VICTORIA PLC

2022 Half-year report for the 26 weeks ended 1 October 2022

VICTORIA PLC

OUR MISSION STATEMENT

To create wealth for our Shareholders

Contents

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	H1 FY23	H1 FY22
Revenue	**£776.1m**	£489.0m
Underlying EBITDA[1]	**£100.1m**	£84.5m
Underlying operating profit[1]	**£61.1m**	£58.6m
Operating profit	**£82.0m**	£27.7m
Profit before tax	**£53.1m**	£2.9m
Net debt[2]	**£651.4m**	£519.3m
Net debt / EBITDA[3]	**3.4x**	3.3x
Earnings / (loss) per share:		
- Diluted	**36.69p**	(2.68)p
- Diluted adjusted[1]	**17.87p**	24.32p

- 7.7% like-for-like organic revenue growth, plus acquisitions, led to Victoria achieving a record operating performance

- Broadly stable like-for-like operating margins, notwithstanding inflationary pressures. Reported margins were impacted as anticipated by the mix-effect from the acquisition of businesses that currently have lower margins. This mix-effect is expected to reduce as integration synergies are realised – as Victoria has successfully achieved with previous acquisitions

- Proactive management of raw materials and energy successfully mitigated both inflationary pressures and supply chain constraints

- Completion of the acquisition of the rugs and UK carpet divisions of Balta to make Victoria Europe's largest manufacturer of soft flooring. Integration is well underway to realise the material potential synergy benefits of this acquisition

- Despite these significant investments, leverage has been maintained in-line with the Group's financial policy

- Although macro-economic conditions are challenging, the Board continues to be confident that synergy gains and proactive management actions will enable Victoria's financial performance for FY2023 to be in line with market consensus expectations

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[1] *Underlying performance is stated before exceptional and non-underlying items. In addition, underlying profit before tax and adjusted EPS are also stated before non-underlying items within finance costs*
[2] *Net debt shown before right-of-use lease liabilities, preferred equity, bond issue premia and the deduction of prepaid finance costs*
[3] *Leverage shown consistent with the measure used by our lending banks*

CHAIRMAN & CEO'S STATEMENT

There is a supposed curse "May you live in interesting times."

Few would argue that we are presently living in "interesting times". Yet, despite the fact that the current uncertain environment creates a meaningful business risk, it simply isn't possible to predict the future with sufficient precision to effectively manage this risk.

Our response to this conundrum has been to ensure that Victoria's management remains agile and the business flexible, even as it has grown to have an annual revenue exceeding £1.5 billion. We have maintained the highly decentralised and scalable, 'team of teams' management structure that was first put in place at Victoria ten years ago and remains a key competitive advantage.

Being nimble ensures Victoria continues to be well placed to *quickly adapt* to rapidly changing conditions. Shareholders have seen the benefit of this adaptability in the turmoil that followed the Brexit vote in 2016, Covid lockdowns in 2020, supply chain disruptions in 2021, and inflation and consumer uncertainty in 2022. Over this time, under all conditions, Victoria's earnings and operating cash flow per share continued to increase.

	Diluted adjusted EPS[2]	Underlying operating cash flow per share[2,3]			Diluted adjusted EPS[2]	Underlying operating cash flow per share[2,3]
Full Year	**Pence**	**£**		**Full Year**	**Pence**	**£**
FY15	10.47	0.30		**FY19**	35.25	0.86
FY16	16.32	0.40		**FY20**	28.24	0.78
FY17	24.42	0.48		**FY21**	30.21	0.77
FY18	30.61	0.64		**FY22**	40.21	0.96

Consequently, the Board is pleased to report that trading for the half year to 1 October 2022 continued to meet the Board's expectations, with like-for-like ("LFL") organic revenue growth of c.7.7% across the Group, and Victoria continuing to win share in some markets. Overall, the Group has achieved revenue of £776.1 million, versus £489.0 million in the comparative period last year (+58.7%), and underlying EBITDA of £100.1 million compared with £84.5 million last year (+18.5%). These operating results were again a record level for Victoria, as can be seen in the below table.

H1, Financial Year	2023	2022	2021	2020	2019	2018
Revenue	£776.1m	£489.0m	£305.5m	£312.9m	£273.4m	£189.5m
Pre IFRS 16 Underlying EBITDA	£88.9m	£75.1m	£44.9m	£53.8m	£45.4m	£24.6m
Post IFRS 16 Underlying EBITDA	£100.1m	£84.5m	£52.4m	£58.5m		

Although Victoria experienced continued significant inflation in raw material and energy prices during the period, the earnings impact was largely mitigated by management's actions (detailed in the H1 Overview section). The reported margin of 13.0% was the result of the dilutive effects of acquisitions made during the period. This will be offset by synergy benefits and operational improvements as the businesses are integrated into Victoria, as has been seen in previous years with earlier acquisitions.

H1 OVERVIEW

Inflation

The last six months saw a continuation of double-digit inflationary pressures in certain costs – most notably energy and polypropylene carpet fibre. We chose to support our customers by sharing the impact of higher input costs with them whilst successfully protecting our cash margin through a combination of actions:

- 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. We continued to increase prices where it proved absolutely necessary in FY2023
- As noted above, management is laser-focussed on delivering a number of carefully planned synergy projects that will increase operating margins, mitigating some inflationary pressures
- We actively hedge or otherwise manage key input costs to provide management with time to adapt our business and prices to higher input costs, ensuring margins are protected
- Product engineering in partnership with our customers has helped us achieve targeted price points, whilst still achieving a satisfactory profit for Victoria.

Our objective remains to manage the business so as to ensure an attractive return on equity for shareholders, after taking into account the effects of inflation.

Demand

Unsurprisingly, some flooring markets (notably the UK) are not as buoyant as last year. Nevertheless, as a result of the acquisition strategy that has been carefully executed over the last eight years, Victoria is now geographically diversified and demand in some countries is mitigating softer demand elsewhere.

Victoria is additionally fortunate with the experience of its senior operational management who have leveraged their decades in the industry by adapting readily to current macro-economic conditions. Actions such as product engineering, enhanced operational efficiencies, and the acceleration of synergistic projects are being implemented across the Group to drive savings and ensure earnings and cash flow remain satisfactory.

The Group also benefits from structurally low operational gearing with over half of its cost base made up of raw materials, which is, of course, wholly variable with revenue. A further one third of costs (energy, labour, marketing, logistics) are semi-variable. The result is that if sales were ever to decline, the majority of costs ‘automatically’ fall as well, reducing the impact of lower sales on profits.

The Board remains confident in the future of the business. Consumers have demanded flooring ever since some Palaeolithic cave-dweller decided mud was a sub-optimal surface for the cave and, irrespective of any short-term headwinds, the long-term trend for flooring remains relentlessly positive at c.2.6% per annum (albeit volume growth was 4.9% in 2021). Consequently, any potential period of subdued demand should have little impact on the long-term value of Victoria.

Integration

Careful integration of acquisitions is core to Victoria's strategy and the most important component of our value creation strategy.

As an example, our United Kingdom carpet business was built through six acquisitions over eight years. Subsequent to the acquisitions, all manufacturing and distribution has been fully integrated into industry-leading, scaled operations, improving earnings and driving our purchase multiple down significantly – even after taking into account capex and reorganisation costs. It is important to note that none of our acquisitions require integration to be financially attractive (they can all stand on their own two legs), but this is always at the forefront of our diligence and post-acquisition plan. The time and money we spend following an acquisition generates far higher returns for Victoria's shareholders than the capital spent on the acquisition.

We expect that the integration of our most recent acquisitions will lead to significant growth in profits over the next several years (without the necessity of a significant improvement in macroeconomic conditions). This is currently our team's primary focus and will remain the focus during the rest of FY2023 and FY2024.

Cashflow & Liquidity

Net operating cash flow before interest, tax and exceptional items was £22.1 million for the half year ended 1 October.

It is a core element of our organic growth strategy for Victoria to be a reliable partner for our customers – capable of maintaining supply of product under all circumstances. The profit a retailer makes on flooring that cannot be supplied is precisely zero and the disruption to a construction schedule due to the unavailability of flooring can be crippling. Reliability is consequently highly prized by our customers.

To that end, shareholders will recall that in early 2021, the Group invested heavily in raw materials to ensure Victoria could maintain its production schedules in the face of severe disruption to global supply chains. This investment delivered very good organic growth last year with like-for-like revenue increasing by an exceptional 19.2% as we took advantage of the supply difficulties many of our competitors were experiencing to grow our market share.

We are pleased to confirm that supply chains have now largely normalised and consequently Victoria is steadily reducing its raw material inventory to normal levels, which is unlocking the cash invested last year.

However (unfortunately in the current world there is always a 'however'), shareholders will be acutely aware of 2022's energy security concerns – particularly for natural gas, which is a critical element in the manufacture of ceramic tiles. These fears have abated a little in recent weeks (as have gas prices), but to protect our reputation as a reliable supplier we have selectively built up levels of finished goods to enable us to maintain normal service levels for our customers for up to three months in the event of extreme prices that make production uneconomic or severe gas rationing. Due to the flexibility of our factories, reducing inventory levels in the future is straightforward and inexpensive but, over the winter period, we will maintain higher than normal levels of finished goods.

The measures described above, which total a c.£60 million investment are temporary and therefore it remains the Board's expectation that the Group will be highly cash generative in the months ahead (with £100 million positive cash flow after exceptional costs expected in H2) as the business continues to have strong earnings and working capital returns to normal. The Board will seek to deploy that cash in a manner that maximises the medium-term returns for shareholders.

Victoria continued to maintain a strong liquidity position and the Group finished the period with cash and undrawn credit lines in excess of £250 million. Furthermore, almost all Victoria's debt financing takes the form of long-dated Senior Notes ("bonds") which, in themselves, have no financial maintenance covenants, and with the earliest tranche not due for repayment until 2026.

Capital Allocation

Victoria's primary strategy for maximizing shareholder value over the next 12 months is to optimise free cash flow generation. This cash can subsequently be deployed in a number of ways: funding organic growth (working capital and capex), debt reduction, acquisitions, paying dividends, and share buybacks. Prioritising these alternatives at a given point in time is a critical decision as capital allocation is, over time, the single largest determinant of value creation at a company.

Since the beginning of FY2023 Victoria has repurchased 1,842,250 shares, all of which have been retained in treasury. Although these share purchases are not the start of a formal and regular programme to return capital to shareholders, if the Company is able to repurchase shares at prices that (a) are well below the Board's view of their value, and (b) will provide a return to the company greater than the alternative uses for the Group's cash at that point in time, and (c) provide a return greater than its cost of capital, then further buybacks may be actively considered.

Separately, the Board is aware that Victoria's outstanding senior secured bonds are currently trading at substantial discounts to their principal amounts, as is common across the market. In order to reduce future cash interest payments, as well as future amounts due at maturity or upon redemption, the Company may, from time to time, purchase such bonds for cash in open-market purchases and/or privately negotiated transactions. The amounts involved in any such transactions may be material.

Finally, the Board wishes to emphasise that any future share or bond purchases will be made without jeopardising the Group's cash position and liquidity.

OPERATIONAL REPORT BY DIVISION

Over the last 10 years, Victoria has grown from a UK-centric £75 million (revenues) carpet manufacturer to a global flooring company with annual revenues exceeding £1.5 billion. The Group is Europe's largest carpet manufacturer with best-in-class logistics; it is one of the largest artificial turf manufacturers and distributors with more than €100 million of sales; it has built a €500+ million ceramics business with sites in Spain, Italy and Turkey that generates industry-leading margins; and, most recently, developed a US distribution business that will contribute more than $400 million of sales to the Group from tiles, LVT, wood, rugs, and artificial turf. This scale of business provides a platform for material earnings and cash flow growth purely from operational improvements and synergy projects.

UK & Europe – Soft Flooring

The shape of our UK & European soft flooring business altered dramatically in April with the completion of the purchase of the rugs and UK carpet divisions of Balta Group, together with the internationally-known brand, "Balta". This acquisition catapulted Victoria to the position of Europe's largest carpet and rug manufacturer with revenue for the six months of £372.0 million.

Integration of Balta is proceeding apace in order to realise the full benefit this scale advantage offers. As expected, there will be some exceptional costs associated with the reorganisation (largely redundancy and factory closure costs) but the cash impact is expected to be zero due to the disposal of assets that will become surplus (primarily real estate) once the integration is completed. The Board anticipates the synergy gains to be no less than €15 million per annum (+2% margin for the division) in 24 months from now.

The UK flooring market has softened this year from the extraordinarily strong demand of 2021/22, although Victoria continues to benefit from predominantly serving mid-high price points where demand has been noticeably more resilient.

Significantly higher input costs (primarily raw materials) were experienced in H1 and, as it has done in the past, Victoria shared the impact with its customers to protect market share. The outcome has been a temporary margin compression to 10.0% – an effect accentuated by the inclusion of Balta's contribution for the first time (Balta's historically lower margin of 4.5% has depressed the division's margin by 3.6%, although this is expected to change as integration takes effect). However, as the lower inflation of raw materials experienced in more recent months feeds though into the cost of finished goods and the reorganisation of Balta takes effect, margin growth will resume, which together with our larger market share, ensures the medium-term outcome will be a continuation of Victoria's ten-year trend of becoming a larger, more profitable and more stable business.

UK & Europe – Ceramic Tiles

Energy, and gas in particular, is a key cost in the manufacture of ceramic tiles, with the largest component being the use of gas in the kilns. This has, obviously, been a challenge over the last six months with energy prices materially elevated throughout the period and spiking to all-time highs in August.

The Group has successfully mitigated the impact of higher gas prices through a combination of continual improvements to customer service, product engineering, hedging, carefully negotiated supply agreements, and – where necessary – price increases and/or energy surcharges. The ongoing integration of recent acquisitions and the resulting efficiency gains together with investment in energy co-generation plants has also contributed to the robust performance for the period.

Furthermore, many of Victoria's competitors who lack our scale or efficiency have been forced to suspend operations during this period. However, our lower cost structure has enabled us to keep our factories in production and significantly outpace softening demand by supplying customers who have been unable to access product from their usual suppliers. We have also made important inroads into the US tile market this year with new supply agreements being signed with major US retailers and we expect this market to be an area of significant growth over the years ahead.

Consequently, although there are variances between the different businesses, across the division, margins have remained broadly flat with the prior year. Total revenue growth of 39.4% to £254.4 million includes LFL organic growth of 15.6%, with the balance due to the acquisition of Graniser.

The Turkish ceramic tiles business, Graniser, which was acquired in February 2022 has delivered volumes and profitability in line with our expectations. At the time of acquisition, about 70% of Graniser's revenue was derived from export and our plan for this business is to replace the remaining 30% of domestic sales with export. Accordingly, a c.€9 million exceptional capex plan has been actioned to further align the quality of both the tile produced and its packaging with European and American standards. The plan, which is already in process and with completion targeted by December 2023, is then expected to deliver EBITDA upside of more than €4 million per annum.

North America

Victoria's North America division now consists of two businesses: CALI and International Wholesale Tiles Inc, which together have annual revenue of c.US$260 million. However, it is worth noting that, including exports from our European factories, total annual revenue derived from the US market now exceeds $400 million per annum (c.25% of Victoria's total revenue). This constitutes valuable geographic diversification.

CALI, which was acquired in June 2021, continues to make good progress on all fronts.

In October, CALI launched a 250,000 square foot company operated distribution centre in Summerville, South Carolina to further improve service and efficiency in the Eastern United States.

While the launch of CALI's new distribution centre is part of a broader operational excellence plan (and other company-run distribution centers will be opened in the coming years) we are already experiencing very positive results. During the two months ended September 2022, CALI achieved 24% fewer fulfilment errors versus the same period in 2021 (and a similar reduction in transportation errors). As a result, customer satisfaction measures improved significantly, increasing from 62% in August and September of 2021 to 81.5% in the same period in 2022.

This year, CALI launched two new product categories, sourced from Group companies: rug and artificial turf, and expanded its offerings in vinyl, laminate and wood. In October, CALI became a core supplier to a major cooperative group of dealers, bringing CALI over 2,500 new potential store fronts. CALI has also made significant progress in its home centre channel, where it expanded its partnerships and is in the process of rolling out new product categories across 750+ national home improvement stores.

As a result of these initiatives, CALI's revenue is more than 20% higher than when Victoria acquired the business.

Although completion occurred shortly after the half-year balance date, we thought we would briefly cover the acquisition of Florida-based distributor International Wholesale Tiles ("IWT").

Even with domestic production running at 100% of capacity, the US needs to import 65% of its ceramic tiles and IWT is one of a number of businesses across the country that fill this function. We were attracted to the business by its focussed and committed management (who have successfully grown revenue by 11.6% CAGR for the last 10 years), its highly diversified customer base, its focus on Florida, which has well above average economic and population growth, the significant synergy opportunities utilising our European factories, and high cash conversion.

Victoria's Board believes that IWT presents an excellent strategic fit with Victoria's existing business and will have strong long term growth prospects as part of the Group.

Australia

Australia represents around 8% of Group underlying EBITDA. Following 18 months of very difficult trading conditions due to government-mandated Covid lockdowns that only ended in October 2021, the Australian market is experiencing good trading conditions this year. Victoria's Australian operations recorded LFL revenue growth of +15.5% in H1 as consumers take advantage of savings accumulated during the lockdowns. Inflation on input prices has also been less severe than in Europe and earnings were also up 15.8% to £8.2 million for the period.

The outlook remains positive – particularly for the Dunlop LVT brands, where the new collection and better service proposition have been very well received. The Group is fortunate in having very strong management at Victoria Australia, Quest, and Dunlop Flooring, who have developed plans to ensure further improved performance next year. The Board has a high degree of confidence in them to deliver these improvements.

OUTLOOK

Operations

The Board is confident in the successful future of Victoria despite challenging economic conditions for the immediate future.

This is not misplaced optimism but is based upon some distinct features of the sector and competitive advantages of Victoria itself:

- Flooring is a core global industry, and Victoria's products are universally needed and over time demand is consistent, predictable, and increasing
- The Company benefits from highly effective operational management. Their decades of experience mean that they have lived through several economic cycles and they know how to respond to changing conditions to protect the business
- Victoria has highly diversified economic exposure with manufacturing facilities in eight countries (Spain, the UK, Belgium, the Netherlands, Germany, Australia, Turkey, and Italy), but it exports product all over the world, reducing the Group's exposure to any one economy
- Victoria is one of the sector's most cost-efficient producers, with the advantage of modern and well-invested factories. The Group's industry-leading operating margins provide room for manoeuvre against struggling competitors
- Low operational gearing. Over half of Victoria's cost base fluctuates directly with sales (e.g. raw materials and energy) and a further circa 30% is capable of being varied within a few weeks (e.g. labour, logistics and marketing costs), should conditions change
- Financial resilience. With cash balances and undrawn credit-lines exceeding £250 million, long-dated 'covenant-lite' bond debt, and growing free cash flow after all exceptional costs, Victoria is strongly positioned to ride-out and capitalise upon any economic turbulence
- The Group's focus on mid-to-high product ranges and emphasis on the residential repair and remodel end market have historically manifested in dampened revenue volatility for Victoria (relative to some competitors who focus more on builder or commercial end-markets)

Acquisitions

The focus of Victoria's management team is firmly on operations and integrating recent acquisitions because doing so will, by far, deliver the highest return on capital and management time given there are meaningful synergies to be realised, which will drive material earnings and cash-flow growth over the next two years.

Having said that, we are also aware that present macro-economic conditions will not last. A favourite aphorism of Abraham Lincoln was apparently, "This too shall pass". Therefore, we continue to maintain existing active dialogues and relationships with potential sellers and actively seek out new possible acquisition opportunities as Victoria remains the natural 'home of choice' for owner-operator businesses. If you believe Victoria is the right home for your business, we encourage you to give us a call.

CONCLUSION

Despite the macro-economic fears, our fellow investors can rest assured that Victoria has been structured with resilience in mind and is well positioned to navigate a variety of economic environments. Whilst we cannot predict precisely when global macro-economic conditions will improve, we can predict that Victoria is well positioned to benefit from that moment and we are therefore confident in stating that the Company will continue to create wealth for shareholders.

Geoffrey Wilding
Executive Chairman

Philippe Hamers
Group Chief Executive

28 November 2022

Condensed Consolidated Income Statement

For the 26 weeks ended 1 October 2022 (unaudited)

		26 weeks ended 1 October 2022			26 weeks ended 2 October 2021			52 weeks ended 2 April 2022 (audited)		
		Underlying performance	**Non-underlying items**	**Reported numbers**	Underlying performance	Non-underlying items	Reported numbers	Underlying performance	Non-underlying items	Reported numbers
	Notes	**£m**	**£m**	**£m**	£m	£m	£m	£m	£m	£m
Revenue	3	**771.5**	**4.6**	**776.1**	489.0	-	489.0	1,019.8	-	1,019.8
Cost of Sales		**(541.5)**	**(12.6)**	**(554.0)**	(315.6)	(4.7)	(320.3)	(657.5)	(5.5)	(663.0)
Gross profit		**230.0**	**(8.0)**	**222.0**	173.4	(4.7)	168.7	362.3	(5.5)	356.8
Distribution costs		**(56.9)**	**(0.2)**	**(57.1)**	(50.6)	-	(50.6)	(108.2)	-	(108.2)
Administrative expenses		**(119.6)**	**29.1**	**(90.5)**	(66.3)	(26.2)	(92.5)	(148.3)	(51.7)	(200.0)
Other operating income		**7.6**	**-**	**7.6**	2.1	-	2.1	2.1	2.9	5.0
Operating profit		**61.1**	**20.9**	**82.0**	58.6	(30.9)	27.7	107.9	(54.3)	53.6
Comprising:										
Operating profit before non-underlying and exceptional items		**61.1**	**-**	**61.1**	58.6	-	59.4	107.9	-	107.9
Amortisation of acquired intangibles	4	**-**	**(21.0)**	**(21.0)**	-	(16.0)	(16.0)	-	(32.4)	(32.4)
Other non-underlying items	4	**-**	**(13.4)**	**(13.4)**	-	(7.4)	(7.4)	-	(15.0)	(15.0)
Exceptional items	4	**-**	**55.3**	**55.3**	-	(7.5)	(7.5)	-	(6.9)	(6.9)
Finance costs	5	**(21.3)**	**(7.6)**	**(28.9)**	(17.5)	(7.3)	(24.8)	(34.1)	(31.9)	(66.0)
Comprising:										
Interest on loans and notes	5	**(17.7)**	**-**	**(17.7)**	(14.2)	-	(14.2)	(27.9)	-	(27.9)
Amortisation of prepaid finance costs and accrued interest	5	**(1.5)**	**-**	**(1.5)**	(1.1)	-	(1.1)	(2.3)	-	(2.3)
Unwinding of discount on right-of-use lease liabilities	5	**(2.0)**	**-**	**(2.0)**	(2.2)	-	(2.2)	(3.8)	-	(3.8)
Preferred equity items	5	**-**	**(14.3)**	**(14.3)**	-	(10.4)	(10.4)	-	(33.0)	(33.0)
Other finance items	5	**(0.1)**	**6.7**	**6.6**	-	3.1	3.1	(0.1)	1.1	1.0
Profit / (loss) before tax		**39.8**	**13.3**	**53.1**	41.1	(38.2)	2.9	73.8	(86.2)	(12.4)
Taxation (charge) / credit	6	**(9.7)**	**4.1**	**(5.6)**	(10.3)	4.3	(6.0)	(18.1)	18.1	-
Profit / (loss) for the period		**30.1**	**17.4**	**47.5**	30.8	(33.9)	(3.1)	55.7	(68.1)	(12.4)
Earnings / (loss) per share - pence basic	7			**40.76**			(2.68)			(10.61)
diluted	7			**36.69**			(2.68)			(10.61)

Condensed Consolidated Statement of Comprehensive Income

For the 26 weeks ended 1 October 2022 (unaudited)

	26 weeks ended 1 October 2022	26 weeks ended 2 October 2021	52 weeks ended 2 April 2022 (audited)
	£m	£m	£m
Profit / (loss) for the period	**47.5**	(3.1)	(12.4)
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Actuarial gain on defined benefit pension scheme	**0.9**	0.2	1.6
Items that will not be reclassified to profit or loss	**0.9**	0.2	1.6
Items that may be reclassified subsequently to profit or loss:			
Hyperinflation adjustments	**32.1**	-	-
Retranslation of overseas subsidiaries	**16.6**	1.3	3.5
Items that may be reclassified subsequently to profit or loss	**48.7**	1.3	3.5
Other comprehensive income	**49.6**	1.5	5.1
Total comprehensive income / (expense) for the period attributable to the owners of the parent	**97.1**	(1.6)	(7.3)

Condensed Consolidated Balance Sheet

As at 1 October 2022 (unaudited)

	1 October 2022	2 October 2021	2 April 2022 (audited)
	£m	£m	£m
Non-current assets			
Goodwill	**258.8**	236.5	244.6
Intangible assets other than goodwill	**335.1**	263.5	259.7
Property, plant and equipment	**433.7**	234.0	256.0
Right-of-use lease assets	**169.0**	99.6	99.6
Investment property	**0.2**	0.2	0.2
Deferred tax assets	**23.5**	18.5	27.2
Total non-current assets	**1,220.3**	852.3	887.3
Current assets			
Inventories	**415.7**	241.4	280.7
Trade and other receivables	**315.9**	194.4	223.8
Cash and cash equivalents	**78.4**	178.3	273.6
Total current assets	**810.0**	614.1	778.1
Total assets	**2,030.3**	1,466.4	1,665.4
Current liabilities			
Trade and other current payables	**427.3**	285.3	337.2
Current tax liabilities	**8.5**	8.4	0.7
Obligations under right-of-use leases - current	**23.3**	14.4	16.9
Other financial liabilities	**42.2**	34.5	25.2
Total current liabilities	**501.2**	342.6	380.0
Non-current liabilities			
Trade and other non-current payables	**11.5**	12.8	7.5
Obligations under right-of-use leases - non-current	**132.7**	94.8	88.7
Other non-current financial liabilities	**683.5**	647.3	646.0
Preferred equity	**222.2**	77.8	207.9
Preferred equity – contractually-linked warrants	**46.4**	5.8	46.4
Deferred tax liabilities	**132.6**	71.6	81.4
Retirement benefit obligations	**5.5**	6.1	4.9
Total non-current liabilities	**1,234.4**	916.2	1,082.8
Total liabilities	**1,735.6**	1,258.8	1,462.8
Net Assets	**294.7**	207.6	202.6
Equity			
Share capital	**6.3**	6.3	6.3
Retained earnings	**229.5**	195.8	187.3
Foreign exchange reserve	**19.7**	0.9	3.1
Other reserves	**39.2**	4.6	5.9
Total equity	**294.7**	207.6	202.6

Condensed Consolidated Statement of Changes in Equity

For the 26 weeks ended 1 October 2022 (unaudited)

	Share capital £m	Retained earnings £m	Foreign exchange reserve £m	Other reserves £m	Total equity £m
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) / income	-	(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
Profit for the period to 1 October 2022	-	47.5	-	-	47.5
Other comprehensive income for the period	-	0.9	-	-	0.9
Hyperinflation	-	-	-	32.1	32.1
Retranslation of overseas subsidiaries	-	-	16.6	-	16.6
Total comprehensive income	-	48.4	16.6	32.1	97.1
Buy back of ordinary shares	-	(6.2)	-	-	(6.2)
Share-based payment charge	-	-	-	1.2	1.2
Transactions with owners	-	(6.2)	-	1.2	(5.0)
At 1 October 2022	**6.3**	**229.5**	**19.7**	**39.2**	**294.7**
At 3 April 2021	6.3	198.7	(0.4)	3.6	208.2
Loss for the period to 2 October 2021	-	(3.1)	-	-	(3.1)
Other comprehensive income for the period	-	0.2	-	-	0.2
Retranslation of overseas subsidiaries	-	-	1.3	-	1.3
Total comprehensive (loss) / income	-	(2.9)	1.3	-	(1.6)
Share-based payment charge	-	-	-	1.0	1.0
Transactions with owners	-	-	-	1.0	0.9
At 2 October 2021	**6.3**	**195.8**	**0.9**	**4.6**	**207.6**

Condensed Consolidated Statement of Cash Flows

For the 26 weeks ended 1 October 2022 (unaudited)

	26 weeks ended 1 October 2022	26 weeks ended 2 October 2021	52 weeks ended 2 April 2022 (audited)
	£m	£m	£m
Cash flows from operating activities			
Operating profit	**82.0**	27.7	53.6
Adjustments For:			
Depreciation and amortisation of IT software	**39.6**	25.9	55.2
Amortisation of acquired intangibles	**21.0**	16.0	32.4
Negative goodwill arising on acquisition	**(61.5)**	-	(6.9)
Acquisition-related performance plan charge	**4.0**	-	7.1
Amortisation of government grants	**(0.4)**	(0.2)	(0.5)
Profit on disposal of property, plant and equipment	**(1.1)**	(0.1)	(2.9)
Share incentive plan charge	**1.2**	1.0	2.3
Defined benefit pension	**-**	(0.1)	(0.1)
Net cash flow from operating activities before movements in working capital, tax and interest payments	**84.8**	70.2	140.2
Change in inventories	**(7.8)**	(26.1)	(51.8)
Change in trade and other receivables	**(32.5)**	(14.0)	(29.9)
Change in trade and other payables	**(23.8)**	26.1	55.5
Cash generated by continuing operations before tax and interest payments	**20.7**	56.2	114.0
Interest paid on loans and notes	**(20.4)**	(16.1)	(28.4)
Interest relating to right-of-use lease assets	**(2.0)**	(2.2)	(3.8)
Income taxes paid	**(7.3)**	(6.6)	(13.7)
Net cash (outflow) / inflow from operating activities	**(9.0)**	31.3	68.1
Investing activities			
Purchases of property, plant and equipment	**(40.8)**	(29.9)	(51.3)
Purchases of intangible assets	**(0.5)**	(0.7)	(2.0)
Proceeds on disposal of property, plant and equipment	**2.4**	2.0	5.3
Deferred consideration and acquisition-related performance plan payments	**(3.5)**	(12.0)	(12.7)
Acquisition of subsidiaries net of cash acquired	**(57.3)**	(140.3)	(127.9)
Net cash used in investing activities	**(99.7)**	(180.9)	(188.6)
Financing activities			
Repayment of borrowings	**(60.7)**	(23.4)	(89.8)
Issue of preferred equity	**-**	-	150.0
Preferred equity ticking fee	**-**	-	(7.0)
Buy back of ordinary shares	**(6.2)**	-	(0.6)
Payments under right-of-use lease obligations	**(11.5)**	(6.7)	(15.0)
Repayment of acquisition-related capital investment to Keraben senior mgmt team	**-**	-	(7.2)
Net cash (used) / generated in financing activities	**(78.4)**	(30.1)	30.4
Net decrease in cash and cash equivalents	**(187.2)**	(179.7)	(90.1)
Cash and cash equivalents at beginning of period	**258.0**	344.8	344.8
Effect of foreign exchange rate changes	**2.7**	2.9	3.3
Cash and cash equivalents at end of period	**73.5**	167.9	258.0
Comprising:			
Cash and cash equivalents	**78.4**	178.3	273.6
Bank overdrafts	**(4.9)**	(10.4)	(15.6)
	73.5	167.9	258.0

Notes to the Condensed Half-year Financial Statements

For the 26 weeks ended 1 October 2022 (unaudited)

1. General information

These condensed consolidated financial statements for the 26 weeks ended 1 October 2022 have not been audited or reviewed by the Auditor. They were approved by the Board of Directors on 28 November 2022.

The information for the 52 weeks ended 2 April 2022 does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The Auditor's report on those accounts was unqualified and did not include a reference to any matter to which the Auditor drew attention by way of emphasis without qualifying the report and did not contain statements under Section 498(2) or 498(3) of the Companies Act 2006.

2. Basis of preparation and accounting policies

These condensed consolidated financial statements should be read in conjunction with the Group's financial statements for the 52 weeks ended 3 April 2022, which were prepared in accordance with IFRSs as adopted by the European Union.

These interim financial statements have been prepared on a consistent basis and in accordance with the accounting policies set out in the group's Annual Report and Financial Statements for the 52 weeks ended 3 April 2022.

Having reviewed the Group's projections, and taking account of reasonably possible changes in trading performance, the Directors believe they have reasonable grounds for stating that the Group has adequate resources to continue in operational existence for the foreseeable future.

Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements of the Group.

Hyperinflation accounting

The group applied hyperinflationary accounting for its operations in Turkey. In March 2022, the three-year cumulative inflation in Turkey exceeded 100% and as a result, hyperinflationary accounting was applied for the half year reporting ending 1 October 2022 in respect of the group's operations in Turkey. The Group's consolidated financial statements include the results and financial position of its Turkish operations restated to the measuring unit current at the end of the period, with hyperinflationary gains and losses in respect of monetary items being reported in finance charges. Comparative amounts presented in the consolidated financial statements were not restated.

Notes to the Condensed Half-year Financial Statements

For the 26 weeks ended 1 October 2022 (unaudited)

Hyperinflationary accounting needs to be applied as if Turkey has always been a hyperinflationary economy since acquisition date, hence, the differences between equity at 2 April 2022 as reported and the equity after the restatement of the non-monetary items to the measuring unit current at 2 April 2022 were recognised in retained earnings. Graniser and Balta (Turkish operations) were acquired in February 2022 and April 2022 respectively, consequently their acquisition opening balance sheets have not been re-indexed on the basis they are held at fair value.

When applying IAS 29 on an ongoing basis, comparatives in stable currency are not restated and the effect of inflating opening balances to the measuring unit current at the end of the reporting period is presented in other comprehensive income. The inflation rate used by the group is the official rate published by the Turkish Statistical Institute, TurkStat. The movement in the publicly available official price index for the half year ended 1 October 2022 was 24% (half year ended 2 October 2021: 9%).

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.

Notes to the Condensed Half-year Financial Statements continued

For the 26 weeks ended 1 October 2022 (unaudited)

3. 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

	26 weeks ended 1 October 2022						26 weeks ended 2 October 2021					
	UK & Europe Soft Flooring	UK & Europe Ceramic Tiles	Australia	North America	Unallocated central expenses	Total	UK & Europe Soft Flooring	UK & Europe Ceramic Tiles	Australia	North America	Unallocated central expenses	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Income statement												
Revenue	373.7	257.4	64.2	80.9	-	776.1	214.0	182.5	53.4	39.1	-	489.0
Underlying operating profit	15.7	37.5	5.6	3.7	(1.3)	61.1	27.0	25.9	4.8	2.1	(1.2)	58.6
Non-underlying operating items	(17.8)	(12.0)	(0.9)	(2.5)	(1.2)	(34.4)	(4.4)	(13.4)	(0.9)	(3.4)	(1.3)	(23.4)
Exceptional operating items	57.1	(1.0)	(0.1)	(0.6)	(0.2)	55.3	(4.0)	(1.7)	(0.1)	(1.5)	(0.2)	(7.5)
Operating profit	55.1	24.5	4.7	0.6	(2.7)	82.0	18.6	10.7	3.9	(2.8)	(2.7)	27.7
Underlying net finance costs						(21.3)						(17.5)
Non-underlying finance costs						(7.6)						(7.3)
Profit before tax						53.1						2.9
Tax charge						(5.6)						(6.0)
Profit/(loss) for the period						47.5						(3.1)

Notes to the Condensed Half-year Financial Statements continued

For the 26 weeks ended 1 October 2022 (unaudited)

3. Segmental information (continued)

	26 weeks ended 1 October 2022						26 weeks ended 2 October 2021					
	UK & Europe Soft Flooring	**UK & Europe Ceramic Tiles**	**Australia**	**North America**	**Unallocated central expenses**	**Total**	UK & Europe Soft Flooring	UK & Europe Ceramic Tiles	Australia	North America	Unallocated central expenses	Total
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	£m	£m	£m	£m	£m	£m
Depreciation of tangible fixed assets and IT software amortisation	**15.4**	**11.2**	**1.5**	**0.8**	**0.1**	**29.0**	5.3	9.2	1.1	0.5	0.1	12.1
Depreciation of right-of-use lease assets	**6.1**	**2.9**	**1.1**	**0.3**	**0.2**	**10.6**	6.3	2.3	1.1	-	-	13.8
Amortisation of acquired intangibles	**7.1**	**11.1**	**0.9**	**1.9**	**-**	**21.0**	3.6	10.7	0.9	0.8	-	16.0
	28.6	**25.2**	**3.5**	**3.0**	**0.3**	**60.6**	15.2	22.2	3.1	1.3	0.1	41.9

	26 weeks ended 1 October 2022						26 weeks ended 2 October 2021					
	UK & Europe Soft Flooring	**UK & Europe Ceramic Tiles**	**Australia**	**North America**	**Central**	**Total**	UK & Europe Soft Flooring	UK & Europe Ceramic Tiles	Australia	North America	Central	Total
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	£m	£m	£m	£m	£m	£m
Total capital expenditure (cashflow)	**16.7**	**17.2**	**2.0**	**3.0**	**-**	**38.9**	7.5	19.3	1.8	0.1	-	28.6

Notes to the Condensed Half-year Financial Statements continued

For the 26 weeks ended 1 October 2022 (unaudited)

4. Exceptional and non-underlying items

	26 weeks ended 1 October 2022	26 weeks ended 2 October 2021
	£m	£m
Exceptional items		
(a) Acquisition related costs	**(1.9)**	(4.4)
(b) Reorganisation costs	**(4.3)**	(1.2)
(c) Negative goodwill arising on acquisition	**61.5**	(1.9)
	55.3	(7.5)
Non-underlying operating items		
(d) Acquisition-related performance plans	**(4.0)**	(1.7)
(e) Non-cash share incentive plan charge	**(1.2)**	(1.0)
(f) Amortisation of acquired intangibles	**(21.0)**	(16.0)
(g) Unwind of fair value uplift to acquisition opening inventory	**(9.5)**	(4.7)
(h) Depreciation of fair value uplift to acquisition property	**(0.2)**	-
(i) Hyperinflation depreciation adjustment	**(0.5)**	-
(i) Net hyperinflation adjustment (excluding depreciation)	**1.9**	-
	(34.4)	(23.4)
Total	**20.9**	(30.9)

(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 Belgium. In the prior year, this figure included 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).

(c) Negative goodwill of £61.5m arose on the consolidation of the Balta and Ragolle acquisitions in the period, achieved through favourable bilateral negotiations. Hanover was acquired during FY21 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 prior period and was not accounted for at the point of acquisition, hence is charged to the income statement in the prior period.

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

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

Notes to the Condensed Half-year Financial Statements continued

For the 26 weeks ended 1 October 2022 (unaudited)

4. Exceptional and non-underlying items (continued)

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

(g) 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.

(h) 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.

(I, j) Impact of hyperinflation indexation in the period, see note 2 'Basis of preparation and accounting policies'. The hyperinflation impact in the period on revenue was £4.6m (income), cost of sales was £2.9m (charge) and admin expenses was £0.3m (charge).

Notes to the Condensed Half-year Financial Statements continued

For the 26 weeks ended 1 October 2022 (unaudited)

5. Finance costs

	26 weeks ended 1 October 2022 £m	26 weeks ended 2 October 2021 £m
Underlying finance items		
Interest on bank facilities and notes	**17.0**	13.8
Interest on unsecured loans	**0.7**	0.4
Total interest on loans and notes	**17.7**	14.2
Amortisation of prepaid finance costs on loans and notes	**1.5**	1.1
Unwinding of discount on right-of-use lease liabilities	**2.0**	2.2
Net interest expense on defined benefit pensions	**0.1**	-
	21.3	17.5
Non-underlying finance items		
(a) Finance items related to preferred equity	**14.3**	10.4
Preferred equity related	**14.3**	10.4
(b) Fair value adjustment to notes redemption option	**2.7**	(1.1)
(c) Unsecured loan redemption premium charge	**-**	0.1
(d) Mark to market adjustments and gains on foreign exchange forward contracts	**(5.0)**	(2.4)
(e) Translation difference on foreign currency loans and cash	**(3.0)**	0.3
(f) Other financial expenses (hyperinflation)	**0.5**	-
(g) Monetary (gain)/loss (hyperinflation adjustment)	**(1.9)**	-
Other non-underlying	**(6.7)**	(3.1)
	7.6	7.3

(a) The net impact of items relating to preferred equity issued to Koch Equity Development during the current and prior periods.

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

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

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

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

(f) Other finance cost impact of hyperinflation adjustment.

(g) Monetary gain (hyperinflation adjustment) - see note 2 'Basis of preparation and accounting policies'.

Notes to the Condensed Half-year Financial Statements continued

For the 26 weeks ended 1 October 2022 (unaudited)

6. Taxation

	26 weeks ended 1 October 2022	26 weeks ended 2 October 2021
	£m	£m
Current tax		
- Current year UK	-	2.4
- Current year overseas	8.8	7.6
	8.8	10.0
Deferred tax		
- Credit recognised in the current year	(3.2)	(4.0)
	(3.2)	(4.0)
Total tax charge	5.6	6.0

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, Belgium and Spain; 23.0% in Turkey; 27.9% in Italy; 30% in Australia; 12.5% in Ireland an 25% in North America.

The overall effective corporation tax rate on underlying profit is 24.5% (FY21: 24.5%), representing the best estimate of the weighted average annual corporation tax rate expected for the full financial year.

Notes to the Condensed Half-year Financial Statements continued

For the 26 weeks ended 1 October 2022 (unaudited)

7. Earnings per share

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

	26 weeks ended 1 October 2022		26 weeks ended 2 October 2021	
	Basic	Adjusted	Basic	Adjusted
	£m	£m	£m	£m
Profit / (loss) attributable to ordinary equity holders of the parent entity	47.5	47.5	(3.1)	(3.1)
Exceptional and non-underlying items:				
Income statement impact of preferred equity	-	14.3	-	10.4
Amortisation of acquired intangibles	-	21.0	-	16.0
Other non-underlying items	-	13.4	-	7.4
Other exceptional items	-	(55.3)	-	7.5
Fair value adjustment to notes redemption option	-	2.7	-	(1.1)
Translation difference on foreign currency loans	-	(3.0)	-	(0.3)
Other non-underlying finance items	-	(6.4)	-	(2.3)
Tax effect on adjusted items where applicable	-	(4.1)	-	(4.3)
Earnings / (loss) for the purpose of basic and adjusted earnings per share	47.5	30.1	(3.1)	30.8

Weighted average number of shares	26 weeks ended 1 October 2022	26 weeks ended 2 October 2021
	Number of shares	Number of shares
	(000's)	(000's)
Weighted average number of shares for the purpose of basic and adjusted earnings per share	116,464	116,852
Effect of dilutive potential ordinary shares:		
Share options and warrants	1,473	1,657
Weighted average number of ordinary shares for the purposes of diluted earnings per share	117,937	118,509
Preferred equity and contractually-linked warrants	50,493	7,990
Weighted average number of ordinary shares for the purposes of diluted adjusted earnings per share	168,430	126,499

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

Notes to the Condensed Half-year Financial Statements continued

For the 26 weeks ended 1 October 2022 (unaudited)

7. Earnings per share (continued)

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

	26 weeks ended 1 October 2022	26 weeks ended 2 October 2021
	Pence	Pence
Earnings / loss per share		
Basic earnings / (loss) per share	**40.76**	(2.68)
Diluted earnings / (loss) per share	**36.69**	(2.68)
Basic adjusted earnings per share	**25.85**	26.32
Diluted adjusted earnings per share	**17.87**	24.32

In the current period diluted earnings per share is adjusted for the impact of the potential future conversion of preferred equity due to this instrument having a dilutive effect. As a result the £14.3m preferred equity charge in the period has been added back in the calculation of diluted earnings per share.

In the prior period diluted earnings per share was 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.

8. Rates of Exchange

The result of the Group's overseas subsidiaries have been translated into Sterling at the average rates prevailing during the periods. The balance sheets are translated at the exchange rates prevailing at the period ends:

	26 weeks ended 1 October 2022	26 weeks ended 2 October 2021	52 weeks ended 2 April 2022
Australia (A$) - average rate	**1.7447**	1.8161	1.8269
Australia (A$) - period end	**1.7425**	1.8649	1.7509
Europe (€) - average rate	**1.1701**	1.1659	1.1777
Europe (€) - period end	**1.1374**	1.1683	1.1874
USD ($) - average rate	**1.2160**	1.3849	1.3627
USD ($) - period end	**1.1150**	1.3545	1.3114
Turkey (₺) - average rate	**20.3012**	N/A	18.7879
Turkey (₺) - period end	**20.6297**	N/A	19.2606

Notes to the Condensed Half-year Financial Statements continued

For the 26 weeks ended 1 October 2022 (unaudited)

9. Acquisition of subsidiaries

(a) 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'.

Total consideration of Balta was €54.1m (£45.2m[1]). Consideration of €60.4m (£50.5m[1]) was paid on completion and €6.3m (£5.3m[1]) was received subsequently in July 2022 as a closing cash adjustment. Additionally, €109.6m (£91.4m[1]) of debt was repaid on completion.

The valuation exercise to identify intangible assets acquired, as required under IFRS3, has been provisionally applied as at the half year. The final valuation will be reflected in the Annual Report and Accounts for the Group for the year ending 1 April 2023, together with the appropriate IFRS 3 disclosures. Identifiable net assets with a total fair value of €124.5m (£103.9m) and negative goodwill of €70.4m (£58.7m[1]) have provisionally been recognised. The negative goodwill has been taken to the income statement in the period.

Within net assets we have provisionally recognised €9.4m (£7.8m[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 1 October 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.

Notes to the Condensed Half-year Financial Statements continued

For the 26 weeks ended 1 October 2022 (unaudited)

9. Acquisition of subsidiaries (continued)

(b) Ragolle Rugs

On 6 June 2022 the Group acquired 100% of the equity of the Belgium luxury rug manufacturer Ragolle Rugs NV ('Ragolle').

Ragolle is situated close to Balta and will complement the growing Belgium operations. It is a producer of high quality wool, viscose, heat set polypropylene and polyester rugs.

The total cash consideration of €21.4m (£18.2m[2]) was paid on completion.

The valuation exercise to identify intangible assets acquired, as required under IFRS3, has been provisionally applied as at the half year. The final valuation will be reflected in the Annual Report and Accounts for the Group for the year ending 2 April 2022 together with the appropriate IFRS 3 disclosures. Identifiable net assets with a total fair value of €24.2m (£20.6m) and negative goodwill of €2.8m (£2.4m[2]) have provisionally been recognised. The negative goodwill has been taken to the income statement in the period.

Within net assets we have provisionally recognised €1.4m (£1.2m[2]) 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 1 October 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.

[1] *Applying the GBP to EUR exchange rate at the date of acquisition of 1.1990.*

[2] *Applying the GBP to EUR exchange rate at the date of acquisition of 1.1763.*

Notes to the Condensed Half-year Financial Statements continued

For the 26 weeks ended 1 October 2022 (unaudited)

10. Post balance sheet events

Acquisitions of International Wholesale Tile

On 17 October 2022 the Group completed the purchase of International Wholesale Tile, a Florida based flooring distributor. Total consideration paid on completion was $28.5m (24.9m[1]), with a further capped contingent payment payable over the next four years, conditional upon the business achieving certain growth and earnings targets.

[1] *Applying the GBP to USD exchange rate at the date of acquisition of 1.14*

On behalf of the Board

Geoffrey Wilding
Executive Chairman

28 November 2022

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