments (same as previous period);
- Valuation (impairment) of goodwill – UK & Europe - Ceramic Tiles (Spain/Turkey) and North America CGUs (same as previous period except for incorporating North America CGU into the key audit matter);
- Completeness and accuracy of volume-based rebate arrangements with customers (same as previous period); and
- Recognition, measurement and presentation of modified in the year complex, preferred equity financing transactions (same as previous period).

Our auditor's report for the period ended 3 April 2021 included four key audit matters. All four have been reported as key audit matters in our current period's report with our valuation (impairment) of goodwill key audit matter now inclusive of the North America CGU.

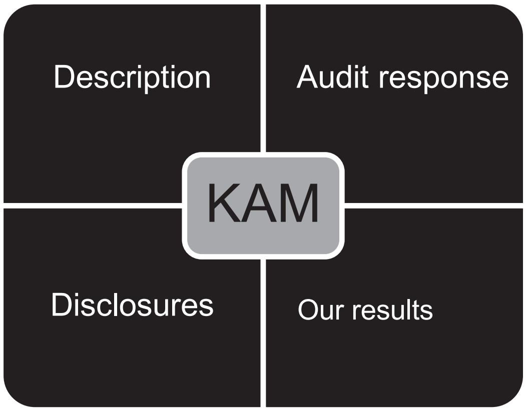
We performed an audit of the financial information using component materiality (full-scope audit procedures) of ten group component in the United Kingdom, Spain, Italy, Australia and the United States of America. We performed specified audit procedures relating to significant risks of material misstatements of the group financial statements for two components in the Netherlands and Turkey. We performed specific-scope audit procedures relating to risks of material misstatement of the group financial statements for six group components in the United Kingdom, Italy, Australia, and the Netherlands. We performed analytical procedures on the financial information of all the remaining group components which are based in Belgium, the United Kingdom, the United States of America, Spain, Italy, Ireland, Australia, France, Germany, the Netherlands and Portugal.

Independent auditor's report

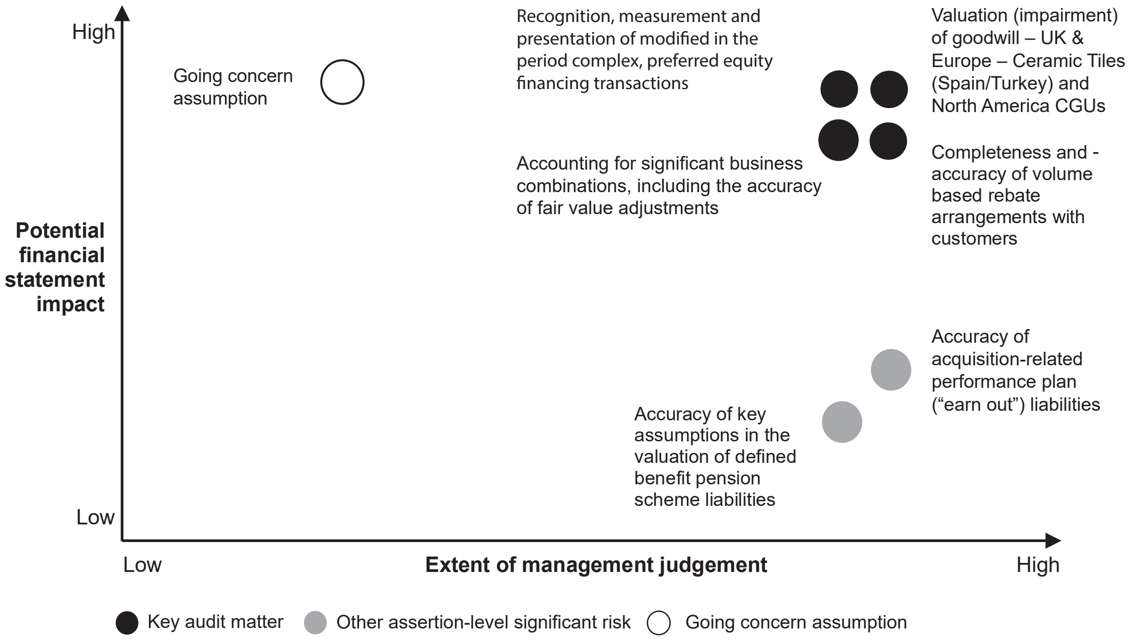
to the members of Victoria PLC

KEY AUDIT MATTERS

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



In the graph below, we have presented the key audit matters, other significant assertion-level risks and the risk associated with the use of the going concern assumption being inappropriate. We also identified a significant financial statement-level risk due to management override of controls.



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

ACCOUNTING FOR SIGNIFICANT BUSINESS COMBINATIONS, INCLUDING THE ACCURACY OF FAIR VALUE ADJUSTMENTS

We identified accounting for business combinations as one of the most significant assessed risks of material misstatement due to error. Considering the pervasive nature of these transactions and the level of judgement involved, this has been identified as a financial statement-level risk.

The group has made the significant share purchase acquisitions of Edel Group B.V. in May 2021, Cali Bamboo Holdings Inc in June 2021 and B3 Ceramics Danismanlik ("Graniser") in February 2022. Under International Financial Reporting Standard ('IFRS') 3, 'Business combinations' management is required to recognise, separately from goodwill, the assets acquired and liabilities assumed, and then to recognise goodwill on purchase.

Management make significant judgements to identify specific fair value adjustments, including the identification of intangible assets that are acquired with a new business and make significant estimates to value these assets.

Given the nature of the entities acquired, management have recognised brands, customer relationships and goodwill as part of the acquisitions. Management have utilised the support of a third party valuation expert to assist them with the valuation of these intangible assets, based on discounted cash flow forecasts, which require judgement by them concerning key assumptions such as revenue growth, discount rates, brand royalty rates, customer attrition and long term growth rates.

RELEVANT DISCLOSURES IN THE ANNUAL REPORT AND ACCOUNTS 2022

- Financial statements: Note 23, Acquisition of subsidiaries

In responding to the key audit matter, we performed the following audit procedures:

- assessed whether the group's accounting policy for the accounting for business combinations, including the accuracy of fair value adjustments is in accordance with UK-adopted international accounting standards, and determined whether the associated fair value measurements are accounted for in accordance with the stated accounting policy;
- obtained the acquisition date balance sheet of each significant acquired subsidiary and performed audit procedures in respect of the material trading assets and liabilities acquired, to evaluate the completeness and accuracy of the fair value adjustments made;
- obtained the details of the consideration paid, and agreed these to relevant source documents, such as sale and purchase agreements;
- obtained management's purchase price allocation used to value specific acquired intangibles and assessed the appropriateness and reasonableness of key assumptions made in the calculations, such as growth rates, customer attrition rates and discount rates, and engaged our internal valuation specialists as auditor's experts to assess the reasonableness of such models and assumptions, and thus inform our challenge;
- engaged our internal valuation specialists as auditor's experts to perform calculations used to develop an auditor's range for the value of certain intangibles acquired to compare with management's point estimate;
- in the event that negative goodwill was recognised we have exercised our professional scepticism and challenged management to ensure that they have correctly identified all of the assets acquired and all of the liabilities assumed and recognised any additional assets or liabilities that are identified in that review;
- tested the accuracy of the data used in the intangibles valuation by agreeing data to pertinent supporting documentation such as long-term growth forecasts; and
- challenged management's assessment of the identifiable intangible assets acquired by the group, and whether any further intangible assets should be identified.

OUR RESULTS

Based on our audit procedures we have not identified any material misstatements relating to the accuracy of accounting for business combinations including the accuracy of fair value adjustments.

Independent auditor’s report

to the members of Victoria PLC

Key Audit Matter – Group	How our scope addressed the matter – Group
VALUATION (IMPAIRMENT) OF GOODWILL – UK & EUROPE - CERAMIC TILES (SPAIN/TURKEY) AND NORTH AMERICA CGUs We identified impairment (valuation) of goodwill (UK & Europe - Ceramic Tiles (Spain/Turkey) CGU and North America CGU) as one of the most significant assessed risks of material misstatement due to error The process for assessing whether an impairment exists under International Accounting Standard (‘IAS’) 36 ‘Impairment of Assets’ is complex. When carrying out the goodwill impairment review, determining the recoverable amount for each cash-generating unit (“CGU”) requires management to make judgements over several key inputs in the value-in-use discounted cash flow models. These include revenue growth, discount rates and long-term growth rates. Due to the high level of estimation uncertainty present in the impairment test and the sensitivity of the related assumptions in management’s model, we therefore identified the valuation of goodwill in relation to the UK & Europe – Ceramic Tiles (Spain/Turkey) CGU and North America CGU as a significant risk.	In responding to the key audit matter, we performed the following audit procedures: • obtained management’s impairment paper and impairment workings, and critically assessed management’s assessment of cash generating units used for the impairment review; • tested that the methodology applied in the value in use calculation is in accordance with the requirements of IAS 36, the mathematical accuracy of management’s model, the calculation of the discount rate and the key underlying assumptions such as revenue growth and margin trends for the financial year 2023 budget (‘FY23’); • challenged management on their FY23 cashflow forecast and in particular whether it appropriately factored in the impact of ongoing supply chain pressures and corroborated to relevant evidence such as external market data to support key assumptions; • used our auditor’s expert to assess the reasonableness of management’s assumptions used in calculating the discount rates used in the value-in-use calculation; • assessed management’s medium and long-term growth rates used in the forecast including comparison to economic and industry forecasts where appropriate; • performed a sensitivity analysis in respect of the key assumptions, such as discount and growth rates, to consider the level of headroom in management’s calculation; and • tested the accuracy and sufficiency of management’s accounts disclosures in respect of goodwill and impairment.
RELEVANT DISCLOSURES IN THE ANNUAL REPORT AND ACCOUNTS 2022 • Financial statements: Note 9, Goodwill	**OUR RESULTS** Based on our audit procedures we concur with management’s assessment no impairment of goodwill related to the UK & Europe - Ceramic Tiles (Spain/Turkey) CGU and North America CGU is required.

Key Audit Matter – Group	How our scope addressed the matter – Group
COMPLETENESS AND ACCURACY OF VOLUME-BASED REBATE ARRANGEMENTS WITH CUSTOMERS When assessing the presumed risk of fraud in revenue recognition, we identified the completeness and accuracy of volume-based rebate arrangements with customers as one of the most significant assessed risks of material misstatement due to fraud. The group has a significant number of rebate agreements with customers. These agreements can contain multiple terms or tiered arrangements based on the volume of goods sold. We have determined revenue recognition on volume-based rebate arrangements with customers, and the resulting judgements made by management, to represent a significant risk of material misstatement due to fraud as a result of the associated levels of complexity and estimation. Determining the amount of revenue to be recognised requires management to make a significant judgement over the estimated amount of consideration to which the group expects to be entitled in exchange for transferring the promised goods after deducting volume rebates. This creates variability in the transaction price and thus the recognition of variable consideration in accordance with IFRS 15 'Revenue from Contracts with Customers'.	In responding to the key audit matter, we performed the following audit procedures: • tested a sample of revenue deductions issued to customers in the period to determine whether they were related to rebate arrangements and whether a provision for rebates was made at period end; • tested a sample of customer deductions recorded during the period and rebate provisions at the period end by agreeing to supporting documentation including contractual agreements as well as subsequent cash payment or a credit note issued to the customer; and • tested a sample of new customers and related rebate agreements entered into within the period and challenging as to whether a rebate provision was in place for these items at the period end. We inspected credit notes or cash payments after that time to determine if post-period end activity was indicative of an unrecorded arrangement; and • tested a sample of post-period end credit notes and, if relating to the current period, testing the associated completeness and accuracy of the corresponding provision, including where related to rebate arrangements.
RELEVANT DISCLOSURES IN THE ANNUAL REPORT AND ACCOUNTS 2022 • Financial statements: Accounting policies, Revenue Recognition	**OUR RESULTS** We did not identify from our audit procedures indicators of inappropriate or inaccurate revenue recognition arising from incomplete or inaccurate volume-based rebate accounting due to arrangements with customers.

Independent auditor's report

to the members of Victoria PLC

Key Audit Matter – Group and parent company	How our scope addressed the matter – Group and parent company
RECOGNITION, MEASUREMENT AND PRESENTATION OF MODIFIED IN THE PERIOD COMPLEX, PREFERRED EQUITY FINANCING TRANSACTIONS We identified the recognition, measurement and presentation of modified in the year complex, preferred equity financing transactions as one of the most significant assessed risks of material misstatement due to error. On 23 December 2021 Koch Equity Development ("KED), entered into an amended and restated Preferred Equity Investment and Subscription Agreement with the parent company ("New Investment Agreement"). Under this agreement, KED agreed to subscribe for, and the parent company agreed to issue, Follow On Preferred Shares for a total subscription price of £150 million (A Preferred Shares of £50 million and B Preferred Shares of £100 million). As at 13 January 2022, the existing Preferred Shares were redesignated as "A" Preferred Shares and a new class of "B" Preferred Shares was created. As at the same date, the parent company adopted New Articles of Association to replace the previous articles that were in place, and in effect to set out and amend certain rights associated with the A Preferred Shares and set out the rights associated with the B Preferred Shares. IAS 32 'Financial Instruments: Presentation' focuses on the instrument's contractual obligations, identifying the substance of the relevant obligations in order to classify as debt, equity or a compound instrument. IFRS 9 'Financial Instruments' specifies how an entity should classify and measure financial instruments. Given the materiality of amounts involved in these transactions, stakeholder focus on the debt held by the group and the level of judgement and estimation to be applied in the valuation and accounting treatment for the financing arrangements, we consider there to be a significant risk that the transactions have not been recognised, measured or presented correctly.	In responding to the key audit matter, we performed the following audit procedures: • assessed whether the accounting policies adopted by the directors are in accordance with the requirements of IFRS 9 and IAS 32'; • obtained an understanding of the nature and terms of the transactions through reading relevant legal agreements and discussions with management; • tested the appropriateness of management's view that the modification of the instruments during the period was a substantial modification under IFRS 9 by reperforming the '10% test' as outlined in IFRS 9 B3.3.6; • used our auditor's expert to evaluate and challenge the assumptions used by management in the valuation of the host debt contract on initial recognition, the non-closely related embedded derivatives and warrants, including implied volatilities and the equity risk premium; • tested the accuracy of the accounting entries associated with the substantial modification by reference to the underlying legal agreements and instrument valuations as tested by our auditor's expert; and • challenged management in regards to the disclosure of key terms and other key disclosure requirements of IFRS 7 'Financial instruments: Disclosures', including appropriate clarification of the doubling of the number of ordinary shares that the preferred equity holders would otherwise receive on conversion brought about by, along with other matters, a change of control following acceptance of an offer deemed to be investment grade.
RELEVANT DISCLOSURES IN THE ANNUAL REPORT AND ACCOUNTS 2022 • Financial statements: Note 16, Other financial liabilities	**OUR RESULTS** We have not identified any material misstatements in relation to the recognition, measurement and presentation of modified in the year complex, preferred equity financing transactions.

OUR APPLICATION OF MATERIALITY

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

Materiality was determined as follows:

Materiality measure	Group	Parent company
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	£3,600,000 for the group audit, which is based on and represents approximately 4.9% of the group's underlying profit before tax.	£10,600,000 for the parent company statutory audit, which is based on and represents 1% of the parent company's total assets.
Significant judgements made by auditor in determining the materiality	In determining materiality, we made the following significant judgements: • Underlying profit before tax is considered to be the most appropriate benchmark because this is a key performance measure used by the Directors to report to investors on the financial performance of the group. Materiality for the current period is higher than the level that we determined for the period ended 3 April 2021 to reflect the increase in the size of the group due to acquisitions and hence increased group profitability.	In determining materiality, we made the following significant judgements: • Total assets is considered to be the most appropriate benchmark as it reflects the parent company's status as a non-trading holding company. Materiality for the current period is higher than the level that we determined for the period ended 3 April 2021 to primarily reflect the increased parent company asset base at period end.
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	£2,520,000, which is 70% of financial statement materiality.	£7,420,000, which is 70% of financial statement materiality.
Significant judgements made by auditor in determining the performance materiality	In determining performance materiality, we considered the following significant matters in forming our judgements: • as there were a number of adjustments made to the financial statements in the prior period we reduced our performance materiality threshold from 75% to 70%; • few significant control deficiencies have been identified in prior periods that would require a decrease in performance materiality; • there have been no changes in senior management during the period; and • there were no significant changes in business objectives/strategy.	In determining performance materiality, we considered the following significant matters in forming our judgements: • as there were a number of adjustments made to the financial statements in the prior period we reduced our performance materiality threshold from 75% to 70%; • few significant control deficiencies have been identified in prior periods that would require a decrease in performance materiality; • there have been no changes in senior management during the period; and • there were no significant changes in business objectives/strategy.

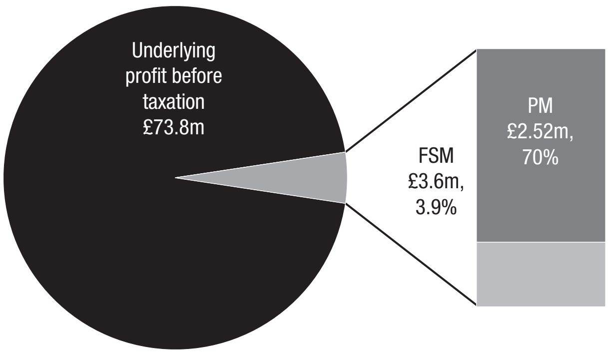
Independent auditor’s report

to the members of Victoria PLC

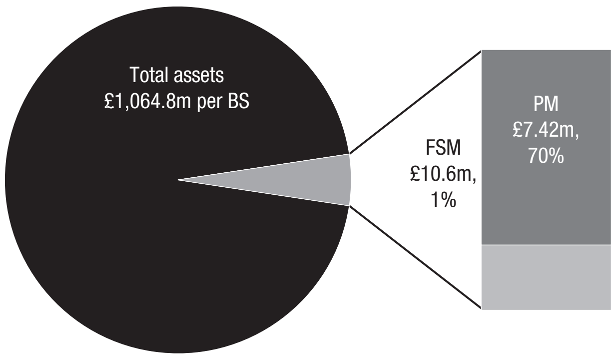
Materiality measure	Group	Parent company
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	
Specific materiality	We determined a lower level of specific materiality for Directors’ remuneration and identified related party transactions outside of the normal course of the business.	We determined a lower level of specific materiality for Directors’ remuneration and identified related party transactions outside of the normal course of the business.
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee.	
Threshold for communication	£180,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£530,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

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

Overall materiality – Group



Overall materiality – Parent company



FSM: Financial statement materiality, PM: Performance materiality.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

We performed a risk-based audit that requires an understanding of the group's and the parent company's business and in particular matters related to:

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

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

We obtained and documented an understanding of the design of relevant controls that management have implemented over the process for evaluating the following areas of identified audit risk and performed walkthrough testing of these controls to confirm that understanding:

- Presumed significant risk of management override of controls;
- Presumed significant risk of fraud in revenue recognition. Specifically, we have identified the risk to be in respect of the completeness and accuracy of volume-based rebate arrangements with customers;
- Accounting for significant business combinations including the accuracy of fair value adjustments;
- Valuation (impairment) of goodwill – Ceramics UK & Europe (Spain / Turkey) and North America CGUs;
- Recognition, measurement and presentation of modified in the period complex preferred equity financing transactions;
- Accuracy of key assumptions in the valuation of defined benefit pension scheme liabilities; and
- Accuracy of acquisition-related performance plan ("earn out") liabilities.

Identifying significant components

Component significance was determined based on their relative share of key Group financial metrics including revenue and underlying profit before tax. For significant components requiring a full-scope audit approach, we or the component auditors obtained an understanding of the relevant controls over the entity-specific financial reporting systems identified as well as the centralised financial reporting system as part of our risk assessment.

Type of work to be performed on financial information of parent and other components (including how it addressed the key audit matters)

A full-scope audit approach for all components evaluated as significant was determined based on their relative share of key group financial metrics including revenue and underlying profit before tax. For components classified as "individually financially significant to the group" an audit of the financial information of the component using component materiality (full-scope audit procedures) was performed. We also considered whether any components were likely to include significant risks of material misstatement to the group financial statements due to their specific nature or circumstances. Two such components in the Netherlands and Turkey were identified in the current period which included the significant risk and key audit matter related to accounting for significant business combinations including the accuracy of fair value adjustments at acquisition.

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

Specified audit procedures relating to significant risks of material misstatements of the group financial statements were carried out by overseas component auditors in respect of one component in Turkey and one component in the Netherlands.

Specific-scope audit procedures relating to the risks of material misstatement of the group financial statements were carried out by overseas component auditors in respect of one component in Italy and two components in Australia. The group engagement team performed specific-scope audit procedures on one component in the United Kingdom and two components in the Netherlands.

The remaining operations of the group were subject to analytical procedures with a focus on the significance to the group's balances and the areas of estimation and judgemental areas, including the completeness and accuracy of volume- based customer rebate arrangements; accounting for significant business combinations including the accuracy of fair value adjustments; valuation (impairment) of goodwill – Ceramics UK & Europe (Spain / Turkey) and North America CGUs, recognition, measurement and presentation of modified in the period complex preferred equity financing transactions key assumptions in the valuation of defined benefit pension scheme liabilities; accuracy of acquisition-related performance plan ("earn out") liabilities; and through management override of controls.

Performance of our audit

Audit approach	No. of components	% coverage – Underlying profit before tax	% coverage - Revenue
Full-scope audit	10	68	64
Specific-scope audit procedures	8	10	13
Analytical procedures	56	22	23

Communications with component auditors

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

Across the group audit, the group engagement team and all component auditors carried out the majority of work performed in person with the respective finance teams. We held detailed discussions with the component audit teams, including remote reviews of the work performed, update calls on the progress of their fieldwork and by attending the component audit clearance meetings with component management via video call.

Changes in approach from previous period

The approach to the audit has changed since the previous period; the majority of the changes have been driven by the acquisition activity during the period. The changes in scope, aside from due to the acquisitions, are as follows:

One component in the United Kingdom was assessed as requiring full-scope audit procedures due it's financial significance when previously it had been subject to analytical procedures at a group level. Specified audit procedures have been performed on the two newly acquired components in the Netherlands and Turkey.

To add additional unpredictability to our group scoping and risk assessment, the group audit team carried out procedures in respect of a component in the UK and a component in the Netherlands.

OTHER INFORMATION

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

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

We have nothing to report in this regard.

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

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

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

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

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

Independent auditor's report

to the members of Victoria PLC

RESPONSIBILITIES OF DIRECTORS FOR THE FINANCIAL STATEMENTS

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

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

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

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the parent company and the group and sector in which they operate and how the parent company and the group are complying with those legal and regulatory frameworks, through our commercial and sector experience, making enquiries of management and those charged with governance, and inspection of the parent company's and the group's key external correspondence. We corroborated our enquiries through our inspection of board minutes and other information obtained during the course of the audit.
- Through the understanding that we obtained, we determined the most significant legal and regulatory frameworks which are directly relevant to specific assertions in the financial statements to be those related to the reporting framework, including UK-adopted international accounting standards, the Companies Act 2006; the AIM Rules for Companies; and the relevant taxation regulations in the jurisdictions in which the parent company and group operates.
- We assessed the susceptibility of the parent company's and the group's financial statements to material misstatement, including how fraud might occur, by considering management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to the estimation and judgemental areas with a risk of fraud, including potential management bias, of volume-based rebate arrangements with customers and through management override of controls.

- Our audit procedures included:
  - Gaining an understanding of the controls that management has in place to prevent and detect fraud;
  - Journal entry testing, with a focus on journals indicating large or unusual transactions or account combinations based on our understanding of the business;
  - Gaining an understanding of and testing significant identified related party transactions; and
  - Performing audit procedures to consider the compliance of disclosures in the financial statements with the applicable financial reporting requirements.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - Understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation.
  - Knowledge of the industry in which the parent company and the Group operate; and
  - Understanding of the legal and regulatory requirements specific to the parent company and the Group.
- Communications within the audit team in respect of potential non-compliance with laws and regulations and fraud included the potential for fraud in relation to the areas of estimation and judgemental areas with a risk of fraud, including potential management bias, volume-based rebate arrangements with customers , which we identified as a key audit matter, and through management override of controls in the preparation of the financial statements.
- For components at which audit procedures were performed, we requested component auditors to report to us instances of non-compliance with laws and regulations that gave rise to a risk of material misstatement of the group financial statements.

Independent auditor's report

to the members of Victoria PLC

USE OF OUR REPORT

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

Paul Holland BSc BFP FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham

19 July 2022

Consolidated income statement

For the 52 weeks ended 2 April 2022

	Notes	52 weeks ended 2 April 2022 Underlying performance £m	Non-underlying items £m	Reported numbers £m	53 weeks ended 3 April 2021 Underlying performance £m	Non-underlying items £m	Reported numbers £m
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	2	–	(32.4)	(32.4)	–	(26.8)	(26.8)
Other non-underlying items	2	–	(15.0)	(15.0)	–	0.7	0.7
Exceptional items	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	4	73.8	(86.2)	(12.4)	50.1	(57.6)	(7.5)
Taxation (charge) / credit	6	(18.1)	18.1	–	(13.0)	23.3	10.3
Profit / (loss) for the period		55.7	(68.1)	(12.4)	37.1	(34.3)	2.8
(Loss) / earnings per share - pence basic	7			(10.61)			2.30
diluted	7			(10.61)			2.29

Consolidated statement of comprehensive income

For the 52 weeks ended 2 April 2022

	Note	52 weeks ended 2 April 2022 £m	53 weeks ended 3 April 2021 £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 gain / (loss) on defined benefit scheme	20	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 and Company Balance Sheets

As at 2 April 2022

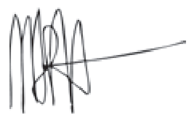
		Group		Company	
	Note	**2 April 2022 £m**	3 April 2021 £m	**2 April 2022 £m**	3 April 2021 £m
Non-current assets					
Goodwill	9	**244.6**	164.8	**–**	–
Intangible assets other than goodwill	10	**259.7**	224.2	**0.2**	0.2
Property, plant and equipment	11	**256.0**	202.1	**–**	–
Right-of-use lease assets	11	**99.6**	82.6	**5.3**	5.7
Investment property	12	**0.2**	0.2	**0.1**	0.1
Investments in subsidiaries	12	**–**	–	**251.8**	201.7
Trade and other non-current receivables	14	**–**	–	**590.6**	428.7
Deferred tax assets	19	**27.2**	17.2	**5.2**	0.6
Total non-current assets		**887.3**	691.1	**853.2**	637.0
Current assets					
Inventories	13	**280.7**	164.4	**–**	–
Trade and other receivables	14	**223.8**	150.1	**33.7**	31.5
Cash and cash equivalents	17	**273.6**	348.8	**177.9**	264.4
Total current assets		**778.1**	663.3	**211.6**	295.9
Total assets		**1,665.4**	1,354.4	**1,064.8**	932.9
Current liabilities					
Trade and other current payables	15	**337.2**	213.8	**7.2**	11.7
Current tax liabilities	6	**0.7**	5.1	**–**	–
Obligations under right-of-use leases - current	16	**16.9**	13.0	**0.4**	0.2
Other financial liabilities	16,17	**25.2**	30.2	**–**	13.5
Total current liabilities		**380.0**	262.1	**7.6**	25.4
Non-current liabilities					
Trade and other non-current payables	15	**7.5**	17.0	**–**	–
Obligations under right-of-use leases - non-current	16	**88.7**	74.0	**5.2**	5.8
Other non-current financial liabilities	16	**646.0**	647.5	**623.4**	622.1
Preferred equity	16	**207.9**	70.1	**207.9**	70.1
Preferred equity – contractually-linked warrants	16	**46.4**	6.1	**46.4**	6.1
Deferred tax liabilities	19	**81.4**	62.9	**–**	–
Retirement benefit obligations	20	**4.9**	6.5	**–**	–
Total non-current liabilities		**1,082.8**	884.1	**882.9**	704.1
Total liabilities		**1,462.8**	1,146.2	**890.5**	729.5
Net assets		**202.6**	208.2	**174.3**	203.4
Equity					
Share capital	21	**6.3**	6.3	**6.3**	6.3
Retained earnings	22	**187.3**	198.7	**162.1**	193.5
Foreign exchange reserve	22	**3.1**	(0.4)	**–**	–
Other reserves	22	**5.9**	3.6	**5.9**	3.6
Total equity		**202.6**	208.2	**174.3**	203.4

The loss of the Company for the year determined in accordance with the Companies Act 2006 was £30.8m (2021: loss of £30.9m).

Company Registered Number (England & Wales) 282204.

The financial statements on pages 61 to 130 were approved by the Board of Directors and authorised for issue on 19 July 2022.

They were signed on its behalf by:



Michael Scott
Group Finance Director

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**

Company statement of changes in equity

For the 52 weeks ended 2 April 2022

	Share capital £m	Share premium £m	Retained earnings £m	Other reserves £m	Total equity £m
At 28 March 2020	6.3	288.7	(34.3)	2.6	263.3
Loss for the period to 3 April 2021	–	–	(30.9)	–	(30.9)
Total comprehensive loss	–	–	(30.9)	–	(30.9)
Cancellation of share premium account	–	(288.7)	288.7	–	–
Buy back of ordinary shares	–	–	(30.0)	–	(30.0)
Share-based payment charge	–	–	–	1.0	1.0
Transactions with owners	–	(288.7)	258.7	1.0	(29.0)
At 3 April 2021	6.3	–	193.5	3.6	203.4
Loss for the period to 2 April 2022	–	–	(30.8)	–	(30.8)
Total comprehensive loss	–	–	(30.8)	–	(30.8)
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**	**–**	**162.1**	**5.9**	**174.3**

Consolidated and Company statements of cash flows

For the 52 weeks ended 2 April 2022

	Note	Group 52 weeks ended 2 April 2022 £m	Group 53 weeks ended 3 April 2021 £m	Company 52 weeks ended 2 April 2022 £m	Company 53 weeks ended 3 April 2021 £m
Cash flows from operating activities					
Operating profit		**53.6**	45.9	**(13.4)**	(3.2)
Adjustments for:					
Depreciation and amortisation of IT software		**55.2**	47.7	**0.6**	0.6
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	**1.3**	0.2
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	**(11.5)**	(2.4)
Change in inventories		**(51.8)**	7.6	**–**	–
Change in trade and other receivables		**(29.9)**	(0.3)	**–**	(1.1)
Change in trade and other payables		**55.5**	(25.6)	**(0.1)**	0.1
Cash generated by continuing operations before tax and interest payments		**114.0**	95.9	**(11.6)**	(3.4)
Interest paid on loans and notes		**(28.4)**	(30.4)	**(25.4)**	(29.0)
Interest relating to right-of-use lease assets		**(3.8)**	(3.0)	**–**	(0.2)
Income taxes paid		**(13.7)**	(5.0)	**–**	2.4
Net cash inflow from operating activities		**68.1**	57.5	**(37.0)**	(30.2)
Investing activities					
Purchases of property, plant and equipment		**(51.3)**	(27.6)	**–**	–
Purchases of intangible assets		**(2.0)**	(0.9)	**(0.2)**	–
Loan to subsidiary companies		**–**	–	**(177.0)**	34.1
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)	**(177.2)**	34.1
Financing activities					
Repayment of borrowings		**(89.8)**	(164.7)	**(14.0)**	(164.7)
Issue of preferred equity		**150.0**	65.3	**150.0**	65.3
Preferred equity ticking fee		**(7.0)**	–	**(7.0)**	–
Buy back of ordinary shares		**(0.6)**	(30.0)	**(0.6)**	(30.0)
Payments under right-of-use lease obligations		**(15.0)**	(11.3)	**(0.4)**	(0.4)
Repayment of acquisition-related capital investment to Keraben senior mgmt team		**(7.2)**	–	**–**	–
Net cash (used) / generated in financing activities		**30.4**	163.0	**128.0**	146.6
Net (decrease) / increase in cash and cash equivalents		**(90.1)**	174.8	**(86.2)**	150.5
Cash and cash equivalents at beginning of period		**344.8**	174.7	**262.7**	115.4
Effect of foreign exchange rate changes		**3.3**	(4.7)	**1.4**	(3.2)
Cash and cash equivalents at end of period		**258.0**	344.8	**177.9**	262.7
Comprising:					
Cash and cash equivalents	17	**273.6**	348.8	**177.9**	264.4
Bank overdrafts	17	**(15.6)**	(4.0)	**–**	(1.7)
		258.0	344.8	**177.9**	262.7

Significant Accounting Policies

BASIS OF ACCOUNTING

The financial statements have been prepared in accordance with UK-adopted international accounting standards.

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

BASIS OF PREPARATION

The consolidated financial statements have been prepared on a going concern-basis. The Director's Report on page 43 sets out the justification for this basis of preparation.

BASIS OF CONSOLIDATION

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

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

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

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

BUSINESS COMBINATIONS

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

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

The Group measures goodwill at the acquisition date as:

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

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

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

INVESTMENTS IN SUBSIDIARIES HELD BY THE COMPANY

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

GOODWILL

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

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

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

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

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

SEGMENTAL REPORTING

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

INVESTMENT PROPERTIES

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

REVENUE RECOGNITION

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

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

Revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Therefore, the amount of revenue recognised is adjusted for any negotiated rebates which are estimated based on historical data. Rebates are generally recognised as a deduction from the corresponding trade receivable due from the related customer. The Group reviews its estimate at each reporting date and updates the amounts of the reduction in the liability accordingly.

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

CASH AND CASH EQUIVALENTS

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

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

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

INTEREST INCOME

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

DIVIDEND INCOME

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

LEASING

The Group recognises right-of-use assets at cost and lease liabilities at the lease commencement date based on the present value of future lease payments. The right of use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis in line with the Group's accounting policy for property, plant and equipment.

The lease liabilities are recognised at amortised cost using the effective interest rate method. The discount rates used reflect the incremental borrowing rate specific to the lease.

Significant Accounting Policies

FOREIGN CURRENCIES

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

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

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

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

GOVERNMENT GRANTS

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

RETIREMENT BENEFIT COSTS

(a) Defined contribution schemes

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

(b) Defined benefit schemes

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

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

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

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

TAXATION

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

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

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

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

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

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

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

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

PROPERTY, PLANT AND EQUIPMENT

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

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

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

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

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

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

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

INTANGIBLE ASSETS

(i) Intangible assets acquired in a business combination

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

Significant Accounting Policies

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

(ii) Amortisation of intangible assets

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

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

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

iii) Derecognition of intangible assets

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

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

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

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

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

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

INVENTORIES

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

SHARE-BASED PAYMENTS

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

The share options issued under the LTIP 2020 scheme and warrants issued in 2021 to certain Group employees have no performance conditions and only subject to remaining in employment by the Group at the time the options or warrants are exercisable. The fair value of these share options and warrants has been based off the share price of Victoria PLC at the date of issue. The fair value is spread over the vesting period with the charge to the income statement recognised as an employee expense, and a corresponding increase in equity.

ACQUISITION-RELATED PERFORMANCE PLANS

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

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

EXCEPTIONAL ITEMS

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

NON-UNDERLYING ITEMS

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

Non-underlying items comprise:

Operating income and costs

(a) Acquisition-related performance plan charge

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

(b) Non-cash share incentive plan charge

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

(c) Amortisation of acquired intangibles

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

(d) Unwind of fair value uplift to acquisition opening inventory

Charge relating to the IFRS 3 fair value adjustment on inventory acquired on new business acquisitions. This is a one-off cost arising on acquisition which will unwind over the period that the acquired inventory is sold. The nature of these costs are non-recurring and not considered to form part of the underlying performance of the business.

Finance costs

(a) Release of prepaid finance costs

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

(b) Fair value adjustment to notes redemption option

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

Significant Accounting Policies

(c) Unsecured loan redemption premium charge / credit

This is a non-cash item charge / credit relating to the £2.1 million redemption premium on the BGF loan. The BGF loan along with the redemption premium was fully repaid in December 2021.

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

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

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

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

Any changes to contingent earn-outs arising from actual and forecast business performance are reflected as other adjustments to present value of contingent earn-out liabilities. Such adjustments are non-cash in nature and are not considered to form part of the underlying performance of the business.

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

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

(g) Translation differences on foreign currency loans

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

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

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

- A financial cost relating to the effective interest rate on the amortisation of the underlying host instrument;
- A financial cost relating to the amortisation of the asset representing the commitment by KED to invest in additional preferred equity at Victoria's option. No longer applicable after the substantial modification in December 2021;
- A financial cost relating to the accrual of the 6% commitment fee. No longer applicable after the substantial modification in December 2021;
- A financial cost / credit relating to the movement in fair value of the redemption option asset;
- A financial cost / credit relating to the movement in fair value of the warrants liability; and
- A financial cost relating to the loss on substantial modification in December 2021.

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

FINANCIAL INSTRUMENTS

(a) Financial assets

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

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

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

(i) Assets held at amortised cost

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

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

The group makes use of a simplified approach to accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are expected shortfalls in contractual cash flows, considering the potential for default at any point during the lifetime of the financial instrument.

The group uses its historical experience, external indicators and forward-looking information to calculate expected credit loss using a provision matrix.

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

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

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

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

(ii) Fair value through profit or loss

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

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

(b) Financial liabilities

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

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

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

(i) Financial liabilities measured at amortised cost

These liabilities include the following items:

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

(ii) Fair value through profit or loss

These liabilities include the following items:

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

  The methods used for calculating the fair value of the Group's interest rate and foreign exchange derivatives have been described in (a)(ii) above.
- Contingent consideration payable in relation to acquisitions, which are carried in the balance sheet at fair value with changes in fair value recognised in finance income or expense.

(c) Share capital

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

(d) Embedded derivatives

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

Significant Accounting Policies

the appropriate accounting standard. The carrying amount of an embedded derivative is reported in the same balance sheet line items as the host financial liability contract.

PREFERRED EQUITY, ASSOCIATED WARRANTS AND OTHER ITEMS

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

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).

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 has been 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 other related items, including non-closely related embedded derivatives.

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

The KED commitment as part of the original agreement in 2020 to invest in up to £100m additional preferred equity at Victoria’s election was identified as an associated financial instrument. This asset is held at amortised cost over the 18 month period of the commitment. Associated with this option was a 6% commitment fee, which was accrued on a straight-line basis and sat as an additional liability alongside this asset. This KED commitment was ended when the agreement was amended and the commitment fee accrued up to that point was settled by way of netting-off against the additional preferred share proceeds. As such, the KED commitment asset was written-off as part of the substantial modification.

Two non closely-related embedded derivatives were identified:

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

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

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

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

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

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

FUTURE ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Notes to the accounts

1. SEGMENTAL INFORMATION

The Group is organised into 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						53 weeks ended 3 April 2021				
	UK & Europe Soft Flooring £m	UK & Europe Ceramic Tiles £m	Australia £m	North America £m	Unallocated central expenses £m	Total £m	UK & Europe Soft Flooring £m	UK & Europe Ceramic Tiles £m	Australia £m	Unallocated central expenses £m	Total £m
Income statement											
Revenue	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.

Notes to the accounts

1. SEGMENTAL INFORMATION (CONTINUED)

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

	2022 £m	2021 £m
Revenue		
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 £m	**UK & Europe Ceramic Tiles £m**	**Australia £m**	**North America £m**	**Central £m**	**Total £m**	UK & Europe Soft Flooring £m	UK & Europe Ceramic Tiles £m	Australia £m	North America £m	Central £m	Total £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 £m	2021 £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**	**Unallocated central expenses £m**	**Total £m**	UK & Europe Soft Flooring £m	UK & Europe Ceramic Tiles £m	Australia £m	North America £m	Unallocated 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
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 £m	53 weeks ended 3 April 2021 £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.

Notes to the accounts

3. FINANCE COSTS

	52 weeks ended 2 April 2022 £m	53 weeks ended 3 April 2021 £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 16).
(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 16).
(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. PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

	2022 £m	2021 £m
After charging / (crediting):		
Net foreign exchange losses	**2.3**	(0.3)
Depreciation of property, plant and equipment (see Note 11)	**35.5**	33.2
Depreciation of right-of-use lease assets (see Note 11)	**18.8**	13.8
Amortisation of intangible assets (see Note 10)	**33.3**	27.5
Staff costs (see Note 5)	**182.1**	134.8
Employment support receipts related to Covid-19 pandemic (see Note 5)	**–**	(6.9)
Cost of inventories recognised as an expense	**542.0**	327.9
Profit on sale of fixed assets	**(2.9)**	0.1
Government grants	**(0.5)**	(0.5)
Rentals charged under short term and low value leases	**1.1**	1.4
Contingent consideration linked to positive tax ruling	**0.6**	5.7
Warehousing and transport costs	**74.8**	46.9
Exceptional costs including professional fees (see Note 2)	**16.1**	8.5
Negative goodwill arising on acquisition (see Note 2)	**(6.9)**	(6.5)
Marketing and office expenses	**72.1**	34.6
Other income	**(2.1)**	(3.8)
	966.2	616.5
Representing functional costs of:		
Cost of sales	**663.0**	427.4
Distribution costs	**108.2**	74.8
Administrative expenses	**200.0**	118.1
Other operating income	**(5.0)**	(3.9)
	966.2	616.5

Notes to the accounts

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

Auditor’s remuneration	2022 £m	2021 £m
Fees payable to the Company's Auditor in respect of audit services:		
The audit of the Group consolidated accounts	**0.50**	0.28
The audit of the Company's subsidiaries pursuant to legislation	**0.71**	0.57
Total audit fees	**1.21**	0.85
Audit-related assurance services*	**–**	0.06
Tax compliance services	**–**	–
Taxation advisory services	**–**	0.02
Services relating to corporate finance transactions (either proposed or entered into) by or on behalf of the Company or any of its associates	**–**	0.17
Total non-audit fees	**–**	0.25

**Audit-related assurances services include £1,000 of fees related to grant assurance reporting services.*

5. STAFF COSTS

	Group 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 £m
Wages and salaries	**143.5**	110.8	**1.5**	1.0
Social security costs	**23.5**	20.1	**0.2**	0.1
Share-based employee remuneration (including accelerated IFRS 2 charge)	**2.3**	1.0	**1.3**	0.2
Other pension costs	**5.7**	4.6	**0.1**	0.1
Acquisition-related performance plans	**7.1**	(1.7)	**–**	–
Gross employment costs	**182.1**	134.8	**3.2**	1.4
Employment support receipts	**–**	(6.9)	**–**	–
Employment costs net of government grants	**182.1**	127.9	**3.2**	1.4

Directors’ remuneration is included as part of the staff costs above. Directors’ remuneration is disclosed separately on page 41 of the Directors’ Report and forms part of these financial statements.

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

Average number employed (including executive directors of subsidiaries):

	Group 2022	Group 2021	Company 2022	Company 2021
Directors	**83**	65	**7**	7
Sales and marketing	**709**	552	**–**	–
Production, logistics and maintenance	**3,811**	2,581	**–**	–
Finance, IT and administration	**310**	276	**6**	3
	4,913	3,475	**13**	10

Share-based payment schemes

I Shares scheme

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

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

5. STAFF COSTS (CONTINUED)

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

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

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

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

Based on this model, the aggregate fair value of the I1 and I2 Shares was assessed to be £9.8m and £0.4m respectively. The fair value of the I shares are charged to the income statement over the vesting period of the scheme, which is expected to be 5.4 years for the I1 shares and 4.4 years for the I2 shares, with a corresponding credit to equity as the charge is non-cash. The charge to the income statement for the I1 and I2 shares was £0.4m and £0.1m respectively (2021: £0.4m and £0.1m respectively).

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

During the year ended 28 March 2020, a number of the participants exited the scheme including certain of the Company's directors. 50,775 I1 shares were cancelled and a further 7,690 were forfeited, leaving 15,390 still in issue.

In the year ended 2 April 2022, none of the 15,390 I1 shares in issue were exercisable and there has been no cancellations or forfeiture during the period.

In the year ended 2 April 2022, none of the I2 shares were exercisable and there has been no cancellations or forfeiture during the period. All of the I2 shares issued remained in place as at 2 April 2022.

2020 LTIP Plan

Share options issued during the year ended 3 April 2021

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

To fair value the options, the share price at the date of issue of was applied to the number of options awarded. The fair value was determined as £2.93m and this charge will be spread over the four year vesting period to June 2024. The charge to the income statement for the 2020 LTIP shares was £0.7m (2021: £0.5m).

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

Name	Number of issued Incentive Shares	Exercised in year	Incentive Shares remaining
Philippe Hamers	245,000	45,000	200,000
Michael Scott	200,000	–	200,000

Notes to the accounts

5. STAFF COSTS (CONTINUED)

On 16 February 2022, 45,000 of the incentive shares issued to Philippe Hamers were exercised, resulting in the issue of 45,000 new Ordinary shares of 5 pence each. The remaining 200,000 incentive shares awarded to Philippe Hamers are exercisable in June 2024.

In addition, during the year 15,000 share options were forfeited due to a participant of the scheme leaving the business. Following the above exercise and this forfeiture, a total of 1,190,000 share options remain within the 2020 LTIP.

2021 Follow-on LTIP

Share options issued during the year ended 2 April 2022

In the year ended 2 April 2022, a further 37,750 shares were issued to certain senior employees under an addendum to the 2020 LTIP. To fair value these options, the share price at the date of issue was applied to the number of options awarded. The fair value was determined as £0.38m. The options will vest and become exercisable as to 25% on each vesting date of 1 January 2023 and each anniversary thereafter up until 1 January 2026 provided the participants remain in employment with the Group. The charge will be spread over the period to 1 January 2026 in accordance with this vesting profile. The charge to the income statement for these options was £0.2m (2021: £Nil).

Warrants

On 12 April 2021, a new share-based long-term incentive plan was issued to one senior employee. This comprises the issue of warrants to subscribe for a total of 250,000 ordinary shares of 5 pence each. The Warrants are exercisable at the exercise price of 5 pence for up to 5 years, with 12,500 Warrants vesting per calendar quarter, starting on 1 June 2021, subject to the employee's continued employment with the Company, and may be accelerated on the occurrence of certain events. Vested Warrants shall be exercisable only upon the occurrence of certain events or at specific dates, for 12 months following their vesting, the earliest date being 1 January 2022.

To fair value the Warrants, the share price at the date of issue of was applied to the number of warrants awarded. The fair value was determined as £2.3m and this charge will be spread over the period to 1 January 2027 in accordance with the vesting profile. The charge to the income statement for the warrants was £1.0m (2021: £Nil).

On 16 February 2022, 37,500 Warrants were exercised and 212,500 Warrants remain outstanding as at 2 April 2022. The Warrants exercised in the year were net-settled, resulting in the issue of 21,663 new Ordinary shares of 5 pence each.

6. TAXATION

	52 weeks ended 2 April 2022 £m	53 weeks ended 3 April 2021 £m
Current tax		
– Current year UK	–	0.7
– Current year overseas	10.4	8.5
– Adjustments in respect of prior years	(1.0)	0.1
	9.4	9.3
Deferred tax		
– Credit recognised in the current year	(9.8)	(20.3)
– Adjustments in respect of prior years	(0.1)	0.7
– Effect of rate change	0.5	–
	(9.4)	(19.6)
Total tax credit	–	(10.3)

Corporation tax is calculated at the applicable percentage of the estimated assessable profit for the year in each respective geography. This is 19% in the UK; 25% in the Netherlands and Spain; 23.0% in Turkey; 27.9% in Italy; 30% in Australia; 29% in Belgium; 12.5% in Ireland and 25% in North America.

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

	2022 £m	%	2021 £m	%
Loss before tax from continuing operations	(12.4)		(7.5)	
Tax credit at the UK corporation tax rate of 19% (2020: 19%)	(2.4)	19.0	(1.4)	19.0
Tax effect of items that are not deductible / non-taxable in determining taxable profit	(0.9)	6.8	(0.5)	6.4
Effect of different tax rates of subsidiaries operating in other jurisdictions	2.4	(19.2)	2.4	(32.1)
Acquisition related performance plan charge non taxable	1.2	(9.3)	0.1	(1.3)
Recognition of deferred tax asset not previously recognised	–	–	(13.0)	173.7
Effect of change in rate	0.5	(4.4)	–	–
Effect of change in future tax rate enacted on deferred tax recognised on intangible assets	(1.8)	14.6	(1.5)	20.0
Corporate interest restriction	2.0	(16.4)	–	–
Tax losses not recognised as a deferred tax asset	–	–	2.8	(37.4)
Adjustments to prior periods	(1.1)	8.9	0.8	(10.7)
Tax (credit) / charge and effective tax rate	–	–	(10.3)	137.6
Reconciliation to underlying effective tax rate				
Add back tax on non-underlying items	18.1		23.3	
Tax charge on underlying items	18.1		13.0	
Profit before tax on underlying items	73.8		50.1	
Adjusted effective tax rate excluding non-underlying items		24.5		25.9

Notes to the accounts

6. TAXATION (CONTINUED)

The tax effect of non-underlying items is as follows:

	2022 Profit/ (loss) before tax £m	2022 Tax credit/ (charge) %	2021 Profit/ (loss) before tax £m	2021 Tax credit/ (charge) %
Income statement impact of preferred equity excluding warrants	7.2	-	(11.5)	-
Fair value of warrants in relation to the preferred equity	(40.3)	7.6	(1.6)	-
Amortisation of acquired intangibles	(32.4)	7.6	(26.8)	5.9
Acquisition-related performance plans	(7.1)	-	1.7	-
Non- cash share incentive plan charge	(2.3)	0.5	(1.0)	0.2
Unwind of fair value uplift to acquisition opening inventory	(5.3)	1.2	-	-
Release of prepaid finance costs	-	-	(7.3)	1.4
Net cost of redemption premium on refinancing of previous senior notes	-	-	(6.3)	1.2
Unwinding of present value of deferred and contingent earn-out liabilities	-	-	(0.3)	-
Other adjustments to present value of contingent earn-out liabilities	-	-	(0.7)	-
Unwinding of present value of acquisition-related performance plans	-	-	(1.1)	-
Interest on short-term draw of Group revolving credit facility	-	-	(1.4)	0.3
Acquisition related costs	(10.7)	-	(3.0)	-
Reorganisation costs	(5.3)	1.4	(5.5)	1.2
Fair value adjustment to notes redemption option	(6.3)	1.2	4.6	(0.9)
Spain positive tax ruling	-	-	-	13.0
Negative goodwill arising on acquisition	6.9	-	6.5	-
Contingent consideration linked to positive tax ruling	(0.6)	-	(5.7)	1.4
Profit on disposal of fixed assets	2.9	-	-	-
Depreciation of fair value uplift to acquisition building valuation	(0.2)	-	-	-
Mark to market adjustments and gains on foreign exchange forward contracts	2.0	(0.4)	(4.2)	0.8
Translation difference on foreign currency loans and cash	5.7	(1.1)	6.3	(1.2)
Unsecured loan redemption premium charge	(0.4)	0.1	(0.2)	-
Loss before tax from non-underlying items	(86.2)	18.1	(57.6)	23.3

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

7. EARNINGS PER SHARE

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

	52 weeks ended 2 April 2022		53 weeks ended 3 April 2021	
	Basic £m	Adjusted £m	Basic (restated) £m	Adjusted (restated) £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 Number of shares (000's)	53 weeks ended 3 April 2021 Number of shares (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 Pence	53 weeks ended 3 April 2021 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.

Notes to the accounts

8. RATES OF EXCHANGE

	2022 Average	2022 Year end	2021 Average	2021 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

9. GOODWILL

	£m
Cost	
At 29 March 2020	222.6
Exchange movements	(7.8)
At 3 April 2021	214.8
At 4 April 2021	214.8
Arising on acquisition	74.1
Exchange movements	2.6
At 2 April 2022	**291.4**
Accumulated impairment	
At 3 April 2021	(50.0)
Exchange movements	3.1
At 2 April 2022	**(46.9)**
Net Book Value	
At 2 April 2022	**244.6**
At 3 April 2021	164.8

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

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

Operating and reported segments	Cash Generating Units	2022 £m	2021 £m
UK & Europe - Soft Flooring	UK & Europe - Soft Flooring (carpet and underlay)	**32.7**	30.7
	UK & Europe - Artificial Grass	**40.4**	6.7
UK & Europe - Ceramic Tiles	UK & Europe - Ceramic Tiles (Spain/Turkey)	**100.9**	99.2
	UK & Europe - Ceramic Tiles (Italy)	**14.7**	13.8
Australia	Australia	**14.9**	14.4
North America	North America	**41.0**	–
		244.6	164.8

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

The recoverable amounts of the goodwill have been determined based on value in use calculations. The key assumptions for the value in use calculations are those regarding revenue growth and margin trends. The discount rates and growth rates used in these calculations have been sensitised as part of current year testing procedures. The discount rates are estimated using post-tax weighted-average costs of capital (WACC) that reflect current market assessments of the time value of money, based on risks specific to the markets in which the businesses operate. The primary reasons for the difference in rates between the divisions are the differences in underlying risk-free rates and cost of debt across the different geographies. The calculation uses post-tax cash flow projections based on the latest management approved budgets and forecasts covering a period of five years, which yields the same results as if calculated on a pre-tax basis. Revenue and margin growth have been derived based on past experience and knowledge of management. At the end of the five-year forecast period, a terminal value was calculated based on the terminal growth rate assumptions for each CGU.

9. GOODWILL (CONTINUED)

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

	2022			2021		
Cash Generating Units	**Post-tax WACC %**	**Pre-tax WACC %**	**Terminal growth rate %**	Post-tax WACC %	Pre-tax WACC %	Terminal growth rate %
UK & Europe - Soft Flooring (carpet and underlay)	**8.8%**	**11.7%**	**2.00%**	8.1%	10.8%	2.00%
UK & Europe - Artificial Grass	**8.4%**	**11.2%**	**2.00%**	7.6%	10.1%	2.00%
UK & Europe - Ceramic Tiles (Spain/Turkey)	**8.5%**	**11.3%**	**1.75%**	7.5%	10.0%	1.75%
UK & Europe - Ceramic Tiles (Italy)	**8.3%**	**11.4%**	**1.50%**	7.4%	10.3%	1.50%
Australia	**9.6%**	**13.8%**	**2.25%**	8.8%	11.7%	2.25%
North America	**9.4%**	**12.7%**	**2.25%**	N/A	N/A	N/A

No reasonably possible changes in assumptions in the value in use calculations for any CGUs would give rise to an implied impairment. The CGU that is most sensitive to changes in key assumptions is the 'Spain/Turkey' CGU. The discount rate applied would need to increase by 1.5% before the carrying amount of the CGU would exceed its recoverable amount. The assumed cashflows would need to decrease by 19.4% across the five year forecast period before the carrying amount of the CGU would exceed its recoverable amount. Management does not consider either scenario to be reasonably possible. Goodwill comprises intangible assets that do not qualify for separate recognition, in particular the existing workforce. None of the goodwill is expected to be tax deductible.

10. INTANGIBLE ASSETS

Group		Customer relationships £m	Brand names £m	Other Acquired Intangibles £m	IT Software £m	Group Total £m
Cost	At 29 March 2020	243.8	59.4	4.8	3.1	311.3
	Additions	–	–	–	0.9	0.9
	Business combinations	14.4	1.5	–	0.0	15.9
	Exchange difference	(8.9)	(2.4)	(0.3)	(0.2)	(11.7)
	At 3 April 2021	249.3	58.5	4.6	3.6	316.0
	At 4 April 2021	**249.3**	**58.5**	**4.6**	**3.6**	**316.0**
	Additions	**–**	**–**	**–**	**2.0**	**2.0**
	Disposals	**–**	**–**	**–**	**(0.9)**	**(0.9)**
	Business combinations	**57.0**	**10.7**	**–**	**0.4**	**68.1**
	Exchange difference	**(1.2)**	**(0.3)**	**–**	**(0.1)**	**(1.6)**
	At 2 April 2022	**305.1**	**68.9**	**4.6**	**5.0**	**383.6**
Amortisation	At 29 March 2020	52.8	10.4	2.8	1.0	67.0
	Charge for the period	21.9	3.8	1.2	0.7	27.5
	Exchange difference	(1.9)	(0.5)	(0.2)	(0.1)	(2.6)
	At 3 April 2021	72.8	13.8	3.8	1.4	91.8
	At 4 April 2021	**72.8**	**13.8**	**3.8**	**1.4**	**91.8**
	Charge for the period	**27.4**	**4.3**	**0.7**	**0.9**	**33.3**
	Impairment	**–**	**–**	**–**	**–**	**–**
	Disposals	**–**	**–**	**–**	**(0.9)**	**(0.9)**
	Exchange difference	**(0.2)**	**(0.1)**	**–**	**–**	**(0.3)**
	At 2 April 2022	**100.0**	**18.0**	**4.5**	**1.4**	**123.9**
Net book value	At 2 April 2022	**205.1**	**50.9**	**0.1**	**3.6**	**259.7**
	At 3 April 2021	176.5	44.7	0.8	2.2	224.2
	At 29 March 2020	191.0	49.0	2.0	2.1	244.3

Within intangible assets includes a Keraben customer relationship asset of £63.6m (2021: £70.1m) which has a remaining life of 8 years and 8 months, and Saloni customer relationship asset of £31.0m (2021: £35.0m) which has a remaining life of 7 years and 4 months.

Notes to the accounts

10. INTANGIBLE ASSETS (CONTINUED)

Company		Customer relationships £m	Brand names £m	Other Acquired Intangibles £m	IT Software £m	Group Total £m
Cost	At 4 April 2021	**–**	**–**	**–**	**0.5**	**0.5**
	Additions	**–**	**–**	**–**	**0.2**	**0.2**
	At 2 April 2022	**–**	**–**	**–**	**0.7**	**0.7**
Amortisation	At 4 April 2021	**–**	**–**	**–**	**0.3**	**0.3**
	Charge for the period	**–**	**–**	**–**	**0.1**	**0.1**
	At 2 April 2022	**–**	**–**	**–**	**0.4**	**0.4**
Net book value	At 2 April 2022	**–**	**–**	**–**	**0.2**	**0.2**
	At 3 April 2021	–	–	–	0.2	0.2
	At 29 March 2020	–	–	–	0.2	0.2

11. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land and buildings £m	Plant and machinery £m	Fixtures, vehicles and equipment £m	Total £m
Cost				
At 29 March 2020	98.0	152.0	26.0	276.0
Additions	1.0	15.9	8.8	25.6
Disposals	–	(9.4)	(6.8)	(16.2)
Business combinations	1.9	1.2	1.2	4.2
Exchange differences	(3.7)	0.1	1.4	(2.3)
At 3 April 2021	97.1	159.8	30.5	287.3
At 4 April 2021	**97.1**	**159.8**	**30.5**	**287.3**
Additions	**7.1**	**26.1**	**17.6**	**50.7**
Disposals	**(5.2)**	**(5.8)**	**(16.5)**	**(27.5)**
Business combinations	**31.5**	**8.2**	**4.1**	**43.8**
Exchange differences	**(2.2)**	**(0.6)**	**0.3**	**(2.5)**
At 2 April 2022	**128.4**	**187.6**	**36.0**	**351.8**
Accumulated depreciation				
At 29 March 2020	5.5	47.5	11.4	64.4
Charge for the period	2.2	20.4	10.5	33.2
Disposals	–	(8.4)	(6.7)	(15.1)
Exchange differences	(0.6)	2.5	0.8	2.7
At 3 April 2021	7.2	62.0	16.0	85.2
At 4 April 2021	**7.2**	**62.0**	**16.0**	**85.2**
Charge for the period	**2.6**	**22.7**	**10.2**	**35.5**
Disposals	**(2.5)**	**(8.2)**	**(14.3)**	**(25.1)**
Exchange differences	**(0.1)**	**0.2**	**0.2**	**0.2**
At 2 April 2022	**7.1**	**76.7**	**12.1**	**95.8**
Net Book Value				
At 2 April 2022	**121.2**	**111.0**	**23.9**	**256.0**
At 3 April 2021	89.9	97.8	14.5	202.1
At 31 March 2019	92.5	104.5	15.0	211.6

The Company holds no property, plant and equipment.

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Right of Use Assets

Group	Land and buildings £m	Plant and machinery £m	Fixtures, vehicles and equipment £m	Total £m
Cost				
At 28 March 2020	72.3	2.8	13.4	88.5
Business combinations	6.3	0.5	–	6.8
Additions	2.8	0.7	8.4	11.9
Modifications	(0.5)	(0.6)	–	(1.1)
Terminations	(0.9)	(0.9)	(1.3)	(3.1)
Exchange differences	(0.3)	(0.1)	(0.1)	(0.6)
At 3 April 2021	79.7	2.5	20.4	102.5
At 4 April 2021	**79.7**	**2.5**	**20.4**	**102.5**
Business combinations	**14.9**	**7.9**	**2.0**	**24.8**
Additions	**6.4**	**1.3**	**3.4**	**11.1**
Modifications	**0.5**	**–**	**(0.4)**	**0.2**
Terminations	**(1.6)**	**(0.1)**	**(2.3)**	**(3.9)**
Exchange differences	**(0.1)**	**(0.3)**	**(0.1)**	**(0.5)**
At 2 April 2022	**99.8**	**11.4**	**23.2**	**134.3**
Accumulated depreciation				
At 28 March 2020	6.4	0.7	2.9	10.0
Charge for the period	8.1	1.1	4.5	13.8
Modifications	(0.1)	(0.5)	(0.1)	(0.7)
Terminations	(0.9)	(0.9)	(1.3)	(3.1)
Exchange differences	–	–	–	–
At 3 April 2021	13.5	0.4	6.0	20.0
At 4 April 2021	**13.5**	**0.4**	**6.0**	**20.0**
Charge for the period	**10.4**	**1.9**	**6.5**	**18.8**
Modifications	**(0.1)**	**–**	**(0.1)**	**(0.2)**
Terminations	**(1.6)**	**(0.1)**	**(2.3)**	**(3.9)**
Exchange differences	**0.1**	**–**	**–**	**–**
At 2 April 2022	**22.3**	**2.3**	**10.2**	**34.8**
Net Book Value				
At 2 April 2022	**77.5**	**9.1**	**13.0**	**99.6**
At 3 April 2021	66.1	2.1	14.4	82.6
At 28 March 2020	65.9	2.1	10.5	78.5

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

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

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

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

Notes to the accounts

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Land and buildings £m	Plant and machinery £m	Fixtures, vehicles and equipment £m	Total £m
Cost				
At 28 March 2020	6.4	–	–	6.4
Additions	–	–	0.1	0.1
At 3 April 2021	6.4	–	0.1	6.5
At 4 April 2021	**6.4**	**–**	**0.1**	**6.5**
Modifications	**0.2**	**–**	**–**	**0.2**
At 2 April 2022	**6.6**	**–**	**0.1**	**6.7**
Accumulated depreciation				
At 28 March 2020	0.4	–	–	0.4
Charge for the period	0.5	–	–	0.5
At 3 April 2021	0.9	–	–	**0.9**
At 4 April 2021	**0.9**	**–**	**–**	**0.9**
Charge for the period	**0.4**	**–**	**0.1**	**0.5**
At 2 April 2022	**1.3**	**–**	**0.1**	**1.4**
Net Book Value				
At 2 April 2022	**5.3**	**–**	**–**	**5.3**
At 3 April 2021	5.6	–	0.1	5.7
At 28 March 2020	6.0	–	–	6.0

Group capital expenditure authorised and committed at the period end:

	2022 £m	2021 £m
Contracts placed	**11.2**	3.5

12. FIXED ASSET INVESTMENTS

	Note	**Group 2022 £m**	Group 2021 £m	**Company 2022 £m**	Company 2021 £m
Investment property	(a)	**0.2**	0.2	**0.1**	0.1
Investment in subsidiaries	(b)	**–**	–	**251.8**	201.7
Investment in associates	(c)	**–**	–	**–**	–

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

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

(b) Victoria PLC owns directly or indirectly the whole of the allotted ordinary share capital of the following subsidiary companies. The increase in the year represents: a capital contribution of an intercompany loan in Victoria US Holdings (£27.2m), Victoria Holdco BV (£20.6m), Millennium Weavers N.V (£1.1m); and the allocation of share-based payment charges to the relevant subsidiaries (£1.1m).

12. FIXED ASSET INVESTMENTS (CONTINUED)

As at 2 April 2022	Country of incorporation and operation	Nature of business	Ownership
Primary Flooring Pty Limited	Australia	Underlay manufacturer	Indirect
Quest Flooring Pty Ltd	Australia	Carpet manufacturer	Indirect
The Victoria Carpet Company Pty Limited	Australia	Carpet manufacturer	Indirect
Millennium Weavers N.V	Belgium	Carpet distributor	Indirect
Abingdon Flooring Limited	England	Carpet manufacturer	Indirect
Alliance Flooring Distribution Limited*	England	Logistic Services	Indirect
Carpet Line Direct Limited*	England	Non–trading	Indirect
Distinctive Flooring Limited*	England	Flooring distributor	Indirect
Ezi Floor Limited*	England	Underlay manufacturer	Indirect
Flooring at Home Limited*	England	Non–trading	Direct
Gaskell Mackay Carpets Limited*	England	Non–trading	Indirect
Globesign Limited*	England	Holding Company	Indirect
G-Tuft (2015) Limited*	England	Non–trading	Indirect
G-Tuft (Holdings) Limited*	England	Holding Company	Indirect
G-Tuft Limited*	England	Carpet manufacturer	Indirect
Hanover Carpets Ltd*	England	Non–trading	Indirect
Hanover Flooring Ltd*	England	Carpet distributor	Indirect
Interfloor Group Limited*	England	Non–trading	Indirect
Interfloor Limited	England	Underlay manufacturer	Indirect
Interfloor Operations Limited*	England	Non–trading	Indirect
Millennium Weavers Limited*	England	Carpet distributor	Indirect
Saloni UK Limited*	England	Ceramic tile distributor	Indirect
Stikatak Limited*	England	Non–trading	Indirect
Tacktrim Limited*	England	Non–trading	Indirect
The Victoria Carpet Company Limited*	England	Non–trading	Indirect
Thomas Witter Carpets Limited*	England	Non–trading	Indirect
Venture Floorcoverings Limited*	England	Carpet distributor	Indirect
Victoria Carpets Limited*	England	Carpet distributor	Indirect
Victoria Midco Holdings Limited*	England	Holding Company	Direct
View Logistics Limited	England	Carpet distributor	Indirect
V-Line Carpets Limited*	England	Non–trading	Indirect
Westex (Carpets) Limited*	England	Carpet manufacturer	Indirect
Whitestone Carpets Holdings Limited*	England	Holding Company	Indirect
Whitestone Weavers Limited*	England	Non–trading	Indirect
Estillon SARL	France	Underlay distributor	Indirect
Saloni France S.A.S.	France	Ceramic tile distributor	Indirect
Estillon GMBH	Germany	Underlay distributor	Indirect
Keraben Guatemala	Guatemala	Ceramic tile manufacturing services	Indirect
Munster Carpets Limited	Ireland	Carpet distributor	Indirect
Hugh Mackay Carpets	Ireland	Carpet distributor	Indirect
Abingdon Flooring (Ireland) Ltd	Ireland	Carpet distributor	Indirect
Ascot Gruppo Ceramiche SRL	Italy	Ceramic tile manufacturer	Indirect
Ceramiche Serra S.p.A	Italy	Ceramic tile manufacturer	Indirect
Colli di Sassuolo S.r.l.	Italy	Ceramic tile manufacturer	Indirect
Keradom S.r.l	Italy	Ceramic tile manufacturer	Indirect
Santa Maria S.r.l	Italy	Ceramic tile manufacturer	Indirect
Self Style S.R.L	Italy	Ceramic tile distributor	Indirect
Victoria Ceramiche Holdco S.r.l	Italy	Holding Company	Indirect
Victoria Ceramiche Holdco 2 S.r.l	Italy	Holding Company	Indirect

Notes to the accounts

12. FIXED ASSET INVESTMENTS (CONTINUED)

As at 2 April 2022	Country of incorporation and operation	Nature of business	Ownership
Saloni Portugal Materiais De Construcao LTDA	Portugal	Ceramic tile distributor	Indirect
Ceramica Saloni, S.A.	Spain	Ceramic tile manufacturer	Indirect
Iberoceramica S.L.U.	Spain	Ceramic tile manufacturer	Indirect
Keraben Grupo S.A.U	Spain	Ceramic tile manufacturer	Indirect
Kerainvest S.L.	Spain	Non–trading	Indirect
Kinsan Trade, S.L.	Spain	Holding Company	Indirect
Sandover Investments, S.L.U	Spain	Holding Company	Indirect
Sanicova, S.L.	Spain	Ceramic tile distributor	Indirect
Avalon BV	The Netherlands	Artificial grass distributor	Indirect
Edel Grass BV	The Netherlands	Artificial grass distributor	Indirect
Edel Group B.V	The Netherlands	Holding Company	Indirect
Estillon B.V	The Netherlands	Underlay manufacturer	Indirect
GrassInc BV	The Netherlands	Artificial grass distributor	Indirect
Rex Invest BV	The Netherlands	Holding Company	Indirect
Landscape Solutions BV	The Netherlands	Artificial grass distributor	Indirect
Schramm GMBH	The Netherlands	Synthetic yarn manufacturer	Indirect
Schramm GMBH CO. KG	The Netherlands	Synthetic yarn manufacturer	Indirect
United Works Grass BV	The Netherlands	Artificial grass manufacturer	Indirect
United Works Holding Backing BV	The Netherlands	Carpet and artificial grass manufacturer	Indirect
United Works Holding BV	The Netherlands	Holding Company	Indirect
United Works International BV	The Netherlands	Holding Company	Indirect
Victoria Bidco BV	The Netherlands	Holding Company	Indirect
Victoria Holdco B.V	The Netherlands	Holding Company	Indirect
B3 Ceramics Danişmanlik Ve Yönetim Hizmetleri Ticaret A.Ş.	Turkey	Holding Company	Indirect
Graniser Granit Seramik Sanayi ve Ticaret A.Ş.	Turkey	Ceramic tile manufacturer	Indirect
Graniser İç ve Dış Ticaret A.Ş.	Turkey	Ceramic tile distributor	Indirect
Sahika Madencilik Nakliyat Makine Insaat Ambalaj Turizm Sanayi Ticaret. A.S.	Turkey	Mining	Indirect
Cali Bamboo Holdings Inc.	USA	Holding Company	Indirect
Cali Bamboo Intermediate Holdings, Inc.	USA	Holding Company	Indirect
Cali Bamboo LLC	USA	Flooring distributor	Indirect
Victoria US Holdings Inc.	USA	Holding Company	Indirect

** The Directors have taken advantage of the exemption available under Section 479A of the Companies Act 2006 relating to the requirement for the audit of the individual accounts for the companies annotated as Victoria PLC has provided these companies with a parental guarantee.*

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

As at 2 April 2022	Percentage ownership
Keraben Bolivia, S.R.L.	50%
Easylay Systems Limited	20%

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

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

13. INVENTORIES

Inventories held at year-end	2022 £m	2021 £m
Raw materials	66.7	42.9
Work-in-progress	7.1	4.1
Finished goods	206.9	117.4
	280.7	164.4

During the year to 2 April 2022, the total movement in stock provisions resulted in a credit to the income statement of £0.8m (2021 charge: £5.6m).

Acquired emission rights included within finished goods at 2 April 2022 amounted to £3.2m (2021: £5.6m).

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

14. TRADE AND OTHER RECEIVABLES

Amounts falling due within one year:

	Group 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 £m
Trade debtors	192.4	131.0	–	–
Amounts owed by subsidiaries	–	–	31.6	29.5
Other debtors	22.6	15.0	1.9	1.9
Prepayments and accrued income	8.7	4.0	0.1	0.1
	223.8	150.1	33.7	31.5

Amounts falling due after one year:

	Group 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 £m
Amounts owed by subsidiaries	–	–	590.6	428.7
	–	–	590.6	428.7

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

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

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

14. TRADE AND OTHER RECEIVABLES (CONTINUED)

The above amounts are stated net of a provision (net of VAT) of £8.4m (2021: £5.7m) made for doubtful debts and expected credit losses. The movement of the provision during the year is summarised below:

	2022 £m	2021 £m
Opening balance at 4 April 2021	5.7	6.6
Expected credit loss provisions recognised on acquisition of subsidiaries	2.8	–
Increase in provisions	1.3	1.5
Utilisation of provisions	(0.9)	(2.3)
Exchange differences	(0.1)	(0.2)
Closing balance at 2 April 2022	8.7	5.7

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

2 April 2022	Gross carrying amount £m	Lifetime expected credit loss £m	Net carrying amount £m	Expected credit loss rate %
Current	142.1	(2.1)	140.0	1.5%
1-30 days overdue	33.4	(0.2)	33.2	0.6%
31-60 days overdue	7.2	(0.1)	7.1	1.6%
> 60 days overdue	18.4	(6.3)	12.1	34.1%
Total	201.1	(8.7)	192.4	4.3%

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

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

15. TRADE AND OTHER PAYABLES

Amounts falling due within one year:

	Group 2022 £m	2021 £m	Company 2022 £m	2021 £m
Trade creditors	213.7	122.2	–	–
Amounts due to subsidiaries	–	–	–	0.1
Deferred consideration	0.2	4.0	–	–
Acquisition-related performance plan liabilities	24.5	26.7	–	–
Other creditors	55.5	38.2	1.7	4.2
Accruals	43.0	22.6	5.5	7.5
Deferred income	0.3	0.1	–	–
	337.2	213.8	7.2	11.7

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

Amounts falling due after one year:

	Group 2022 £m	2021 £m	Company 2022 £m	2021 £m
Deferred consideration	3.9	7.9	–	–
Acquisition-related performance plan liabilities	–	–	–	–
Deferred income	1.1	2.6	–	–
Other creditors	2.5	6.6	–	–
	7.5	17.0	–	–

Deferred and contingent earn-out liabilities are in connection with the acquisitions of Estillon and Hanover Flooring Limited (deferred element only). The deferred earn-out liabilities falling due after one year of £3.9m are all due between one to two years.

Included within current acquisition-related performance plan liabilities is an amount of £nil (2021: £8.0m) relating to the plan put in place with the Keraben senior management team on acquisition of the business in FY18. This performance plan vested during the year and was settled in cash. £7.2m of the amount settled relates to amounts reinvested by the senior management team at the point of acquisition. This repayment of capital is considered to be settling a financial liability and has therefore been disclosed as part of financing activities in the cash flow statement.

Deferred income relates to government grants.

16. OTHER FINANCIAL LIABILITIES

Amounts falling due within one year:

	Group 2022 £m	2021 £m	Company 2022 £m	2021 £m
Bank overdrafts	15.6	4.0	–	1.7
Unsecured loans	9.6	26.2	–	11.9
Obligations under right-of-use leases	16.9	13.0	0.4	0.2
	42.1	43.3	0.4	13.7

Notes to the accounts

16. OTHER FINANCIAL LIABILITIES (CONTINUED)

Amounts falling due after one year:

	Group 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 £m
Senior secured debt (net of prepaid finance costs):				
– due between one and two years	**–**	–	**–**	–
– due between two and five years	**414.2**	–	**414.2**	–
– due over five years	**209.2**	622.1	**209.2**	622.1
Unsecured loans:				
– due between one and two years	**4.0**	14.0	**–**	–
– due between two and five years	**9.1**	5.0	**–**	–
– due over five years	**9.5**	6.4	**–**	–
Preferred equity	**207.9**	70.1	**207.9**	70.1
Preferred equity – contractually-linked warrants	**46.4**	6.1	**46.4**	6.1
Obligations under right-of-use leases:				
– due between one and two years	**15.4**	11.1	**0.4**	–
– due between two and five years	**31.4**	18.3	**1.2**	–
– due over five years	**41.9**	44.6	**3.5**	5.8
	989.0	797.7	**882.8**	704.0

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.

16. OTHER FINANCIAL LIABILITIES (CONTINUED)

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).

16. OTHER FINANCIAL LIABILITIES (CONTINUED)

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 £m	2021 £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.

Notes to the accounts

17. FINANCIAL ASSETS AND LIABILITIES

The financial assets of the Group comprised:

Group	At 2 April 2022 Amortised cost £m	Financial assets held at fair value through profit and loss £m	Assets not within the scope of IFRS 9 £m	Total £m	At 3 April 2021 Amortised cost £m	Financial assets held at fair value through profit and loss £m	Assets not within the scope of IFRS 9 £m	Total £m
Cash								
Sterling	**36.8**	**–**	**–**	**36.8**	51.7	–	–	51.7
US Dollars	**13.0**	**–**	**–**	**13.0**	1.8	–	–	1.8
Euros	**204.0**	**–**	**–**	**204.0**	279.1	–	–	279.1
Australian Dollars	**17.9**	**–**	**–**	**17.9**	15.1	–	–	15.1
New Zealand Dollars	**1.3**	**–**	**–**	**1.3**	1.0	–	–	1.0
Turkish Lira	**0.6**	**–**	**–**	**0.6**	–	–	–	–
	273.6	**–**	**–**	**273.6**	348.8	–	–	348.8
Current assets								
Trade and other receivables	**212.3**	**2.8**	**8.7**	**223.8**	146.1	–	4.0	150.1
Current Inventories	**–**	**–**	**280.7**	**280.7**	–	–	164.4	164.4
Current assets	**485.9**	**2.8**	**289.4**	**778.1**	494.9	–	168.5	663.4

17. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

The financial liabilities of the Group comprised:

	At 2 April 2022				At 3 April 2021			
Group	Other financial liabilities at amortised cost £m	Financial liabilities held at fair value through profit and loss £m	Liabilities not within the scope of IFRS 9 £m	Total £m	Other financial liabilities at amortised cost £m	Financial liabilities held at fair value through profit and loss £m	Liabilities not within the scope of IFRS 9 £m	Total £m
Overdraft								
Sterling	–	–	–	–	1.5	–	–	1.5
US Dollars	–	–	–	–	–	–	–	–
Euro	15.6	–	–	15.6	2.5	–	–	2.5
	15.6	–	–	15.6	4.0	–	–	4.0
Current liabilities								
Trade and other payables	298.2	–	14.2	312.4	172.2	–	12.6	184.8
Acquisition-related performance plan liability	16.2	–	8.3	24.5	–	–	26.7	26.7
Current tax liabilities	–	–	0.7	0.7	–	–	5.1	5.1
Forward foreign exchange contracts	–	0.3	–	0.3	–	2.3	–	2.3
Obligations under right-of-use leases	16.9	–	–	16.9	13.0	–	–	13.0
Unsecured loans	9.6	–	–	9.6	26.2	–	–	26.2
Current liabilities	356.5	0.3	23.2	380.0	215.4	2.3	44.5	262.1
Non-current liabilities								
Trade and other payables	6.4	–	1.1	7.5	14.9	–	2.1	17.0
Acquisition-related performance plan liability	–	–	–	–	–	–	–	–
Deferred tax liabilities	–	–	81.4	81.4	–	–	62.9	62.9
Retirement benefit obligations	–	–	4.9	4.9	–	–	6.5	6.5
Obligations under right-of-use leases	88.7	–	–	88.7	74.0	–	–	74.0
Senior secured debt	626.1	(2.7)	–	623.4	631.1	(9.0)	–	622.1
Preferred Equity	228.4	(20.5)	–	207.9	72.6	(0.5)	(2.1)	70.1
Preferred equity – contractually-linked warrants	–	46.4	–	46.4	–	6.1	–	6.1
Unsecured loans	22.6	–	–	22.6	25.5	–	–	25.5
Non-current liabilities	972.2	23.2	87.4	1,082.8	818.2	(3.4)	69.4	884.1
Total liabilities	1,328.7	23.5	110.6	1,462.8	1,033.6	(1.1)	113.8	1,146.2

Notes to the accounts

17. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

The financial assets of the Company comprised:

Company	At 2 April 2022 Amortised cost £m	Financial assets held at fair value through profit and loss £m	Assets not within the scope of IFRS 9 £m	Total £m	At 3 April 2021 Amortised cost £m	Financial assets held at fair value through profit and loss £m	Assets not within the scope of IFRS 9 £m	Total £m
Cash								
Sterling	20.7	–	–	20.7	39.8	–	–	39.8
US Dollars	–	–	–	–	0.0	–	–	0.0
Euros	156.6	–	–	156.6	221.8	–	–	221.8
Australian Dollars	0.6	–	–	0.6	2.8	–	–	2.8
	177.9	–	–	177.9	264.4	–	–	264.4
Current assets								
Trade and other receivables	33.5	–	0.1	33.7	31.4	–	0.1	31.5
Forward foreign exchange contracts	–	–	–	–	–	–	–	–
Current assets	211.5	–	0.1	211.6	295.8	–	0.1	295.9
Non-current assets								
Amounts owed by subsidiaries	590.6	–	–	590.6	428.7	–	–	428.7
Deferred tax assets	–	–	5.2	5.2	–	–	0.6	0.6
Non-current assets	590.6	–	5.2	595.8	428.7	–	0.6	429.3
Total financial assets	802.1	–	5.4	807.4	724.5	–	0.7	725.2

17. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

The financial liabilities of the Company comprised:

Company	At 2 April 2022 Other financial liabilities at amortised cost £m	Financial liabilities held at fair value through profit and loss £m	Liabilities not within the scope of IFRS 9 £m	Total £m	At 3 April 2021 Other financial liabilities at amortised cost £m	Financial liabilities held at fair value through profit and loss £m	Liabilities not within the scope of IFRS 9 £m	Total £m
Overdraft								
Sterling	–	–	–	–	1.7	–	–	1.7
	–	–	–	–	1.7	–	–	1.7
Current liabilities								
Trade and other payables	6.9	–	–	6.9	9.3	–	0.1	9.4
Forward foreign exchange contracts	–	0.3	–	0.3	–	2.3	–	2.3
Obligations under right-of-use leases	0.4	–	–	0.4	0.2	–	–	0.2
Unsecured loans	–	–	–	–	11.9	–	–	11.9
Current liabilities	7.3	0.3	–	7.6	23.0	2.3	0.1	25.4
Non-current liabilities								
Obligations under right-of-use leases	5.2	–	–	5.2	5.8	–	–	5.8
Senior secured debt	626.1	(2.7)	–	623.4	631.1	(9.0)	–	622.1
Preferred Equity	228.4	(20.5)	–	207.9	72.6	(0.5)	(2.1)	70.1
Preferred equity – contractually-linked warrants	–	46.4	–	46.4	–	6.1	–	6.1
Unsecured loans	–	–	–	–	–	–	–	–
Non-current liabilities	859.7	23.2	–	882.8	709.5	(3.4)	(2.1)	704.1
Total liabilities	867.0	23.5	–	890.4	732.5	(1.1)	(1.9)	729.5

Fair value measurement of financial instruments

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

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

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

Forward foreign exchange contracts

These are Level two financial assets / liabilities and all expire within 12 months from 2 April 2022.

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

17. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Forward gas purchase contracts

These are Level two financial assets / liabilities and all expire within 12 months from 2 April 2022.

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

Embedded derivatives within senior secured notes

These are Level three assets.

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

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

- Increasing the volatility by 5% would result in an increase in the value of the embedded derivatives of £0.4m as at the year-end
- Decreasing the volatility by 5% would result in a decrease in the value of the embedded derivatives of £0.4m as at the year-end

Preferred equity, associated embedded derivatives; and warrants

These are Level three assets and liabilities.

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

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

The impact of sensitising these inputs on the values at 2 April 2022 is as follows:

- Increasing the ERP (assumed to be 13.313%) by 25 bps would result in a decrease in the value of the option to cash redeem asset of £5.5m
- Decreasing the ERP (assumed to be 13.313%) by 25 bps would result in an increase in the value of the option to cash redeem asset of £5.8m
- Increasing the volatility (assumed to be 50.0%) by 5% would result in a decrease in the value of the warrants liability of £3.5m
- Decreasing the volatility (assumed to be 50.0%) by 5% would result in an increase in the value of the warrants liability of £3.5m

There were no transfers between level one, level two and level three in 2022 or 2021.

17. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Analysis of net debt

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

Group	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)	–	**(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.

17. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Group	At 29 March 2020 £m	Cash flow £m	Capital expenditure £m	Acquisitions £m	Other non-cash changes £m	Exchange movement £m	At 3 April 2021 £m
Cash and cash equivalents	176.8	172.9	–	3.8	–	(4.7)	348.8
Bank overdraft	(2.1)	(1.9)	–	–	–	–	(4.0)
Net cash and cash equivalents	174.7	171.1	–	3.8	–	(4.7)	344.8
Senior secured debt (gross of prepaid finance costs):							
– due in more than one year	(463.3)	88.7	–	–	355.9	18.6	–
– Senior notes issued in the period - due in more than one year	–	(287.4)	–	–	(353.7)	8.2	(633.0)
– Revolving credit facility - due in more than one year	(74.4)	76.0	–	–	–	(1.5)	–
Unsecured loans:							
– due in less than one year	(2.8)	(27.1)	–	(2.4)	6.1	–	(26.2)
– due in more than one year	(12.8)	–	–	(7.5)	(5.1)	–	(25.5)
Obligations under right-of-use leases:							
– due in less than one year	(11.8)	11.3	(1.7)	(0.1)	(10.8)	–	(13.0)
– due in more than one year	(68.0)	–	(9.9)	(6.7)	10.2	0.4	(74.0)
Preferred equity (gross of prepaid finance costs)	–	(66.3)	–	–	(10.9)	–	(77.1)
Prepaid finance costs:							–
- In relation to preferred equity	–	0.9	–	–	–	–	0.9
- In relation to senior debt	9.9	10.8	–	–	(10.0)	0.2	10.9
Financing liabilities	(623.2)	(193.1)	(11.6)	(16.7)	(18.3)	25.9	(837.0)
Net debt including right-of-use lease liabilities, issue premia and prepaid finance costs	(448.5)	(22.0)	(11.6)	(13.0)	(18.3)	21.2	(492.2)

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

The Group's policy on Derivatives and Other Financial Instruments is set out in Note 24.

17. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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

Company	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	264.4	(87.9)	–	–	–	1.4	**177.9**
Bank overdraft	(1.7)	1.7	–	–	–	–	**–**
Net cash and cash equivalents	262.7	(86.2)	–	–	–	1.4	**177.9**
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	(11.9)	12.4	–	–	(0.5)	–	**–**
– due in more than one year	–	–	–	–	–	–	**–**
Net debt	(382.2)	(73.8)	–	–	(6.7)	7.3	**(455.3)**
Obligations under right-of-use leases:							
– due in less than one year	(0.2)	0.4	–	–	(0.6)	–	**(0.4)**
– due in more than one year	(5.8)	–	–	–	0.6	–	**(5.2)**
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	(716.2)	(135.8)	–	–	(37.2)	6.0	**(883.2)**
Net debt including right-of-use lease liabilities, issue premia, preferred equity and prepaid finance costs	(453.5)	(222.0)	–	–	(37.2)	7.4	**(705.3)**

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17. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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

Company	At 29 March 2020 £m	Cash flow £m	Capital expenditure £m	Acquisitions £m	Other non-cash changes £m	Exchange movement £m	At 3 April 2021 £m
Cash and cash equivalents	115.4	152.1	–	–	–	(3.2)	264.4
Bank overdraft	–	(1.7)	–	–	–	–	(1.7)
Net cash and cash equivalents	115.4	150.5	–	–	–	(3.2)	262.7
Senior secured debt (gross of prepaid finance costs):							
– Senior notes redeemed in the period – due in more than one year	(462.6)	88.7	–	–	355.2	18.6	–
– Senior notes issued in the period - due in more than one year	–	(287.4)	–	–	(353.7)	8.2	(633.0)
– Revolving credit facility - due in more than one year	(74.4)	76.0	–	–	–	(1.5)	–
Unsecured loans:							
– due in less than one year	–	–	–	–	(11.9)	–	(11.9)
– due in more than one year	(11.6)	–	–	–	11.6	–	–
Obligations under right-of-use leases:							
– due in less than one year	(0.3)	0.4	(0.1)	–	(0.2)	–	(0.2)
- due in more than one year	(5.8)	–	–	–	–	–	(5.8)
Preferred equity (gross of prepaid finance costs)	–	(66.3)	–	–	(10.9)	–	(77.1)
Prepaid finance costs:	–	–	–	–	–	–	–
– In relation to preferred equity	–	0.9	–	–	–	–	0.9
– In relation to senior debt	9.9	10.8	–	–	(10.0)	0.2	10.9
Financing liabilities	(544.8)	(176.9)	(0.1)	–	(19.9)	25.5	(716.2)
Net debt including right-of-use lease liabilities, issue premia and prepaid finance costs	(429.4)	(26.4)	(0.1)	–	(19.8)	22.3	(453.4)

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

Amounts falling due within one year:

	Group 2022 £m	2021 £m	Company 2022 £m	2021 £m
Deferred consideration	**0.2**	4.0	**–**	–
	0.2	4.0	**–**	–

Amounts falling due after one year:

	Group 2022 £m	2021 £m	Company 2022 £m	2021 £m
Deferred consideration:				
– due between one and two years	**3.9**	4.0	**–**	–
– due between two and five years	**–**	3.9	**–**	–
	3.9	7.9	**–**	–

18. LOW VALUE AND SHORT-TERM LEASE ARRANGEMENTS

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

Minimum lease payments	Group 2022 £m	2021 £m	Company 2022 £m	2021 £m
Within one year	**0.5**	0.3	**–**	–
In the second to fifth years inclusive	**0.3**	–	**–**	–
After five years	**–**	–	**–**	–
	0.8	0.3	**–**	–

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

19. DEFERRED TAX

	Group £m	Company £m
At 29 March 2020	63.5	(1.4)
(Credit) / charge to income statement (see Note 6)	(19.6)	0.8
Deferred tax on intangible assets acquired	3.7	–
Exchange adjustment	(1.9)	–
At 03 April 2021	45.7	(0.6)
At 04 April 2021	**45.7**	**(0.6)**
Credit to income statement (see Note 6)	**(9.4)**	**(4.6)**
Deferred tax on intangible assets acquired	**16.3**	**–**
Adjustment for acquisitions in the year	**2.0**	**–**
Exchange adjustment	**(0.4)**	**–**
At 2 April 2022	**54.2**	**(5.2)**

Movement in deferred tax during the year

	4 April 2021 £m	Income statement £m	Statement of comprehensive income £m	Brought in on acquisition £m	Exchange adjustment £m	**2 April 2022 £m**
Fixed assets	1.8	1.8	–	4.1	(0.5)	**7.2**
Inventory	–	(1.2)	–	1.2	–	**–**
Tax losses	(3.7)	(4.9)	–	(0.7)	–	**(9.3)**
Intangible assets	55.6	(7.6)	–	16.3	(0.8)	**63.5**
Defined benefit pension	(1.2)	(0.1)	–	–	–	**(1.3)**
Spain contingent payment	(12.5)	–	–	–	0.2	**(12.3)**
Other timing differences	5.7	2.7	–	(2.6)	0.7	**6.5**
	45.7	(9.4)	–	18.3	(0.4)	**54.2**

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19. DEFERRED TAX (CONTINUED)

Movement in deferred tax during the prior year

	29 March 2020 £m	Income statement £m	Statement of comprehensive income £m	Brought in on acquisition £m	Exchange adjustment £m	3 April 2021 £m
Fixed assets	1.0	0.9	–	–	(0.1)	1.8
Investment property	(0.1)	0.1	–	–	–	–
Tax losses	(3.0)	(0.7)	–	–	–	(3.7)
Intangible assets	60.0	(5.9)	–	3.7	(2.2)	55.6
Defined benefit pension	(1.2)	–	–	–	–	(1.2)
Spain contingent payment	–	(13.0)	–	–	0.5	(12.5)
Other timing differences	6.8	(1.0)	–	–	(0.1)	5.7
	63.5	(19.6)	–	3.7	(1.9)	45.7

The provision for deferred taxation is as follows:

	Group 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 £m
Fixed assets	**7.2**	1.8	**–**	–
Tax losses	**(9.3)**	(3.7)	**(4.5)**	(0.4)
Deferred tax on intangible assets acquired	**63.5**	55.6	**–**	–
Deferred tax on defined benefit pension	**(1.3)**	(1.2)	**–**	–
Deferred tax recognised on contingent payment	**(12.3)**	(12.5)	**–**	–
Other timing differences	**6.5**	5.7	**(0.7)**	(0.2)
	54.2	45.7	**(5.2)**	(0.6)

The provision is based on taxation rates of 25% in respect of balances relating to the UK businesses (as noted below), 30% in respect of balances relating to the Australian businesses, 25% in respect of balances relating to the Dutch businesses, 25% in respect of balances relating to the Spanish business, 23% in respect of balances relating to the Turkish business, 29% in respect of balances relating to the Belgian business, 25% in respect of balances relating to the North American business and 27.9% in respect of balances relating to the Italian business.

The amount of Group unrecognised losses (net) for deferred tax at 2 April 2022 was £11.0m (2021: £8.5m), comprising tax losses of £1.1m (2021: £0.8m) and Corporate Interest Restriction of £9.9m (2021: £7.7m).

The amount of Company unrecognised losses (net) for deferred tax at 2 April 2022 was £9.9m (2021: £7.7m) in relation to Corporate Interest Restriction.

Effect on UK deferred tax balances of proposed changes in the UK corporation tax rate

The UK corporation tax rate is scheduled to increase from 19% to 25% with effect from 1 April 2023, having been substantively enacted under the Finance Act 2021. Accordingly, deferred tax balances at 2 April 2022 have been calculated at the rate at which the relevant balance is expected to be recovered or settled.

Deferred tax assets and liabilities

The deferred tax balances shown on the balance sheet are:

	Group 2022 £m	Group 2021 £m	Company 2022 £m	Company 2021 £m
Deferred tax liabilities	**81.4**	62.9	**–**	–
Deferred tax assets	**(27.2)**	(17.2)	**(5.2)**	(0.6)
	54.2	45.7	**(5.2)**	(0.6)

20. RETIREMENT BENEFIT OBLIGATIONS

Defined contribution schemes

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

Contributions are charged to the Income Statement as incurred and amounted to £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.

Investment risk

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

Interest risk

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

Longevity risk

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

20. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

Inflation risk

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

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

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

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

	2022	2021
Discount rate	2.7%	1.9%
Revaluation rate of deferred pensioners of CPI or 5% p.a. if less	3.2%	2.7%
Pension in payment increases of RPI or 5% p.a. if less	3.7%	3.3%
Pension in payment increases of CPI or 3% p.a. if less	2.4%	2.2%
Inflation (RPI)	4.0%	3.5%
Inflation (CPI)	3.2%	2.7%

The assumptions relating to longevity underlying the pension liabilities at the Consolidated Statement of Financial Position date are based on 110% of the standard actuarial mortality tables and include an allowance for future improvements in longevity. The assumptions are equivalent to expecting a 65 year-old to live for a number of years as follows:

(i) Current pensioner aged 65: 21.1 years (male), 23.5 years (female).

(ii) Future retiree (aged 45) upon reaching 65: 22.1 years (male), 24.6 years (female).

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

	2022 £m	2021 £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 £m	2021 £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)

20. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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 £m	2021 £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

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

	2022 £m	2021 £m
Opening defined benefit obligation	31.2	28.4
Interest cost	0.6	0.6
Remeasurement (gains)/losses:	–	–
Actuarial (gains) arising from changes in demographic assumptions	0.5	0.4
Actuarial (gains) and losses arising from changes in financial assumptions	(1.5)	3.2
Actuarial (gains) arising from experience adjustments	–	–
Benefits paid and expenses	(1.6)	(1.6)
(Gains) on Settlements/Curtailments	–	–
Past service costs	–	–
Closing defined benefit obligation	29.2	31.2

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

	2022 £m	2021 £m
Opening fair value of plan assets	24.7	22.1
Interest income	0.5	0.5
Remeasurement gains:		
The return on plan assets (excluding amounts included in net interest expense)	0.6	3.6
Contributions from the employer	0.1	0.1
Benefits paid and expenses	(1.6)	(1.6)
Closing fair value of plan assets	24.3	24.7

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

	2022 £m	2021 £m
Cash and cash equivalents	0.4	0.2
LDI	3.4	3.8
Equities	7.5	7.8
Property	1.5	1.3
Corporate Bonds	3.3	3.3
Multi-Asset Credit Funds	5.9	6.1
Diversified Growth Funds	2.3	2.2
Closing fair value of plan assets	24.3	24.7

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

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20. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

The actual return on plan assets was £1,078,000 (2021: gain £4,060,000).

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

If the discount rate decreased by 0.5% per annum, the defined benefit obligation would increase by 8.3%.

If the rate of inflation increases by 0.5% per annum, the defined benefit obligation would increase by 5.2%.

If the life expectancy increases by one year for both men and women, the defined benefit obligation would increase by 4.3%.

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

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

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

21. SHARE CAPITAL

	2022 £m	2021 £m
Allotted, called up and fully paid:		
5p ordinary shares	**6.3**	6.3

	2022 Number of shares (000's)	2021 Number of shares (000's)
5p ordinary shares:		
Number of shares issued and fully paid (excluding shares held in treasury)	**116,843**	116,852
Number of shares issued and fully paid, held in treasury	**8,621**	8,546

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

In the year ended 2 April 2022, the Company bought back 75,340 shares (5p) and in the prior year 8,546,095 shares (5p) were bought back. None of these shares have been cancelled and are held in treasury.

During the year, there were also 66,663 new Ordinary shares (5p) issued in respect of the exercise of share options and warrants of Victoria PLC senior management long-term incentive plans.

At the year end there were no shares issued but not fully paid (2021: nil).

At the year end, no shares were reserved for issue under options and there were no contracts for sale of shares (2021: nil).

21. SHARE CAPITAL (CONTINUED)

Capital risk management

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

In order to achieve this objective, the Group monitors its gearing to balance risks and returns at an acceptable level and also to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, either through altering its dividend policy, new share issues (including the issue of preferred equity, on which more detail is provided in Note 16, in particular regarding the changes in the period), or the reduction of debt, the Group considers not only its short-term position but also its long-term operational and strategic objectives.

22. RESERVES

Retained earnings

Retained earnings for the Group as at 2 April 2022 were £187.3m (2021: £198.7m).

The loss of the Company for the year determined in accordance with the Companies Act 2006 was £30.8m (2021: loss of £30.9m). The Company is exempt under Section 408 of the Companies Act 2006 from presenting its own Income statement and Statement of Comprehensive Income.

Foreign exchange reserve

The foreign exchange reserve for the Group as at 2 April 2022 was negative £3.1m (2021 negative: £0.4m), in respect of foreign exchange differences on consolidation of overseas subsidiaries.

Other reserves

Other reserves for the Group as at 2 April 2022 were £5.9m (2021: £3.6m) and relate to share-based payment charges (see further details in Note 5).

23. 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 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 €2.2m (£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*

Notes to the accounts

23. ACQUISITION OF SUBSIDIARIES (CONTINUED)

Net Assets Acquired

	Amounts recognised at acquisition date £m
Property, plant and equipment	0.3
Inventories	7.4
Trade and other payables	(1.2)
Book value of net assets acquired	6.5
Fair value uplift of inventories	1.2
Brand intangible asset arising on acquisition (see Note 10)	0.6
Customer Relationships intangible asset arising on acquisition (see Note 10)	5.1
Deferred tax liability on intangible assets acquired	(1.3)
Fair value of total identifiable net assets	12.2
Goodwill arising on acquisition	1.0
Total consideration	13.2
Satisfied by:	
Cash	13.2
	13.2

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

Within net assets we have recognised €1.4m (£1.3m[1]) in relation to the fair value uplift of inventory in accordance with IFRS 3. The fair value has been assessed as the estimated selling price less any estimated selling costs, therefore by definition no operating profit is recognised on sale of the opening inventory. As of 2 April 2022, all of the applicable inventory had been sold. Given the resulting uplift in cost of sales is not representative of the underlying performance of the business in relation to the actual costs incurred in acquiring and producing the inventory, but instead represents the one-off impact of this fair value accounting adjustment within the purchase price allocation, this uplift has been separately disclosed as an exceptional cost.

After fair value adjustments, goodwill of £1.0m is created on the consolidation of Ceramica Colli and Vallelunga. Goodwill recognised relates to expected both operational and commercial synergies and intangibles that do not qualify for separate recognition. No amounts of goodwill are expected to be deductible for tax purposes.

Transaction costs amounting to £0.4m relating to the acquisition have been recognised as an expense and included in exceptional administrative expenses in the Group Income Statement.

(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*

23. ACQUISITION OF SUBSIDIARIES (CONTINUED)

Net assets required

	Amounts recognised at acquisition date £m
Property, plant and equipment	5.7
Deferred tax assets	0.9
Trade and other receivables	6.2
Inventories	5.0
Trade and other payables	(10.6)
Loans	(3.4)
Net cash	0.4
Book value of net assets acquired	4.2
Right of use lease assets	2.0
Obligations under right of use leases	(2.0)
Fair Value uplift of land & buildings	6.7
Brand intangible asset arising on acquisition (see Note 10)	0.5
Customer Relationships intangible asset arising on acquisition (see Note 10)	3.0
Deferred tax liability on intangible assets acquired and FV uplift	(2.9)
Fair value of total identifiable net assets	11.6
Negative goodwill arising on acquisition (see Note 2)	(4.2)
Total consideration	7.3
Satisfied by:	
Cash	7.3
	7.3

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

After fair value adjustments, negative goodwill of £4.2m is created on the consolidation of Santa Maria, which has been taken to the income statement in the period. The transaction resulted in a gain due to favourable uplift on land and buildings acquired.

Transaction costs amounting to £0.5m relating to the acquisition have been recognised as an expense and included in exceptional administrative expenses in the Group Income Statement.

(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*

Notes to the accounts

23. ACQUISITION OF SUBSIDIARIES (CONTINUED)

Net assets required

	Amounts recognised at acquisition date £m
IT software	0.4
Property, plant and equipment	8.2
Right of use lease assets	5.9
Trade and other receivables	4.5
Inventories	4.4
Trade and other payables	(7.5)
Finance lease and HP (pre IFRS16)	(6.1)
Loans	(12.5)
Deferred tax liabilities	(0.5)
Current tax liabilities	(0.9)
Net cash	(0.5)
Book value of net assets acquired	(4.7)
Right of use lease assets	14.0
Obligations under right of use leases	(14.0)
Fair value uplift of inventories	0.9
Brand intangible asset arising on acquisition (see Note 10)	1.8
Customer Relationships intangible asset arising on acquisition (see Note 10)	19.0
Deferred tax liability on intangible assets acquired and FV uplift	(5.4)
Fair value of total identifiable net assets	11.5
Goodwill arising on acquisition	31.6
Total consideration	43.1
Satisfied by:	
Cash	42.2
Present value of deferred consideration	0.9
	43.1

Other than where fair value adjustments have been made, the book value of assets acquired is considered to approximate their fair values. Gross trade receivables acquired are considered to equate to the fair value of contractually collectable cash flows. Within net assets we have recognised €1.0m (£0.9m[3]) in relation to the fair value uplift of inventory in accordance with IFRS 3. The fair value has been assessed as the estimated selling price less any estimated selling costs, therefore by definition no operating profit is recognised on sale of the opening inventory. As of 2 April 2022, all of the applicable inventory had been sold. Given the resulting uplift in cost of sales is not representative of the underlying performance of the business in relation to the actual costs incurred in acquiring and producing the inventory, but instead represents the one-off impact of this fair value accounting adjustment within the purchase price allocation, this uplift has been separately disclosed as an exceptional cost.

After fair value adjustments, goodwill of £31.6m is created on the consolidation of Edel Group. Goodwill recognised relates to expected both operational and commercial synergies and intangibles that do not qualify for separate recognition. No amounts of goodwill are expected to be deductible for tax purposes.

Transaction costs amounting to £0.4m relating to the acquisition have been recognised as an expense and included in exceptional administrative expenses in the Group Income Statement.

23. ACQUISITION OF SUBSIDIARIES (CONTINUED)

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[6]) and €0.2m (£0.1m[6]) 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*

Net assets required

	Amounts recognised at acquisition date £m
Trade and other receivables	4.7
Inventories	4.9
Trade and other payables	(9.0)
Tax recoverable	0.2
Net cash	1.4
Book value of net assets acquired	2.2
Right of use lease assets	0.7
Obligations under right of use leases	(0.7)
Fair value of total identifiable net assets	2.2
Goodwill arising on acquisition	3.1
Total consideration	5.2
Satisfied by:	
Cash	5.2
Present value of contingent consideration	–
	5.2

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

After fair value adjustments, goodwill of £3.1m is created on the consolidation of Edel Grass. Goodwill recognised relates to expected both operational and commercial synergies and intangibles that do not qualify for separate recognition. No amounts of goodwill are expected to be deductible for tax purposes.

Transaction costs amounting to £0.3m relating to the acquisition have been recognised as an expense and included in exceptional administrative expenses in the Group Income Statement.

Notes to the accounts

23. ACQUISITION OF SUBSIDIARIES (CONTINUED)

(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*

Net assets required

	Amounts recognised at acquisition date £m
Property, plant and equipment	2.0
Deferred tax assets	2.8
Trade and other receivables	13.1
Inventories	23.7
Loans	(19.2)
Trade and other payables	(23.2)
Current tax asset	0.6
Net cash	1.6
Book value of net assets acquired	1.4
Right of use lease assets	0.8
Obligations under right of use leases	(0.7)
Fair value uplift of inventories	2.6
Brand intangible asset arising on acquisition (see Note 10)	4.3
Customer Relationships intangible asset arising on acquisition (see Note 10)	18.8
Deferred tax liability on intangible assets acquired and FV uplift	(6.3)
Fair value of total identifiable net assets	20.7
Goodwill arising on acquisition	38.5
Total consideration	59.2
Satisfied by:	
Cash	59.2
	59.2

23. ACQUISITION OF SUBSIDIARIES (CONTINUED)

Other than where fair value adjustments have been made, the book value of assets acquired is considered to approximate their fair values. Gross trade receivables acquired are considered to equate to the fair value of contractually collectable cash flows. Within net assets we have recognised $3.6m (£2.6m[7]) in relation to the fair value uplift of inventory in accordance with IFRS 3. The fair value has been assessed as the estimated selling price less any estimated selling costs, therefore by definition no operating profit is recognised on sale of the opening inventory. As of 2 April 2022, all of the applicable inventory had been sold. Given the resulting uplift in cost of sales is not representative of the underlying performance of the business in relation to the actual costs incurred in acquiring and producing the inventory, but instead represents the one-off impact of this fair value accounting adjustment within the purchase price allocation, this uplift has been separately disclosed as an exceptional cost.

After fair value adjustments, goodwill of £38.5m is created on the consolidation of Cali. Goodwill recognised relates to expected both operational and commercial synergies and intangibles that do not qualify for separate recognition. No amounts of goodwill are expected to be deductible for tax purposes.

Transaction costs amounting to £1.0m relating to the acquisition have been recognised as an expense and included in exceptional administrative expenses in the Group Income Statement.

(e) Graniser

On 9 February 2022 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[9]) of revenue and TRY 25.5m (£1.4m[9]) 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[10]) and TRY 115.9m (£6.2[10]) respectively.

[9] Applying the GBP to TRY exchange rate at the date of acquisition of 18.338

[10] Applying the average exchange rate over the financial year of 18.7879

Notes to the accounts

23. ACQUISITION OF SUBSIDIARIES (CONTINUED)

Net assets required

	Amounts recognised at acquisition date £m
Property, plant and equipment	11.4
Deferred tax assets	1.9
Trade and other receivables	15.3
Inventories	12.7
Loans	(32.0)
Trade and other payables	(16.7)
Other Unsecured debt - current	(1.4)
Deferred tax liabilities	(1.9)
Net cash	3.6
Book value of net assets acquired	(7.2)
Right of use lease assets	1.5
Obligations under right of use leases	(1.5)
Fair value uplift of inventories	0.7
Fair value uplift of land & buildings	9.6
Brand intangible asset arising on acquisition (see Note 10)	3.5
Customer Relationships intangible asset arising on acquisition (see Note 10)	11.1
Deferred tax liability on intangible assets acquired and FV uplift	(5.7)
Fair value of total identifiable net assets	12.0
Negative goodwill arising on acquisition (see Note 2)	(4.7)
Total consideration	7.3
Satisfied by:	
Cash	7.3
	7.3

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

After fair value adjustments, negative goodwill of £4.7m is created on the consolidation of Graniser, which has been taken to the income statement in the period. The transaction resulted in a gain due to favourable uplift on land and buildings acquired.

Transaction costs amounting to £1.9m relating to the acquisition have been recognised as an expense and included in exceptional administrative expenses in the Group Income Statement.

24. FINANCIAL INSTRUMENTS

Background

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout the financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The "financial instruments" which are affected by these risks comprise borrowings, cash and liquid resources used to provide finance for the Group's operations, together with various items such as trade debtors and trade creditors that arise directly from its operations, inter-company payables and receivables, and any derivatives transactions (such as interest rate swaps and forward foreign currency contracts) used to manage the risks from interest rate and currency rate volatility.

General objectives, policies and processes

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receives monthly reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

Credit risk

The Group's principal financial assets are bank balances and cash, and trade and other receivables.

The Group's exposure to credit risk is primarily attributable to its trade receivables. Credit risk is managed locally by the management of each business unit. Prior to accepting new customers, credit checks are obtained from reputable external sources. Furthermore, in specific areas where a heightened credit risk is perceived, credit insurance is utilised to help mitigate this risk.

Trade receivables consist of a large number of customers spread across geographical locations. Furthermore, specific trade receivables are written-off when there is considered to be little likelihood of recovering the debt.

The group continues to monitor its exposure to expected credit losses and further disclosure will be provided in future periods if the Group's assessment changes.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with low credit risk assigned by international credit-rating agencies.

The Group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

The Company has no significant concentration of credit risk, other than with its own subsidiaries, the performances of which are closely monitored. The Directors confirm that the carrying amounts of monies owed by its subsidiaries approximate to their fair value.

24. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due.

To achieve this aim, the cash position is continuously monitored to ensure that cash balances (or agreed facilities) meet expected requirements for a period of at least 90 days.

The preferred equity issued to KED during the period and prior period is perpetual and has no contractual commitment to redeem or pay preferred dividends in cash, and therefore had a positive impact on the Group's liquidity. There are a two scenarios, both of which management believe highly unlikely, under which mandatory redemption of the preferred equity applies (see Note 16 for further details).

The Group expects to have sufficient liquid resources to meet its obligations under all reasonably expected circumstances.

The maturity of financial liabilities is detailed in Note 16.

Market risk

Market risk arises from the Group's use of interest bearing and foreign currency financial instruments. It is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk), or market pricing (price risk). The fair value of the loan note prepayment option embedded derivative will fluctuate based on changes in market pricing, the relative impact of such fluctuations can be seen by the movement in the period as disclosed in Note 16. Fluctuations in foreign currency exchange rates can have a significant effect on the Group's reported results.

Market risk arises from the Company's use of third party and intercompany loans denominated in foreign currency. Fluctuations in foreign currency exchange rates can have a significant effect on the Company's reported results.

a) Interest rate risk

The Group finances its operations through a mixture of retained profits, equity capital and bank facilities, including hire purchase and lease finance. The Group borrows in the desired currency at floating or fixed rates of interest and may then use interest rate swaps to secure the desired interest profile and manage exposure to interest rate fluctuations.

Interest rate sensitivity

The annualised effect of a 50 basis point decrease in the interest rate at the balance sheet date on the variable rate debt carried at that date would, all other variables held constant, have resulted in a decrease in post-tax loss for the year of £97,000 (2021: decrease in post-tax profit of £160,000). A 50 basis point increase in the interest rate would, on the same basis, have increased the loss for the year by the same amount.

Borrowings contractual maturities and effective interest rate analysis

In respect of interest bearing financial liabilities, the following table indicates the undiscounted amounts due for the remaining contractual maturity (including interest payments based on the outstanding liability at the year end) and their effective interest rates. The ageing of these amounts is based on the earliest dates on which the Group can be required to pay.

24. FINANCIAL INSTRUMENTS (CONTINUED)

	As at 2 April 2022						As at 3 April 2021					
	Effective Interest Rate %	Total £m	0-1 Years £m	1-2 Years £m	2-5 Years £m	Over 5 Years £m	Effective Interest Rate %	Total £m	0-1 Years £m	1-2 Years £m	2-5 Years £m	Over 5 Years £m
Group												
Cash and cash equivalents	0.00%	273.6	273.6	–	–	–	0.00%	348.8	348.8	–	–	–
Senior secured debt and overdraft	3.67%	(761.7)	(38.5)	(23.0)	(482.2)	(218.0)	3.67%	(780.5)	(27.2)	(23.2)	(69.6)	(660.6)
Unsecured facilities	2.07%	(31.9)	(8.4)	(7.4)	(15.2)	(1.0)	2.54%	(53.3)	(27.4)	(15.9)	(9.3)	(0.7)
Right-of-use leases	2.63%	(145.3)	(23.4)	(22.0)	(44.1)	(55.7)	3.47%	(87.0)	(13.0)	(11.1)	(18.3)	(44.6)
		(665.3)	203.3	(52.4)	(541.5)	(274.7)		(572.1)	281.1	(50.2)	(97.2)	(705.9)
Company												
Cash and cash equivalents	0.00%	177.9	177.9	–	–		0.00%	264.4	264.4	–	–	
Senior secured debt	3.67%	(746.2)	(23.0)	(23.0)	(482.2)	(218.0)	3.67%	(778.2)	(24.9)	(23.2)	(69.6)	(660.6)
Unsecured facilities	–	–	–	–	–	–	6.00%	(12.6)	(12.6)	–	–	–
Right-of-use leases	3.09%	(7.0)	(0.6)	(0.6)	(1.7)	(4.0)	3.94%	(6.0)	(0.2)	(0.4)	(1.6)	(3.8)
		(575.2)	154.4	(23.6)	(483.9)	(222.1)		(532.4)	226.7	(23.6)	(71.2)	(664.4)

In addition, the following table summarises the total undiscounted deferred and contingent consideration liabilities in relation to past acquisitions, again aged based on the earliest dates on which the Group can be required to pay.

	As at 2 April 2022				As at 3 April 2021			
Total undiscounted obligations	Total £m	0-1 Years £m	1-2 Years £m	2-5 Years £m	Total £m	0-1 Years £m	1-2 Years £m	2-5 Years £m
Group								
Deferred consideration liabilities	4.1	0.2	3.9	–	12.0	4.0	4.0	4.0
Contingent earn-out liabilities	–	–	–	–	–	–	–	–
	4.1	0.2	3.9	–	12.0	4.0	4.0	4.0

As described in Note 16, the KED preferred equity is never subject to mandatory redemption other than in two specific scenarios: (i) a change of control where the acquirer of Victoria offers share consideration (with no cash alternative) and is not considered to be investment grade, in which case KED could elect to ask Victoria, under the new owner(s), to redeem the outstanding preferred equity (currently £225m) and unpaid dividends in cash; (ii) insolvency of the Group.

Non-interest bearing liabilities

Details of trade and other payables falling due within one year are set out in Note 15.

b) Currency risk

The main currency exposure of the Group arises from the Euro denominated debt.

It is the Board's policy not to hedge against translational, as opposed to transactional movements, in the Sterling/Australian Dollar and Sterling/Euro exchange rate.

Other currency exposure derives from transactional operations where goods are exported or raw materials and capital equipment are imported. These exposures are not considered to be material and may be managed by forward currency contracts, particularly when the amounts or periods to maturities are significant and at times when currencies are particularly volatile.

Notes to the accounts

24. FINANCIAL INSTRUMENTS (CONTINUED)

Currency risk sensitivity

An analysis of the Euro currency risk exposure arising from financial instruments denominated in a foreign currency is as follows.

A 10% strengthening of the Euro against Sterling closing rate would, all other variables held constant, have resulted in an increase in Group post-tax loss for the year of £50,900,000 as the net result of the translation impact on Euro denominated debt. A 10% weakening of the Euro against Sterling closing rate would, all other variables held constant, have resulted in a decrease in Group post-tax loss for the year of £41,645,000 as the net result of the translation impact on Euro denominated debt.

The carrying amounts of the Group's Euro denominated monetary assets (cash & cash equivalents) and monetary liabilities (financial debt, excluding intercompany balances) at the reporting date are as follows:

	Liabilities		Assets	
	2022	2021	**2022**	2021
	£m	£m	**£m**	£m
Euro	**623.4**	622.1	**156.6**	221.8

c) Future movements in share price

Linked to the preferred equity issued to KED during the period (see Note 16), the Company issued 12.402m warrants over its ordinary shares. These warrants are exercisable following the third anniversary of issue (or earlier if the preferred shares are redeemed) at an exercise price of £3.50, and can be net settled at the option of the Company (whereby a lower number of shares is issued but for no consideration). In addition, the warrants have a 'cap' mechanism that interacts with the returns to KED on the preferred equity, which – based on a maximum stipulated level of return (see Note 16) – may further reduce the number of ordinary shares issued on exercise. A key variable that impacts KED's overall level of return and therefore the implementation of this cap mechanism is the ordinary share price of the Company. For example, if KED were to exercise the warrants on the third anniversary and the share price at the time was the same as at the year-end, being £8.78, then the number of ordinary shares issued would be 3.84m.

Future movements in share price would impact the fair value of the warrant instrument liability, with increases in the share price increasing the value of the warrants resulting in a finance charge in the income statement, and vice-versa.

Separately, future movements in share price would have an impact on the embedded derivative asset representing the Company's option to cash redeem the preferred equity. As this increases in the future, the attractiveness of the option to the Company would decrease, thereby reducing the value of the asset, and vice-versa. Any future increase in the value of the option would result in a financial credit to the income statement, and vice-versa.

Share price sensitivity

If, at the third anniversary, the share price were to decrease by £1 to £7.78, the number of ordinary shares issued on exercise would increase to 4.33m. This is due to a reduction in the impact of the cap mechanism. Conversely, if the share price were to increase by £1 to £9.78, the number of ordinary shares issued on exercise would decrease to 3.45m.

At any given point in time, the maximum number of shares issuable on exercise of the warrants occurs at the share price at which the cap mechanism starts to apply. At the third anniversary, this share price is £6.22 and if the warrants were exercised at this price 5.42m shares would be issued. Above this share price, the cap mechanism constrains the total market value of shares that can be issued and hence the number of shares issued on exercise declines. Below this share price, the cap mechanism no longer applies but the number of shares issued on exercise declines due to the net settlement mechanism.

d) Trading

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken other than in the corporate bonds held within cash and cash equivalents.

25. KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised. Information about significant areas of estimation that have the most significant impact on the financial statements are described in the following notes:

Estimates

Impairment of goodwill (Note 9)

Determining whether goodwill balances are impaired requires an estimation of the value in use of the cash-generating units ('CGU') to which value has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and to apply a suitable discount rate in order to calculate present value. On an annual basis the Group is required to perform an impairment review to assess whether the carrying value of goodwill balances are less than its recoverable amount. The recoverable amount is based on a calculation of expected future cash flows, which include estimates of future performance. Detail of assumptions used in the review of goodwill, investments and intercompany balances are detailed in Note 9.

The information is included for the benefit of the user of the accounts however impairment of goodwill is not considered to involve significant estimation uncertainty

Valuation of embedded derivatives within financial instruments (Note 16, 17)

In relation to the senior secured debt and preferred equity recognised in accordance with IFRS 9, non-closely related embedded derivatives have been identified which require separate recognition from the host instrument, in each case relating to the Company's option to cash redeem the instrument with a redemption premium cost that reduces over time (see Note 16 for details). These embedded derivatives are valued at each reporting date using assumptions based on certain estimates.

The key estimate for both embedded derivative instruments is volatility. As this increases, the range of future potential outcomes in terms of market credit spread is broadened, and therefore the value of these options increases, and vice-versa. Any such future movement in the value of these items would create a financial charge or credit in the income statement.

Note 17 contains a sensitivity analysis of the impact of an increase or decrease in the volatility assumption in relation to each of the senior debt and preferred equity redemption option on their respective asset values.

Defined benefit obligation (Note 20)

The Group has two defined benefit pension schemes. The obligations under the schemes are recognised in the Consolidated Balance Sheet and represent the present value of the obligation calculated by independent actuaries, with input from the Directors. These actuarial valuations include assumptions such as discount rates, return on assets and mortality rates. These assumptions vary from time to time according to prevailing economic conditions.

Due to changing market and economic conditions, the expenses and liabilities actually arising under the scheme in the future may differ materially from the estimates made on the basis of the actuarial assumptions. The effects of any change to these assumptions are accounted for in the next financial year as other comprehensive income. The calculation of any charge relating to retirement benefits is clearly dependent on the assumptions used, which reflects the exercise of judgement. Further details are set out in Note 20.

Notes to the accounts

25. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Judgements

Embedded derivatives within senior secured notes (Note 16)

Under IFRS 9, it was determined that the call option in relation to the early redemption of the notes did not satisfy either of the tests in order to be classified as closely-related to the underlying host contract. Details of the option embedded in the contract are shown in Note 16.

In assessing the applicable recognition date for the embedded derivative, it was deemed appropriate to apply the loan commitment scope exclusion as defined in the standard. Consequently, the date of initial recognition was considered to be the date of drawdown, as opposed to the date of commitment.

As a result of applying the loan commitment scope exclusion, as above, it was deemed appropriate to base the value of the combined instrument on the proceeds as agreed at the earlier commitment date.

It was deemed appropriate that for the purpose of calculating the host as the residual that, in light of the loan commitment scope exclusion applied, the embedded option should only be recognised on drawdown and therefore that its initial carrying value should be the fair value at that date.

Non-underlying items (Note 2, 3)

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

26. RELATED PARTIES

Transactions between the Company and its subsidiaries have been eliminated on consolidation.

Identity of related parties

The Group has a related party relationship with its Directors and executive officers.

The Company has a related party relationship with its subsidiaries and its Directors and executive officers.

Transactions with key management personnel

Key management personnel are considered to be the Directors of the Company.

As at 2 April 2022, the key management personnel, and their immediate relatives, controlled 38.75% of the voting shares of the Company.

Details of the Group's share-based incentive plans, which includes key management personnel, are provided in Note 5.

The aggregate remuneration of the Group's key management personnel, including the above incentive schemes, is set out below for each of the categories specified in IAS 24 Related Party Disclosures.

	2022 £m	2021 £m
Short-term employee benefits	1.33	1.12
Post-employment benefits	0.02	0.02
Other-long term benefits	–	–
Termination benefits	–	–
Share-based payment charge	0.26	0.20
	1.61	1.33

26. RELATED PARTIES (CONTINUED)

Transactions with subsidiary undertakings:	2022 £m	2021 £m
Management recharge – Victoria Bidco B.V	(0.65)	(0.66)
Management fees – Victoria Carpets Ltd	0.22	0.18
Management fees – Westex (Carpets) Ltd	0.05	0.04
Management fees – Abingdon Flooring Ltd	0.31	0.33
Management fees – Alliance Flooring Distribution Ltd	0.01	0.01
Management fees – Distinctive Flooring Ltd	0.01	0.01
Management fees – Whitestone Carpets Holdings Ltd	–	–
Management fees – View Logistics Ltd	0.16	0.15
Management fees – Interfloor Group Ltd	0.16	0.16
Management fees – Ezi Floor Ltd	0.04	0.04
Management fees – G–tuft	0.01	0.01
Management fees – Hanover Flooring Ltd	0.04	–
Management fees – Millennium Weavers Ltd	0.04	–
Management fees – Grass Inc B.V	–	–
Management fees – Estillon BV	0.02	0.02
Management fees – Victoria Holdco BV	0.07	–
Management fees – The Victoria Carpet Company Pty Ltd	0.09	0.10
Management fees – Quest Flooring Pty Ltd	0.07	0.08
Management fees – Primary Flooring Pty Limited	0.07	0.07
Management fees – Keraben Grupo S.A.	0.28	0.28
Management fees – Ceramiche Serra S.p.A	0.06	0.07
Management fees – Ascot Gruppo Ceramiche SRL	0.12	0.10
Management fees – Keradom SRL	0.05	–
Management fees – Santa Maria SRL	0.03	–
Management fees – Ceramica Colli di Sassuolo S.p.A	0.02	–
Management fees – Ceramica Saloni, S.A.	0.16	0.19
Management fees – Iberoceramica S.L.U.	–	–
Management fees – Victoria US Holdings Inc	0.16	–
Interest receivable – Victoria Bidco B.V	3.44	2.75
Interest receivable – Victoria Carpets Ltd	0.51	0.39
Interest receivable – Abingdon Flooring Ltd	0.30	0.48
Interest receivable - Alliance Flooring Distribution Ltd	0.49	–
Interest receivable - Distinctive Flooring Ltd	0.15	–
Interest receivable – Whitestone Carpets Holdings Ltd	0.95	0.87
Interest receivable – Interfloor Group Ltd	0.12	0.50
Interest receivable – Interfloor Operations Ltd	0.66	0.64
Interest receivable – Ezi Floor Ltd	0.73	0.73
Interest receivable – G–tuft Ltd	0.13	–
Interest receivable – Hanover Flooring Ltd	0.31	–
Interest receivable – Millennium Weavers Ltd	0.05	–
Interest receivable – Victoria Belgium n.v	0.03	0.13
Interest receivable – The Victoria Carpet Company Pty Ltd	0.01	0.01
Interest receivable – Estillon B.V	0.02	0.04
Interest receivable – Victoria Holdco BV	1.04	–
Interest receivable – Primary Flooring Pty Limited	0.97	1.04
Interest receivable – Keraben Grupo S.A.	3.65	2.63
Interest receivable – Kinsan Trade, S.L.	3.57	2.99
Interest receivable – Iberoceramica S.L.U.	–	–
Interest receivable – Sandover Investments, S.L.U	–	1.27
Interest receivable – Ceramica Saloni, S.A.	3.65	1.40
Interest receivable – Victoria Midco Holdings Ltd	0.25	–
Interest receivable – Victoria US Holdings Inc	1.77	–
Dividend Income – Victoria Midco Holdings Ltd	13.00	5.80
Dividend Income – Quest Flooring Pty Ltd	0.63	0.63
Amounts due from subsidiary undertakings	622.2	458.1
Amounts due to subsidiary undertakings	–	0.1

Notes to the accounts

26. RELATED PARTIES (CONTINUED)

Transactions with Koch Equity Development LLC

Blake Ressel, a Non-Executive Director of Victoria PLC from 15 December 2020, is a Managing Director at Koch Equity Development LLC. On the 30 October 2020, the Company entered into a conditional investment agreement whereby KED Victoria Investments, LLC, an affiliate of Koch Equity Development, committed to invest £175 million of preferred equity in Victoria. As at 2 April 2022 Koch Equity Development have invested £225m of preferred equity in Victoria. See Note 16 for further details.

27. 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.

Shareholder information

CORPORATE WEBSITE

The Annual Report, Company announcements and other information are available on the Group's website at: www.victoriaplc.com

SHAREHOLDER QUERIES

If you have any queries in relation to Victoria PLC shares, please contact the Company's registrars whose details are as follows: Link Group – Unit 10, Central Square, 29 Wellington Street, Leeds, LS1 4DL.

Telephone: +44 (0) 371 664 0300; website: www.linkgroup.eu

Calls to 0371 are charge at the standard geographic rate and will vary by provider. Calls outside the UK will be charged at the applicable international rate. Lines are open between 9.00 am – 5.30 pm, Monday to Friday excluding public holidays in England and Wales.

DIVIDEND PAYMENTS

Our registrars have the facility to pay shareholders' dividends directly into their bank accounts, instead of receiving the dividend payment by cheque. They are also able to convert dividend payments into local currency and send the funds by currency draft or, again, if preferred, pay them straight into a bank account.

More information on the above services can be obtained from our registrar Link Asset Services.

UNSOLICITED MAIL

The Company is required by law to make its share register available on request to the public and organisations which may use it as a mailing list resulting in shareholders receiving unsolicited mail. Shareholders wishing to limit such mail should write to the Mailing Preference Service DMA house, 70 Margaret Street, London, W1W 8SS or register online at www.mpsonline.org.uk

VICTORIA PLC REGISTERED OFFICE

Worcester Road
Kidderminster
Worcestershire
DY10 1JR

COMPANY REGISTERED NO. (ENGLAND & WALES)

282204

ADVISERS

Auditor	Grant Thornton UK LLP – 17th Floor, 103 Colmore Row, Birmingham, B3 3AG
Bankers:	HSBC Bank PLC – Penman Way, Grove Park, Enderby, Leicester, LE19 1SY
	Credit Suisse International – One Cabot Square, London, E14 4QJ
	National Westminster Bank PLC – 250 Bishopsgate, London, EC2M 4AA
	ING – 8-10 Moorgate, London, EC2R 6DA
Registrar	Link Group – Unit 10, Central Square, 29 Wellington Street, Leeds, LS1 4DL
Solicitor	Brown Rudnick LLP – 8 Clifford Street, London, W1S 2LQ
Nominated Adviser and Joint Broker	Singer Capital Markets – 1 Bartholomew Lane, London, EC2N 2AX
Joint Brokers	Joh Berenberg Gossler & co.KG – 60 Threadneedle Street, London, EC2R 8HP
	Peel Hunt – 100 Liverpool Street, London, EC2M 2AT
Public Relations	Buchanan Communications – 107 Cheapside, London, EC2V 6DN

Registered offices of subsidiaries

Company	Registered Office Address
Victoria Midco Holdings Limited	Worcester Road, Kidderminster, Worcestershire, DY10 1JR, UK
Victoria Carpets Limited	Worcester Road, Kidderminster, Worcestershire, DY10 1JR, UK
Whitestone Carpets Holdings Limited	Worcester Road, Kidderminster, Worcestershire, DY10 1JR, UK
Ezi Floor Limited	Worcester Road, Kidderminster, Worcestershire, DY10 1JR, UK
AllianceFlooringDistributionLimited	Worcester Road, Kidderminster, Worcestershire, DY10 1JR, UK
Distinctive Flooring Limited	Worcester Road, Kidderminster, Worcestershire, DY10 1JR, UK
V-Line Carpets Limited	Worcester Road, Kidderminster, Worcestershire, DY10 1JR, UK
Hanover Carpets Limited	Worcester Road, Kidderminster, Worcestershire, DY10 1JR, UK
Carpet Line Direct Limited	Worcester Road, Kidderminster, Worcestershire, DY10 1JR, UK
Hanover Flooring Limited	Aireside House, Royd Ings Avenue, Keighley, BD21 4BZ, UK
Flooring at Home Limited	Worcester Road, Kidderminster, Worcestershire, DY10 1JR, UK
The Victoria Carpet Company Limited	Worcester Road, Kidderminster, Worcestershire, DY10 1JR, UK
Abingdon Flooring Limited	Parkway, Pen Y Fan IndustrialEstate, Croespenmaen Crumlin, Newport, NP11 4XG, UK
Venture Floorcoverings Limited	Unit1Parkway, Crumlin, Newport, Wales, NP113XG, UK
Globesign Limited	Calder Bank Mills, Calder Bank Road, Dewsbury, England, WF12 9QW
Westex (Carpets) Limited	Calder Bank Mills, Calder Bank Road, Dewsbury, England, WF12 9QW
Interfloor Limited	Broadway, Haslingden, Rossendale, Lancashire, BB4 4LS, UK
Interfloor Group Limited	Broadway, Haslingden, Rossendale, Lancashire, BB4 4LS, UK
Interfloor Operations Limited	Broadway, Haslingden, Rossendale, Lancashire, BB4 4LS, UK
Tacktrim Limited	Unit10 Heathhall Industrial Estate, Dumfries, DG1 3PH, UK
Stikatak Limited	Broadway, Haslingden, Rossendale, Lancashire, BB4 4LS, UK
View Logistics Limited	Park View Road East, Hartlepool, Cleveland, TS2 51HT, UK
Whitestone Weavers Limited	Park View Road East, Hartlepool, Cleveland, TS2 51HT, UK
Thomas Witter Carpets Limited	Park View Road East, Hartlepool, Cleveland, TS2 51HT, UK
Gaskell Mackay Carpets Limited	Park View Road East, Hartlepool, Cleveland, TS2 51HT, UK
G-Tuft Limited	Thornhill Road Business Park, Tenter Fields, Dewsbury, West Yorkshire, WF12 9QT, UK
G-Tuft (Holdings) Limited	Thornhill Road BusinessPark, Tenter Fields, Dewsbury, West Yorkshire, WF12 9QT, UK
G-Tuft (2015) Limited	Thornhill Road BusinessPark, Tenter Fields, Dewsbury, West Yorkshire, WF12 9QT, UK
Hugh Mackay Carpets Ireland Limited	31 Admiral Park, Baldoyle, Dublin 13, D13 TOV6, Ireland
Munster Carpets Limited	6th Floor, 2 Grand Canal Square, Dublin 2, Ireland
Abingdon Flooring (Ireland) Limited	The Black Church, St Mary’s Place, Dublin 7, DO7 P4AX, Ireland
The Victoria Carpet Company Pty Limited	7-29 Gladstone Road, Dandenong, Victoria, 3175, Australia
Primary Flooring Pty Limited	7-29 Gladstone Road, Dandenong, Victoria, 3175, Australia
Quest Flooring Pty Limited	43-55 Mark Anthony Drive, Dandenong South, Victoria, 3175, Australia
Schramm GMBH	Borsigstraβe13, 32369Rahden, Germany
B3 Ceramics Danişmanlik Ve Yönetim Hizmetleri Ticaret A.Ş.	Halkapinar MahMah, 1203/11 Sok. Sok., No:55-7, Kat: 2323, No: 231 Konak Konak, IzmirIzmir, Turkey
Graniser Granit Seramik Sanayi ve Ticaret A.Ş.	Halkapinar Mah Mah, 1203/11Sok. Sok., No:55-7, Kat:2323, No: 231 Konak Konak, IzmirIzmir, Turkey
Graniser İç ve Dış Ticaret A.S.	Halkapinar Mah Mah, 1203/11Sok. Sok., No:55-7, Kat:2323, No: 231 Konak Konak, IzmirIzmir, Turkey
Sahika Madencilik Nakliy at MakineInsaat Ambalaj Turizm Sanayi Ticaret. A.S.	Halkapinar MahMah, 1203/11Sok. Sok., No:55-7, Kat: 2323, No: 231 Konak Konak, IzmirIzmir, Turkey
Millennium Weavers N.V	Jean Benaetsstraat, 99 Box 6, 1180, Brussels, Belgium
CeramicheSerra S.p.A	Via Estense, 10589, Serramazzoni, 41020, Italy
Victoria Ceramiche Holdco S.r.l	Foro Bonaparte 71, 20122, Milan, Italy
Victoria Ceramiche Holdco 2 S.r.l	ForoBonaparte 71, 20122, Milan, Italy
Keradom S.r.l	Via Botticelli10, Rubiera (RE) 42048, Italy
Self Style S.R.L	Via Emilia Romagna, 83–41049, Sassuolo (Mo), Italy
Collidi Sassuolo S.r.l	Monte Mongigattono.24Int.4, 41042, Fiorano Modenese (MO), Italy
Ascot Gruppo	Via Cross 80, 41014Castelvetro di Moderna, Frazione Solignano (MO), Italy
Santa Maria S.r.l	Via Antonellini70, 48011, Frazione Filo, Alfonsine (RA), Italy
Kinsan Trade, S.L.	Ctra Valancia-Barcelona, Km.44.3, Nules, Castellon, Spain
Keraben Grupo S.A.U	Ctra Valancia-Barcelona, Km.44.3, Nules, Castellon, Spain
Ceramica Saloni, S.A.	Ctra Alcora, 17, 12006, Castellon, Spain
Saloni Portugal Materiais De Construcao LTDA	Materiaisde Construcao, Lda, Praca Pedro Alvares Cabral, 2C, 2700-608Amodora, Portugal
Saloni UK Limited	Unit 130 Business Design Centre, 52 Upper Street, London, N1 0QH, UK
Saloni France S.A.S.	89-91 Ruedu Faubourg Saint-Honore, 75008 Paris, France
Victoria US Holdings Inc.	Corporation Trust Center 1209 Orange St, Wilmington, DE 19801, USA
Cali Bamboo Holdings, Inc.	6675 Mesa Ridge Road, San Diego, CA, USA
Cali Bamboo Intermediate Holdings, Inc	6675 Mesa Ridge Road, San Diego, CA, USA
Cali Bamboo LLC	6675 Mesa Ridge Road, San Diego, CA, USA

Glossary

BGF	Business Growth Fund
Capex	Capital expenditure
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EPS	Earnings per share
FY21	The 53 weeks ended 3 April 2021
FY22	The 52 weeks ended 2 April 2022
GMP	Guaranteed minimum pension
H1	The 26 weeks ended 2 October 2021
H2	The 26 weeks ended 2 April 2022
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
KPIs	Key performance indicators used to assess the business performance
LFL	Like for like
LVT	Luxury vinyl tile
M&A	Mergers and acquisitions
PBT	Profit before taxation
TSR	Total shareholder return

Appendix

RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES

Victoria PLC's consolidated financial statements include reference to a number of alternative performance measures, that are a necessary expansion to traditional GAAP measures to provide further information for the Board to make key strategic and operational decisions. These are not defined terms under IFRS and may not be comparable with similar titled measures reported by other companies. These performance measures have been reconciled to where possible to the primary statements (Consolidated Income Statement, Consolidated Balance Sheet, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows).

Exceptional costs, non-underlying items, earnings per share and movement in net debt have been reconciled separately within the Financial Review to these accounts and within notes 2, 3, 7 and 17 respectively.

A reconciliation of operating profit / (loss) for the period, the most directly comparable IFRS measure, to underlying EBITDA is set out below:

	Reference	**52 weeks ended 2 April 2022 £m**	53 weeks ended 3 April 2021 £m
Reported operating profit / (loss)	(per income statement)	**£53.6m**	£45.9m
Exceptional items	(per note 2)	**£6.9m**	£7.8m
Non-underlying items	(per note 2)	**£47.4m**	£26.1m
Underlying operating profit	(per income statement)	**£107.9m**	£79.8m
Depreciation and amortisation of IT software (including depreciation of right-of-use lease assets)	(per note 1)	**£55.2m**	£47.6m
Exclude non underlying depreciation	(per note 2)	**(£0.2m)**	–
Underlying EBITDA		**£162.8m**	£127.4m

Within the Chairman's statement, underlying EBITDA per share metric is compared over several years. As noted on the same page, the EBITDA number is pre-IFRS 16 to keep consistent with comparative years. All other figures within the financial statements are on a post-IFRS 16 basis given we have two comparative periods. A reconciliation of operating profit / (loss) for the period, the most directly comparable IFRS measure, to underlying EBITDA pre-IFRS 16 per share is set out below:

	Reference		**52 weeks ended 2 April 2022 £m**	53 weeks ended 3 April 2021 £m
Underlying EBITDA	(as reconciled above)		**£162.8m**	£127.4m
Less lease costs associated with IFRS 16			**(£19.3m)**	(£15.4m)
Adjusted EBITDA (Pre-IFRS 16)		A	**£143.5m**	£112.0m
Weighted average number of ordinary shares (000s) for the purposes of diluted earnings per share	(per note 7)	B	**138,391**	122,787
EBITDA (Pre-IFRS 16) per share		(A/ (B/1000))	**£1.04**	£0.87

Within the Chairman's statement, Return on Tangible Assets (RoTA) is a metric used to show how efficiently returns are generated from tangible assets invested in the business. This KPI is directly relatable to the outcome of investment decisions. The following table sets out the calculation of our RoTA which reconciles from operating profit/(loss) for the period, the most directly comparable IFRS measure and taking tangible fixed assets and working capital from the face of the balance sheet, as shown below:

	Reference		52 weeks ended 2 April 2022 £m	53 weeks ended 3 April 2021 £m
Underlying operating profit / (loss)	(reconciled above)		**£107.9m**	£79.8m
Proforma adjustment for acquisitions	(acquistions shown on full year basis)		**£12.6m**	£5.1m
		A	**£120.5m**	£84.9m
Tangible fixed assets	(per note 11)		**£256.0m**	£202.1m
Working capital				
Inventories	(per note 13)		**£280.7m**	£164.4m
Trade and other receivables	(per note 14)		**£223.8m**	£150.1m
Trade, other creditors & accruals (current)	(per note 15)		**(£312.6m)**	(£183.1m)
Trade, other creditors & accruals (long term)	(per note 15)		**(£3.6m)**	(£9.1m)
Total working capital			**£188.4m**	£122.3m
Total tangible fixed assets and working capital		B	**£444.4m**	£324.4m
Return on Tangible Assets (RoTA)		(A/B)	**27.1%**	26.2%

Free cash flow (FCF) is referred to in the Financial Review and is a key performance indicator to measure the Group's liquidity. It reflects the cash generated from operational performance after interest, tax and net replacement capex. A reconciliation from cash inflow from operating activities, the most directly comparable IFRS measure, to free cash flow, as shown below:

	Reference	52 weeks ended 2 April 2022 £m	53 weeks ended 3 April 2021 £m
Reported net cash flow from operating activities before movements in working capital, tax and interest payments	(per cashflow statement)	**£140.2m**	£114.2m
Movement in working capital (per cash flow change in inventories, receivables and payables)	(per cashflow statement)	**(£26.3m)**	(£18.3m)
Payment under ROU	(per cashflow statement)	**(£18.8m)**	(£14.4m)
Adjust for exceptional cash items	(per note 2)	**£16.7m**	£12.5m
Operating cash flow before interest, tax and exceptional items	N2	**£111.8m**	£94.0m
Interest paid	(per cashflow statement)	**(£28.4m)**	(£30.4m)
Corporation tax paid	(per cashflow statement)	**(£13.7m)**	(£5.0m)
Capital expenditure - replacement / maintenance of existing capabilities	N1	**(£40.9m)**	(£20.9m)
Proceeds from fixed asset disposals	(per cashflow statement)	**£5.3m**	£1.1m
Free cash flow before exceptional items		**£34.2m**	£38.8m

N1 Capital expenditure specific to replacement and maintenance. The balance being growth capital expenditure is later included on the net debt reconciliation in the Financial review.

N2 Stated after payments under ROU assets which includes £15.0m of payments disclosed as financing cash flows per the cash show statement.

Appendix

Within the Chairman's statement Underlying (operating) cash flow per share is a key performance indicator used to show the liquidity position for the Group. A reconciliation from cash inflow from operating activities, the most directly comparable IFRS measure, to operating cash flow per share, as shown below:

	Reference		52 weeks ended 2 April 2022 £m	53 weeks ended 3 April 2021 £m
Operating cash flow before interest, tax and exceptional items	(reconciled above)	A	£111.8m	£94.0m
Weighted average number of ordinary shares (000s) for the purposes of diluted earnings per share	(per note 7)	B	116,858	122,257
Underlying (operating) cash flow per share		(A/B)* 1000	£0.96	£0.77

Within the financial review the adjusted net debt / EBITDA is shown as used for the purposes of our bank covenant. A reconciliation with the adjustment is shown below:

	Reference		52 weeks ended 2 April 2022 £m	53 weeks ended 3 April 2021 £m
Net debt before obligations under right-of-use leases	(per financial review)		(£406.6m)	(£345.7m)
Add deferred consideration	(per note 15)		(£4.0m)	(£11.9m)
Remove BGF loan			–	£11.9m
Adjust for 12 month average fx (on €750m bonds)			(£5.1m)	(£28.9m)
Revised net debt		A	(£415.8m)	(£374.6m)
Adjusted EBITDA (Pre-IFRS 16)			£143.5m	£112.0m
Proforma adjustment for acquisitions			£12.6m	£5.1m
Underlying EBITDA pre-IFRS 16 proforma basis		B	£156.1m	£117.1m
Adjusted net debt / underlying EBITDA		(A/B)	2.66x	3.10x

Consultancy, design and production by:
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