14 September 2023

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

Audited Results
for the year ended 1 April 2023

Record underlying revenue and EBITDA

Confident FY2024 outlook with a sharp increase in earnings and free cash flow expected due to completion of major integration projects

Victoria PLC (LSE: VCP) the international designers, manufacturers and distributors of innovative floorcoverings, announces its audited results for the year ended 1 April 2023, which are unchanged from the key preliminary unaudited data announced on 15 August and show the Company's tenth consecutive year of revenue and underlying profit growth.

FY2023 Financial and Operational highlights

	Year ended 1 April 2023	Year ended 2 April 2022	% Change
Underlying revenue	**£1,461.4m**	£1,019.8m	+43.3%
Underlying EBITDA[1]	**£196.0m**	£162.8m	+20.4%
Underlying operating profit[1]	**£118.8m**	£107.9m	+10.1%
Operating (loss) / profit	**(£24.1m)**	£53.6m	-145.0%
Underlying profit before tax[1]	**£76.9m**	£73.8m	+4.2%
Net loss after tax	**(£91.8m)**	(£12.4m)	
Underlying free cash flow[2]	**£71.3m**	£34.2m	108.3%
Net debt[3]	**£658.3m**	£406.6m	
Net debt / EBITDA[4]	**3.44x**	2.66x	
Earnings / (loss) per share:			
- Basic	**(79.35p)**	(10.61p)	
- Diluted adjusted[1]	**39.06p**	40.21p	-2.9%

- For the first time in the Company's history, the total volume of flooring sold in FY2023 exceed 200 million square metres (more than 29,500 football fields), generating record revenues of £1.46 billion.

- Solid like-for-like organic revenue growth of 2.8%, despite challenging macro-economic conditions and following very strong like-for-like organic growth of +19.2% in the previous 12 months.

- Underlying EBITDA grew by +20.4% over the prior year to £196.0 million.

- Year-end net leverage was 3.44x, 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 in excess of £250 million.

- FY2023's focus on the successful integration of acquisitions has resulted in the projects' completion this month. The outcome is anticipated to conservatively deliver a £20+ million per annum increase in EBITDA.

- The Group's integration expenditure (exceptional expenses and capex) of the last three years is coming to an end. Consequently, the Board anticipates free cash flow to increase sharply. For the five-year period FY2015-2019, the Group averaged cash conversion of EBITDA to Net Free Cash Flow of 55%[5], which the Board believes is a sustainable, long-term ratio and one management is focused on returning to in the near-term.

- Whilst the Group's FY2024 financial outlook is largely based on steady-state demand and underpinned by the various integration projects, each future 5% increase in overall revenue, which is Victoria's long-run organic growth rate, would be expected to deliver earnings and cash flow growth of more than £25 million per annum.

- The "signs of life" in some geographies noted in earlier market announcements, has continued to be seen – most noticeably in the UK, where we believe the Group is benefitting from the service it offers customers and its mid-high end product positioning and underlying earnings year-to-date are ahead of both budget and the same period last year.

Commenting on FY2024 Outlook and beyond, Geoff Wilding, Executive Chairman, said:
"We expect FY2024 to be a year of two halves, with stronger H2 earnings as the productivity gains from completion of the major integration projects are experienced. Completion of the projects is also expected to result in Victoria's free cash flow increasing sharply from H2 FY2024, with management focussed on returning to our long-run average cash conversion of EBITDA to Net Free Cash Flow of 55%[5]*. Further ahead, FY2025 will see the full integration benefits with an expected uplift in margins driving an additional increase in earnings and free cash flow.*

Victoria benefits greatly from being in a long-duration, steady growth industry that will drive compounding organic growth for decades. After making and integrating two-dozen acquisitions over the last 10 years we have now achieved a scale that we anticipate will result in higher productivity, more efficient logistics, wider distribution, and lower input costs than almost all our competitors. Coupling this scale advantage with the underlying sectoral tailwinds will, the Board believes, deliver outsized returns for our shareholders for a very long time."

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

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About Victoria PLC (www.victoriaplc.com)

Established in 1895 and listed since 1963 and on AIM since 2013 (VCP.L), Victoria PLC, is an international manufacturer and distributor of innovative flooring products. The Company, which is headquartered in Worcester, UK, designs, manufactures and distributes a range of carpet, flooring underlay, ceramic tiles, LVT (luxury vinyl tile), artificial grass and flooring accessories.

Victoria has operations in the UK, Spain, Italy, Belgium, the Netherlands, Germany, Turkey, the USA, and Australia and employs approximately 7,300 people across more than 30 sites. Victoria is Europe's largest carpet manufacturer and the second largest in Australia, as well as the largest manufacturer of underlay in both regions.

The Company's strategy is designed to create value for its shareholders and is focused on consistently increasing earnings and cash flow per share via acquisitions and sustainable organic growth.

Victoria PLC

Chairman and CEO's Review

INTRODUCTION

Victoria's operational management philosophy during FY2023 is probably best encapsulated by Winston Churchill's advice, "When you are going through hell, keep going". Dramatic increases in the cost of raw materials, unprecedented energy prices, labour cost inflation, subdued consumer demand, and international shipping disruption created a testing backdrop against which our management team nevertheless delivered the 10th consecutive year of growth as set out in the table below.

	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Underlying Revenue (£ million)	70.9	71.4	127.0	255.2	330.4	417.5	566.8	621.5	662.3	1,019.8	1,461.4
Underlying EBITDA[1] (£ million)	2.3	5.1	15.8	32.3	45.7	64.7	96.3	107.2[2]	112.0[2]	143.5[2]	171.3[2]
EBITDA margin %	3.3	7.2	12.4	12.7	13.8	15.5	17.0	17.2	16.9	14.1	11.7[3]

[1] 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.
[2] Underlying EBITDA in FY20 through FY23 is stated before the impact of IFRS 16 for consistency of comparison with earlier years. IFRS-reported EBITDA for these years are £118m, £127m, £163m, and £196m respectively.
[3] The decline in reported %margin was entirely due to the acquisition mix effect; LFL organic margins increased by 0.2%

The objectives of this review are 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.

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 review focuses on the underlying operating results of the business, which delivered underlying EBITDA of £196.0 million (FY2022: £162.8m) and underlying EBIT of £118.8 million (FY2022: £107.9m). The Financial Review covers non-underlying items in detail, following which IFRS reported operating loss was £24.1 million (FY2022: profit £53.6m), and furthermore covers items in the income statement below operating profit (financial items and tax).

Shareholders are of course free to accept or disregard any of this data but we want to ensure that you have access to similar information Victoria's board and management use in making decisions.

FY2023 OPERATIONAL REVIEW

Overview

The global flooring market is c. USD 200 billion[1] (GBP 154 billion[2]), and USD 66 billion (GBP 51 billion) in Victoria's key markets of Europe and the US, with volume growth over the last 25 years of c. 2.6%[1] per annum. There are fundamental drivers that sustain this long-term growth and, whilst somewhat subdued demand was experienced in FY2023, this was due to near-term macroeconomic conditions and we remain confident that the natural state of the sector is continued expansion in the regions where Victoria trades.

Before commenting specifically on each of the different operating divisions, there were several Group-wide elements in FY2023 which are worth highlighting.

[1] *Freedonia Global Flooring Report 2021*
[2] *GBP/USD 1.29*

Integration Projects

Integrating and reorganising an acquisition is expensive (especially in Europe where mandated social payments must be made to redundant workers) but necessary to realise the maximum value from acquired businesses. Therefore, with the proviso that the expected return on the investment must exceed our internal hurdle rate, the Group is willing to invest heavily where required, in integrating an acquisition in order to optimise future free cash flow. (To be clear, although the restructuring cash outlay is made post-completion, the quantum of the investment is scoped out prior to making the acquisition and is factored into the purchase price we pay for the business to ensure our targeted return on capital is achieved).

We have had four major projects underway throughout FY2023, all of which are now in their final stages and, when completed, are expected to conservatively result in a £20+ million per annum increase in EBITDA and a significant step down in exceptional capital expenditures:

(i) Balta's integration consists of three key projects:
   a. The relocation of Balta's carpet manufacturing from Belgium to Victoria's existing UK factories, making full use of the designed capacity. 80% of Balta's carpet is sold in the UK and this move will lower production and transport costs whilst enabling shorter delivery times, thereby improving customer service.
   b. The consolidation of the Balta rug manufacturing operation onto Victoria's large site at Sint-Baafs Vijve, Belgium, alongside the relocation of some production to Usak, Turkey, where the Group has two modern rug-making and yarn extrusion factories. These changes will improve efficiency and lower production costs.
   c. The divestment of non-core business and real estate assets acquired with the Balta transaction where the opportunity for synergies with the Group's existing businesses are minimal.

(ii) Saloni Ceramica. With the investment Victoria has made in production technology in Spain over the last three years, we have been able to close the Saloni factory and consolidate production onto the very large Keraben and Ibero site. This move occurred ahead of schedule and was completed during March 2023. The Saloni brand continues, with the roll-out of high-end showrooms and social media presence supporting a renewed focus on the Architect & Design market.

(iii) Graniser, Victoria's low-cost Turkish ceramics producer, has two integration projects in progress:
   a. Reorganisation and integration with Victoria's Spanish and Italian factories – increasing spare annual production capacity at Graniser to 8 million sqm.
   b. Investment in new printers and packaging lines alongside integration into Victoria's existing ceramics distribution network will increase higher-margin export revenue.

(iv) Cali Flooring's integration comprises:
   a. Access to Victoria's supply chain lowering Cost of Goods Sold (COGS).

b. Integration into Victoria's US logistics platform, improving delivery times and reducing costs.
c. Commercial excellence projects focussed on "gross to net" enhancements, which have lifted gross margin by approximately 5% since April 2022. These projects have covered restructuring salesforce incentives to encourage maximising margins rather than volume, minimising claim and product return related expenses, renegotiating services contracts, and optimising workforce productivity.

These projects fall into one or more of three broad categories: investment in productivity-enhancing technology, rationalisation of production facilities, and logistics integration – all of which are only possible due to Victoria's scale and business model. Few of our competitors have the size to justify the investment in technology that makes these large efficiency gains possible. Technology is expensive and without the large production volume of Victoria, the cost cannot be recovered. For example, an energy co-generation plant, capable of saving millions in energy costs, requires annual ceramics production at the factory of c. 10 million sqm to justify the investment – volume that few of our competitors manufacture. However, without technology, a manufacturer's production costs will remain permanently higher than that of Victoria, putting them at a perpetual disadvantage.

In total, these integration projects have reduced headcount by 1,000 FTE's whilst we have maintained our production capability.

The full £20+ million financial effect of these projects (detailed in the Capital Allocation section below) will be seen in FY2025, although the benefits will start flowing from later this year and the anticipated productivity improvements, cost savings, and working capital enhancements underpin the current year's expected increased financial performance.

Cash Generation

It is the Board's view that creating wealth for shareholders is best achieved by maximising the medium-term free cash flow per share and every decision is viewed through this prism.

Consequently, we set a target of achieving £100 million of cash generation in H2 FY2023. £117.0 million was generated from operating profits and working capital improvement, although we fell short of the overall target due to three timing related issues:

1. Delayed completion of the divestment of an unneeded factory building arising from the reorganisation of Balta. Recent Belgium legislation requires an environmental report prepared prior to completion and local consultants have significant backlogs. The report has been recently received and completion of the agreed c.£27 million sale can now proceed.

2. Surprisingly (and pleasingly) fast progress of the integration projects led to earlier payment of some large cash reorganisation-related expenditure (largely redundancies and expansionary capex) that was not expected until FY2024, totalling c.£28 million. Saloni's reorganisation completed earlier than anticipated in March and, due to the progress made in the last four months of FY2023, Balta's integration is now expected to finish this month although when it was acquired in April 2022 we advised that integration could take 24-36 months.

3. Working capital (primarily excess ceramics inventory stockpiled due to energy uncertainty last winter) reduction proceeded somewhat slower than anticipated due to softer demand, impacting H2 FY2023 by c £20 million although progress is now well underway with targets and management incentive plans in place for each business across the Group.

Whilst these factors collectively impacted H2 cash by c.£74 million, none represent any fundamental shift in Victoria's financial position as the cash items paid out in FY2023 are a saving in FY2024 and the delayed inflows will be received in FY2024.

4. The Board also decided to invest £11.4 million (the equity component of the purchase) in the acquisition of Florida-based ceramics distributor, IWT. Similarly, £1.6 million was invested in buying back the Company's shares at prices the Board considered to represent very good value for shareholders.

Other cash movements were broadly in line with expectations.

For the five year period FY2015-2019, the Group averaged cash conversion of EBITDA to Net Free Cash Flow of 55%[3] and it is our view that this is a sustainable, long-term ratio and one management is focused on returning to in the near-term. Nevertheless, during the last three years Victoria has chosen to invest heavily in three areas, which the Board's expects to result in higher future free cash flow conversion:

(i) Reorganisation/integration of acquisitions. The integration cost is *always* factored into our purchase price.

(ii) Growth capex. Victoria has been steadily growing market share for several years and additional plant has been required to produce the increased volume. However, this investment, together with productivity gains following completion of the integration projects and selective outsourcing, means the Group now has sufficient production capacity to cope with existing and foreseeable demand and this category of expenditure will fall in the future.

(iii) Ceramics inventory. During FY2023 the uncertainty about the reliability of gas supplies during the winter months led Victoria's ceramics businesses to build up additional inventory to ensure we could maintain supply to customers and protect our reputation as a reliable partner even in the event production was suspended due to lack of gas deliveries for up to two months. Given our ceramics division sells nearly £30 million (at cost) of product per month, the additional six weeks-worth of inventory held was a substantial commitment.

Gas remained available and, as noted above, we are now returning inventory levels to normal, and the cash that was invested in the excess inventory is being released throughout FY2024.

Consequently, it is the Board's expectation that Victoria's free cash flow will return sharply back to the long-run average (additional financial detail is provided in the Capital Allocation section below), and accompanying this evolution is an increased emphasis on free cash flow in senior management incentive plans.

[3] Cash generated after replacement capex, interest, and tax as a percentage of EBITDA.

Operating Margins

As forecasted to shareholders last year, operating margins increased slightly (0.2% LFL) but remained below our long-term expected (and historical) high-teen level. This was due partially to a management decision to focus on protecting our cash margin (rather than the percentage margin) and using the difficult conditions to take further market share from struggling competitors, but is primarily due to the mathematical effect of acquisitions (Balta, Ragolle and IWT) – very large businesses with single-digit margins, which were consequently margin dilutive (-2.5%) prior to integration and benefitting from synergies with Victoria. There was also some inevitable temporary impact from the integration disruption (particularly at Balta where plant relocation was underway).

However, as set out in this Review, the various integration projects will be completed during H1 FY2024 and therefore we are anticipating an uplift in margins beginning in the second half of this financial year and the full benefit to flow in FY2025.

Inflation

Inflation has continued to be a significant factor throughout FY2023. Labour costs increased by around 10%, and certain key raw materials and energy costs increased by more than 100% during the year. This has had two impacts on the Group during the year:

i. Margin pressure. The Group implemented price increases during the year in order to protect our cash margin, whilst maintaining a strong competitive position during a period when some market participants were finding the operating environment very challenging. We are confident that completion of our integration projects alongside other actions, will subsequently deliver an uplift in the percentage margin back to our historical high-teen level.

ii. Working capital. Inflation-driven increases in raw material and production costs means the same quantity of inventory costs more to make and consequently ties up additional cash and, absent any mitigating actions, reduces cash flow and lowers the return on capital. Some of the critical cost inputs have returned to more normal levels and the consequence of this will be that much of the cash absorbed in working capital last year will return as stock is sold and replaced with lower input cost inventory.

In summary the Board and management are alive to the risks imposed by inflation and are carefully balancing the requirement to increase prices sufficiently to ensure our cash return on equity remains acceptable, whilst also maintaining our market share growth momentum, which will help us drive long-term free cash flow growth.

Demand

Demand softened in FY2023 following very strong volume growth over the previous 18 months. We believe this to be a function of (a) some pull-forward of spending in FY2021 and FY2022 (suggested by sectoral volume growth of c.4.9% in 2021 versus the long-term average of c.2.6% per annum) due to Covid lockdowns changing consumer purchasing priorities; (b) lower consumer confidence affecting spending levels, and (c) a level of de-stocking during the year by some very large retailers. Nevertheless, Victoria achieved 2.8% LFL revenue growth.

As can be seen from the FY2023 financial results, Victoria has been impacted less by weaker demand than many of our competitors:

- As a manufacturer and distributor of typically mid to high-end flooring, Victoria's core end-customers are less sensitive to economic uncertainty and inflation.

- Although de-stocking has been a feature of some larger retail customers, most of our production is supplied to our customers (retailers) based on end-consumer orders, not supplied for inventory, reducing Victoria's exposure to de-stocking.

- The Group has been deliberately structured with low operational gearing, reducing the impact on earnings of lower demand.

Although it is too early to make confident predictions, we have, in recent months, seen some signs of life in certain markets. It is our strong view that flooring remains a core consumer product and any period of subdued demand will pass with little impact on the long-term value of Victoria.

Whilst the Group's FY2024 financial outlook is largely based on steady-state demand and underpinned by the various integration projects, it is worthwhile noting that each future 5% increase in overall revenue, which is Victoria's long-run organic growth rate, would be expected to deliver earnings and cash flow growth of more than £25 million per annum.

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.

Everything we do operationally is about increasing productivity – lowering the cost to manufacture and distribute each square metre of flooring – and improving the customer (retailers and distributors) experience, seeking to become an increasingly valuable part of their business. Both are required in order to achieve our goal of creating wealth for shareholders by maximising the free cash flow per share and the purpose of this Divisional Review is to outline some of the steps we have taken during FY2023 along these two vectors.

UK & Europe Soft Flooring – A year dominated by integration of recent acquisitions

	FY23	**FY22**	**Growth**
Underlying Revenue	£718.8 million	£423.1 million	+69.9%
Underlying EBITDA	£66.9 million	£70.3 million	-4.8%
Underlying EBITDA margin	9.3*%*	*16.6%*	-730*bps*
Underlying EBIT	£27.2 million	£45.4 million	-40.1%
Underlying EBIT margin	3.8*%*	*10.7%*	-695*bps*

Victoria is now Europe's largest soft flooring manufacturer and distributor. Following very strong growth in FY2022 (LFL organic revenue growth of 31%), demand for soft flooring was weaker over the past 12 months, although Victoria has benefitted from its mid-high end product positioning with LFL revenue -4.7% for FY2023.

The operating margin reflected the mathematical effect from the acquisition of the low-margin Balta business (-4.2%) and higher input costs – particularly polypropylene fibre (-3.4%). As detailed below, cost savings achieved with the integration of Balta is expected to address the acquisition-mix effect and many input costs are returning to more sustainable levels.

<u>**Carpet and Underlay**</u>

- The most significant activity in this division over FY2023 has been the integration of Balta's broadloom carpet business, which was acquired in April 2022. The plan, relocating manufacturing to the Group's UK facilities, has required extensive trade union negotiations arising from the factory closures in Belgium, re-siting of machinery to the UK, and expansion of one of our UK factories. Although enormously disruptive in the short term and resulting in little earnings contribution from Balta in FY2023, the reorganisation is expected to complete shortly, with the financial benefits showing almost immediately.

- Interfloor, the Group's underlay subsidiary, has exceeded growth expectations in the European market, although labour shortages in the UK held the business back during the year. This issue is now resolved and we look forward to another strong result in FY2024.

- Prices for polypropylene fibre, a major raw material for soft flooring products, increased more than 50% due to a global mismatch between supply and demand. The high prices lasted for most of the financial year, impacting margins, but have more recently returned to more normal levels, with a benefit to the Group's production costs and working capital levels.

Rugs (Balta Home)

- Rugs is an entirely new flooring category for Victoria, forming part of the Balta acquisition. With hard flooring growing as a percentage of the total flooring area in Europe and the USA (from 53.6% in 2009 to 57.8% in 2024), and the tendency for consumers to then immediately cover their new hard floor with a rug, we believe this to be a sustainably growing flooring category.

- The USA is the key market for the rugs manufactured by Victoria and, after some softness in FY2023 (largely due to large retailer de-stocking) we are anticipating modest revenue growth in FY2024. However, the primary focus of the Balta Home management team, led by Marc Dessein, continues to be finalising the reorganisation of the business, which will have a materially positive impact on earnings due to efficiency gains.

- The reorganisation, which is on schedule, consists of the consolidation of production facilities in Belgium alongside transferring significant production capacity to Turkey, where the company has two modern, certified and low-cost factories.

Logistics

- Our logistics capability continues to provide Victoria with what we believe to be an unassailable competitive advantage that continues to drive market share gains. Retailers value service and product availability over the last few pennies in price (no margin at all is made by a retailer on unavailable product!).

- The Group's state-of-the-art, carbon-neutral, purpose-built 185,000 ft² fulfilment centre in Worcester has been completed and is fully operational, replacing the Kidderminster warehouse. It also houses the Victoria Group HQ.

- Apart from further enhancing Victoria service proposition, our logistics operation, Alliance Flooring Distribution, is also now generating third-party logistics income.

UK & Europe Ceramic Tiles – Extraordinary energy costs successfully managed

	FY23	**FY22**	**Growth**
Underlying Revenue	£453.3 million	£371.6 million	+22.0%
Underlying EBITDA	£105.8 million	£71.4 million	+48.2%
Underlying EBITDA margin	*23.3%*	*19.2%*	*+414bps*
Underlying EBIT	£77.5 million	£47.5 million	+63.1%
Underlying EBIT margin	*17.1%*	*12.8%*	*+431bps*

Successful ceramics production during FY2023 has been exceptionally challenging due to the unprecedented energy costs and generally soft demand. Energy costs normally comprise around 15-20%

of revenues for a ceramics business and dealing with prices that at times were more than 900% of 'normal' levels was an industry-wide problem that led to many of our competitors simply suspending production.

Fortunately, Victoria's policy of hedging or contracting the supply of key raw materials and other inputs (which is ongoing) stood our ceramics division in very good stead during this extraordinary period and the division continued to contribute favourably to the Group's earnings with LFL revenue growth of 12.4% and an organic margin improvement of 4.2%.

Italy

- Demand continued throughout FY2023 (and into FY2024) for our 'Made in Italy' ceramics and we have an ongoing order backlog of many months despite the significant capacity increase in 2022.

- We took advantage of the failure of a neighbouring competitor to purchase their atomizer plant at a fraction of its replacement cost. At a purchase cost of €5 million, this equipment reduces the cost of atomized clay by c. €1.5 million per annum, alongside securing its supply – vastly reducing our reliance on third-party suppliers, which was becoming a potential risk to continued growth. The Italian operation is now vertically integrated and more resilient.

Spain

- The final stage of our Spanish ceramics' integration was completed during the year with the closure of the Saloni plant and consolidation of production on the Keraben and Ibero sites. This action, which maintained production capability, but with 15% fewer employees, had been much delayed due to Covid-19 restrictions, which lasted much longer in Spain than in other European countries. However, the resulting higher productivity will help the business remain competitive in the US market against ceramic tiles arriving from India, Mexico, and Brazil.

- The Saloni brand now focusses exclusively on high-end commercial applications, with stylish new showrooms for the Architecture & Design community opened in key locations in Spain.

Turkey

- Following the acquisition of Graniser in February 2022, we have right-sized the business, whilst investing in some key equipment to improve productivity, remove production bottle-necks, and allow effective integration with our global ceramics businesses. The result is an increase in spare capacity to 8 million sqm alongside a 30% reduction in FTEs and we are anticipating an increased contribution from the business in the current financial year.

Australia – Ongoing demand, some inflationary margin pressure

	FY23	FY22	Growth
Underlying Revenue	£120.9 million	£109.5 million	+10.4%
Underlying EBITDA	£15.3 million	£16.4 million	-6.4%
Underlying EBITDA margin	12.7*%*	*15.0%*	-227*bps*
Underlying EBIT	£10.0 million	£11.8 million	-15.7%
Underlying EBIT margin	8.3*%*	*10.8%*	-255*bps*

Although inflation had a small temporary impact on margins, the Australian market continues to see good demand for flooring, partially driven by ongoing buoyant residential construction due to inwards migration. Permanent migration (excluding humanitarian migrants) is consistently around 190,000 people per annum – all of whom are of high economic value, creating consistent demand for additional accommodation.

Australian consumers – particularly in the mid-high end of the market – are paying increasing attention to sustainability when selecting products and this has resulted in a strong recovery in demand for wool-based carpet, which is Victoria Australia's core manufacturing competency and is highly beneficial to the operating margins of the Group's spinning mill at Bendigo.

North America – Continued profitable expansion

	FY23	FY22*	Growth*
Underlying Revenue	£168.4 million	£115.6 million	n/a
Underlying EBITDA	£9.3 million	£6.4 million	n/a
Underlying EBITDA margin	5.5%	*5.6%*	n/a
Underlying EBIT	£6.0 million	£5.2 million	n/a
Underlying EBIT margin	3.6%	*4.5%*	n/a

* *FY22 data is for 9 months only as Cali Flooring was not a Victoria subsidiary until 23 June 2021 and growth comparisons are not applicable*

Our North American business continued to grow in FY2023 with the acquisition of Florida-based ceramics distributor, International Wholesale Tiles ("IWT"), bringing the Group's North American-sourced annualised revenues (including exports to the US from our European factories) to more than USD 400 million (GBP 308 million).

There is strong US-consumer demand for European-branded product – partially because of the quality and style, and partially because demand exceeds domestic production capacity by 50%. Ultra-high quality artificial grass as manufactured by Victoria in Germany and the Netherlands is a particular high-margin opportunity (as outlined in last year's Annual Report) but we are also gaining share in our ceramics business and are exporting increasing quantities of ceramic tiles from our European factories to North America. The US remains the single-largest market for our rugs business.

The effectiveness of our strategy of acquiring US distribution businesses and then driving higher margin organic growth for our European factories via logistics and distribution synergies, whilst massively disrupted by the pandemic during 2020 and 2021, shows considerable promise – as set out in the table below:

Organic growth of US market exports from Victoria's European factories

	2019	2023	Growth
Revenue (GBP thousands)[a]	4,585	45,322	+888%

[a] *Excludes revenue from Balta Rugs, Cali Flooring, and IWT, which were acquired businesses and do not form part of the Group's US organic growth.*

However, we are also continually seeking to profitably expand our US distribution. One example is the recent soft launch of the Victoria Home brand on Wayfair.com with Balta rugs and other flooring products available, although it will be early-2024 before we plan to scale this effort to ensure the systems are in place to efficiently manage the expected growth.

The well-publicised West Coast shipping disruption last year constricted supply of LVT product for several months, impacting sales. However, this has not continued into the current year and normal product supply is being experienced.

In Q4 FY2023 the Group finalised the reorganisation of its US logistics capabilities with four distribution centres across Georgia (two), South Carolina, and Florida and the US-based management is continuing to take advantage of revenue and cost synergies with the wider Group, with opportunities for distribution of Victoria's European-manufactured product and logistics efficiencies.

CAPITAL ALLOCATION

Victoria's Board views every investment decision through the prism of maximising the medium-term free cash flow per share. With FY2023 being a very significant transformational year due to the acquisition and integration of Balta, and the integration of Cali and Graniser, growth/restructuring capex and restructuring costs totalled £98.5 million. It is important to understand that these costs were factored into the purchase price of the businesses and are expected to result in higher earnings and free cash flow than had the investment not been made. Equally significantly, the shift in allocation of this free cash will be dramatic:

- *Upon completion* of the integration projects capex (c.£99.6 million in FY2023) will reduce to normal maintenance levels (see Table A below for details) and exceptional costs (c.£40.8 million in FY2023) associated with reorganisation will be de minimus (see Table B below for details of the major projects and their associated costs).

- With a much lower risk of energy disruption the cash invested in excess ceramics inventory will flow back out as inventory levels return to normal.

Table A sets out the breakdown of capex spending for the last five years to help shareholders better understand normal maintenance capex levels, with the last major reorganisation project being in FY2019:

Capex	**FY19 £m**	**FY20 £m**	**FY21 £m**	**FY22 £m**	**FY23 £m****
Maintenance	23.5	25.4	20.9	40.9	45.5
Growth & Restructuring*	20.9	8.4	7.6	12.4	54.1
	44.4	33.8	28.5	53.3	99.6

** Includes capital expenditure incurred as part of reorganizational and synergy projects to drive higher productivity and lower operating costs.*
***The step-up in FY23 is due to the Balta acquisition, which has both a short-term impact from integration, plus an ongoing increase in quantum due to the increased size of the Group.*

Table B summarises the exceptional expenditure items in FY2023, which are expected to end as re-organisation/integration projects complete this financial year.

Exceptional Costs	**Redundancy cash costs £m**	**Legal & Professional £m**	**Asset removal/ Impairment £m**	**Provisions /other £m**	**Total £m**
Balta re-organisation	6.4	0.6	-	24.5	31.5
Saloni re-organisation	2.9	0.4	2.9	1.4	7.6
Graniser integration	0.3	-	-	-	0.3
Cali integration	-	-	1.2	0.2	1.4
Total	9.6	1.0	4.1	26.1	40.8

The Board will be prioritising allocation of the Group's free cash flow to reducing net debt and redeeming preference shares (the precise mix will depend on several factors). At all times the allocation decision will be based on prudently optimizing the Group's balance sheet while analysing what option will maximise the medium-term free cash flow per share.

DIVIDENDS

For the reasons detailed in previous years' Annual Reports, it remains the Board's view (as it has been for the last ten 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 FY2023.

LEVERAGE

Victoria has for the last 10 years maintained its leverage at around 3-3.5x EBITDA – a policy that made sense to us given the stable nature of our business, the terms of our debt (covenant-lite, fixed-rate, long-dated bonds), and ultra-low interest rates.

However, capital markets conditions have changed and, with the higher interest rates that are likely to be experienced for the foreseeable future, it is the Board's objective to (a) reduce the Group's net debt/EBITDA ratio ahead of refinancing the current bond issues; and (b) redeem preference shares†.

These goals will be met by both reducing the numerator – the absolute quantum of debt – from operating cash flow and the sale of non-core assets and by increasing the denominator – the Group's earnings – due to completion of the various integration projects and other actions discussed elsewhere in this Review.

† *Shareholders will recall that the terms of the preference share issue incorporated a call option that can be exercised by the Company from November 2023, giving Victoria the right to repurchase the preference shares in blocks of £25 million at par i.e. their issue price.*

OUTLOOK

Charlie Munger, the other half of the Berkshire Hathaway duo, once observed that whilst some corporate problems seem large in the moment, in time they will seem trivial. That is why he believes long-term investing pays off and why Victoria's management focusses on creating long-term value rather than reacting to short-term market noise, which can distort issues out of all proportion to their real effect on future prosperity. We are confident that all our businesses benefit from strong economic fundamentals, and skilled and dedicated management.

Operations

Completion of the various integration projects discussed in this Review alongside tight cost management and productivity improvements underpin the expected continued growth in earnings and cash flow this year, notwithstanding ongoing challenging macro-economic conditions.

The Board is therefore expecting FY2024 to be a year of two halves, with the Group's financial performance in H2 being stronger due to the synergy gains from the projects described in this Review alongside limited recovery in demand in some markets.

Acquisitions

Although our focus is firmly on the integration projects, acquisitions remain a core part of Victoria's long-term growth strategy. Victoria has become a permanent home of choice for flooring companies in Europe and the US – particularly family-owned businesses – and the Group's potential pipeline of accretive acquisitions continues to be compelling.

The worth of a business (or indeed any other investment asset) is the present value of future cash flows and, with our firm belief in Benjamin Graham's 'Margin of Safety', we are mindful of the impact of higher interest rates and inflation on valuations and the cost of capital.

Private company owners typically take time to adjust their valuation expectations, but the same selling imperatives remain (retirement being the most common) and so asking prices will, in time, reflect the new reality. Consequently, at lower free cash flow multiples, Victoria's acquisitions will continue to provide the same Return on Capital as previously, notwithstanding a higher cost of capital. Therefore, at the right time and within our leverage policy, we will continue deploy capital to build scale, expand distribution, broaden our product range, and widen the economic moat around our business as we have successfully done over the previous 10 years.

CONCLUSION

Victoria benefits greatly from being in a long-duration, steady growth industry that will drive compounding organic growth for decades. After making two-dozen careful acquisitions over the last 10 years we have now achieved a scale that, once we have completed the current integration projects, will result in higher productivity, more efficient logistics, wider distribution, and lower input costs than almost all our competitors. Coupling this scale advantage with the underlying sectoral tailwinds will, the Board believes, deliver outsized returns for our shareholders for a very long time.

Geoffrey Wilding
Executive Chairman

Philippe Hamers
Chief Executive Officer

13 September 2023

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, Belgium, the Netherlands, Germany, Turkey, the USA, and Australia, employing approximately 7,300 people at more than 30 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 promotes close links with each other and with the PLC Board to plan and implement the short and medium-term strategy.

STRATEGY

The Group's successful strategy in creating wealth for its shareholders has not changed and continues to 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.

Although acquisitions remain a core part of Victoria's growth strategy, current focus involves completing integration projects to strengthen cost management and improve productivity to support the Group's overall strategy.

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.

	2023 £'m	2022 £'m
Underlying revenue	**1,461.4**	**1,019.8**
% growth at constant currency	**42.9%**	**57.5%**
Underlying EBITDA	**196.0**	**162.8**
% margin	**13.4%**	**16.0%**
Underlying operating profit	**118.8**	**107.9**
% margin	**8.1%**	**10.6%**
Operating cash flow[1]	**157.8**	**111.8**
% conversion against underlying EBITDA	**92%**	**78%**
Free cash flow[2]	**71.3**	**34.2**
% conversion against underlying operating profit	**60%**	**32%**
Underlying pre-IFRS 16 EBITDA per share (diluted)	**112.29p**	**103.68p**
Earnings per share (diluted, adjusted)	**39.06p**	**40.21p**
Operating cash flow per share[3]	**136.38p**	**95.65p**
Adjusted net debt / EBITDA[4]	**3.44x**	**2.66x**

[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 financial leverage*

SECTION 172(1) STATEMENT

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

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

- The need to act fairly between shareholders of the company.

During the year ended 1 April 2023 the Directors consider they have, individually and collectively, acted in a way that is most likely to promote the success of the Company for the benefit of its shareholders as a whole and have given due consideration to each of the above matters in discharging their duties under section 172. The stakeholders we consider in this regard are our employees, our shareholders, bondholders and other investors, and our customers and suppliers. The Board recognises the importance of the relationships with our stakeholders in supporting the delivery of our strategy and operating the business in a sustainable manner.

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

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

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

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

PRINCIPAL RISKS AND UNCERTAINTIES

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

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

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

1. Victoria has the ability to increase prices and implemented price increases during the year ended 1 April 2023 to protect our cash margin, whilst maintaining a strong competitive position during a period some market participants found the operating environment very challenging;

2. Management is focussed on completing a number of integration projects (set out in the Chairman and CEO's Review) that will increase operating margins, mitigating some inflationary pressures.

3. 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;

4. 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. Therefore, the key finance cost base of the Group is protected from any short-term increases in interest rates.

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

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

2. Victoria has averaged 91.0% 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 £250 million. Furthermore, the Group's senior debt consists entirely of long-duration, fixed interest rate, covenant-lite bonds.

[1] Cash flow before financing and investing items (including capex), exceptional items and tax; Conversion from pre-IFRS 16 EBITDA

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

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

On behalf of the Board

Geoffrey Wilding
Executive Chairman

13 September 2023

Financial Review

HIGHLIGHTS

With underlying revenue approaching £1.5bn this financial year has been another record year for Victoria PLC with the Group continuing to deliver organic revenue growth. In tough economic conditions the Group has been focussed on maintaining margins, integrating our latest acquisitions, managing the cost base and reducing working capital.

Underlying revenue growth of £441.5 million (43%) was driven by the acquisitions completed over the last two years along with some organic growth. Underlying EBITDA growth of £33.1 million (20%) was predominately organic with the Balta acquisition, as expected, not contributing significantly in its first year as we integrate and restructure it.

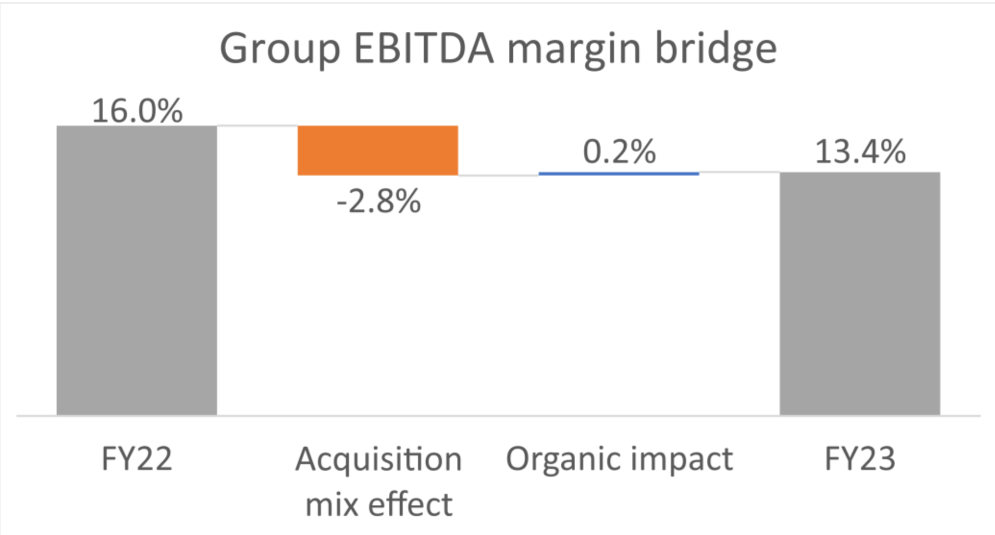
As inflation continued to drive raw material prices higher during the year we implemented a number of actions which mitigated the impact on margins. The actions included prices increases, forward contracting of energy supplies in key markets and managing the cost base in all of our divisions.

This Financial Review is structured into several sections. The first parts focus on the underlying performance of the Group, analysing the trends in underlying revenue and 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 £118.8 million) to the IFRS statutory performance of £24.1 million operating loss and, ultimately, £91.8 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. Underlying results exclude significant costs (such a significant legal, major restructuring and transaction items), they should not be regarded as a complete picture of the Group's financial performance, which is presented in its Total results. The exclusion of other Adjusting items may result in Adjusting earnings being materially higher or lower than Total earnings. In particular, when significant impairments, restructuring changes and legal costs are excluded, Adjusted earnings will be higher than Total earnings.

A summary of the underlying and reported performance of the Group is set out below.

	2023			2022		
	Underlying performance £m	**Non-underlying items £m**	**Reported numbers £m**	Underlying performance £m	Non-underlying items £m	Reported numbers £m
Revenue	1,461.4	18.8	1,480.2	1,019.8	-	1,019.8
Gross Profit	474.8	(40.1)	434.7	362.3	(5.5)	356.8
Margin %	*32.5%*			*35.5%*		
Amortisation of acquired intangibles	-	(41.5)	(41.5)	-	(32.4)	(32.4)
Other operating expenses	(356.0)	(61.3)	(417.3)	(254.4)	(16.4)	(270.8)
Operating profit / (loss)	118.8	(142.9)	(24.1)	107.9	(54.3)	53.6
Margin %	*8.1%*			*10.6%*		
Add back depreciation & amortisation	77.2			54.9		
Underlying EBITDA	196.0			162.8		
Margin %	*13.4%*			*16.0%*		
Preferred equity items	-	(26.9)	(26.9)	-	(33.0)	(33.0)
Other finance costs	(41.9)	(17.7)	(59.6)	(34.1)	1.1	(32.9)
Profit / (loss) before tax	76.9	(187.5)	(110.6)	73.8	(86.3)	(12.4)
Profit / (loss) after tax	59.6	(151.4)	(91.8)	55.7	(68.1)	(12.4)
EPS basic	51.47p		(79.35p)	47.62p		(10.61p)
EPS diluted	39.06p		(79.35p)	40.21p		(10.61p)



Group EBITDA margin bridge

FY22	16.0%
Acquisition mix effect	*-2.8%*
Organic impact	*+0.2%*
FY23	**13.4%**

Victoria acquired three companies during the year. The largest acquisition, the rugs and UK broadloom businesses of Balta, completed at the start of the year. On 6th June we acquired Ragolle, a rugs business in Belgium to complement Balta and on 17th October we acquired IWT, a ceramics distribution business in Florida. Management has been focused on integrating these businesses and those acquired in recent years to maximise the synergies identified when the businesses were purchased.

As has been noted in prior years acquisitions tend to have lower initial EBITDA margins at the point of acquisition and this is the key driver of the margin decline in the year. This was partly offset by an increase in organic margin despite operating in challenging conditions.

The Group incurred £85.4 million of exceptional operating costs during the year, primarily relating to the reorganisation of the Balta which we planned as part of the acquisition, along with other income and costs associated with acquisitions including the write down of certain assets and negative goodwill arising on acquisition. Whilst the charge for the restructuring was recognised in FY23 the majority of the cash will be spent in FY24 and FY25. In addition, the Group incurred £41.5 million of amortisation of acquired intangibles (primarily customer relationships and brand names) and £16.0 million of other non-underlying costs (primarily the accounting impact of acquisition earn-outs, acquired balance sheet fair value adjustments and hyperinflation accounting). 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.

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 the current and prior reported financial years were both 52 weeks in length).

LFL revenue performance

	Growth
UK & Europe Soft Flooring revenue	-4.7%
UK & Europe Ceramics revenue	+12.4%
Australia revenue	+6.8%
North America revenue	-4.4%
Group revenue	**2.8%**

Victoria continued to show organic revenue growth despite challenging economic conditions in the second half of the year which impacted all of our markets. Our UK & Europe Ceramics and Australia divisions continued to show strong organic revenue growth while our UK & Europe Soft Flooring and North

America divisions were impacted by lower footfall in UK carpet retailers and destocking in North American customers.

We saw a decline in demand in all markets in the second half the year and the business mitigated this by maintaining prices in an environment where raw material prices were declining.

Divisional performance

UK & Europe Soft Flooring	FY23	FY22	Growth
Underlying Revenue	£718.8m	£423.1m	+69.9%
Underlying EBITDA	£66.9m	£70.3m	-4.8%
Margin %	*9.3%*	*16.6%*	-730 bps
Underlying EBIT	£27.2m	£45.4m	-40.1%
Margin %	*3.8%*	*10.7%*	-695 bps

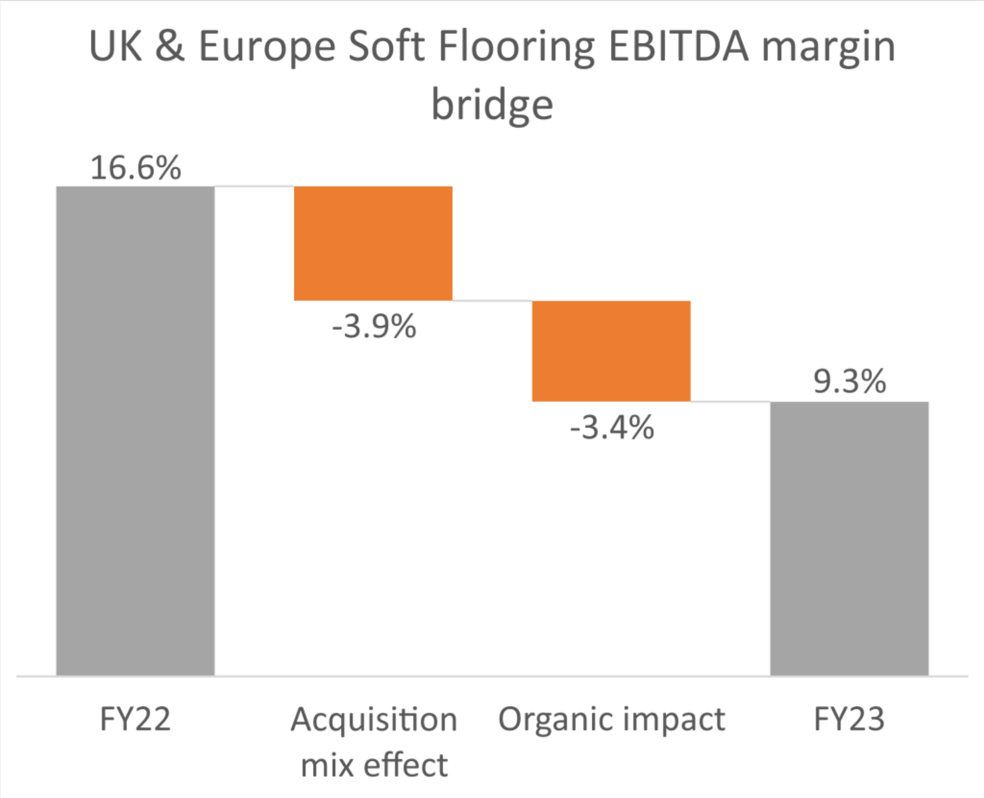
UK & Europe Ceramics	FY23	FY22	Growth
Underlying Revenue	£453.3m	£371.6m	+22.0%
Underlying EBITDA	£105.8m	£71.4m	+48.2%
Margin %	*23.3%*	*19.2%*	+414 bps
Underlying EBIT	£77.5m	£47.5m	+63.1%
Margin %	*17.1%*	*12.8%*	+431 bps

Australia	FY23	FY22	Growth
Underlying Revenue	£120.9m	£109.5m	+10.4%
Underlying EBITDA	£15.3m	£16.4m	-6.4%
Margin %	*12.7%*	*15.0%*	-227 bps
Underlying EBIT	£10.0m	£11.8m	-15.7%
Margin %	*8.3%*	*10.8%*	-255 bps

North America	FY23	FY22	Growth
Underlying Revenue	£168.4m	£115.6m	+45.7%
Underlying EBITDA	£9.3m	£6.4m	+44.7%
Margin %	*5.5%*	*5.6%*	-4 bps
Underlying EBIT	£6.0m	£5.2m	+16.9%
Margin %	*3.6%*	*4.5%*	-88 bps

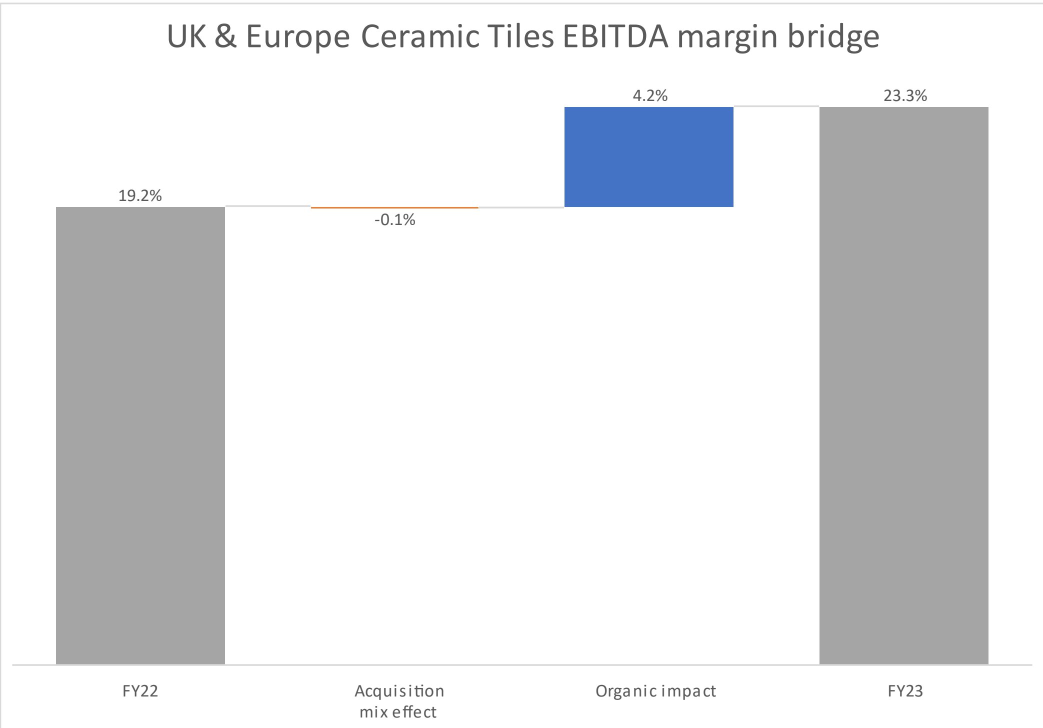
As noted above, actions taken by management in relation to the organic business resulted in an increase in EBITDA margin for the Group as a whole with the biggest impact being in UK & Europe Ceramics. This was more than offset by the acquisition mix effect – discussed earlier. This was particularly pronounced in UK & Europe Soft Flooring given the scale of the Balta acquisition.

The underlying EBITDA margin charts below, which bridge from the prior-year to the current year reported margin, strip out the impact of acquisitions to show the underlying margin trend in each.



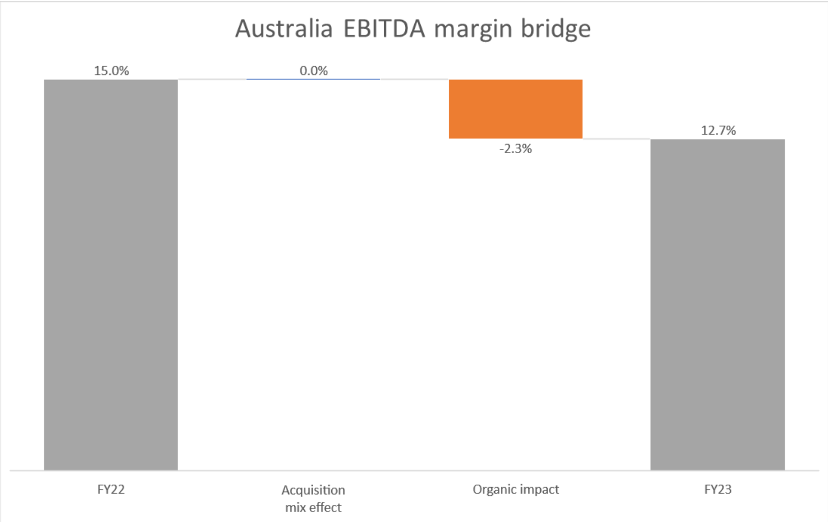
UK & Europe Soft Flooring EBITDA margin bridge

FY22	16.6%
Acquisition mix effect	*-3.9%*
Organic impact	*-3.4%*
FY23	**9.3%**



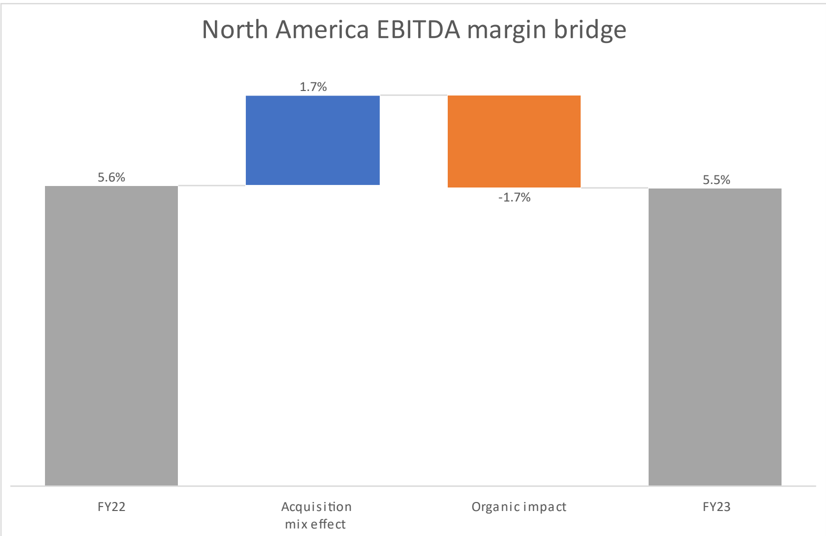
UK & Europe Ceramic Tiles EBITDA margin bridge

FY22	19.2%
Acquisition mix effect	*-0.1%*
Organic impact	*+4.2%*
FY23	**23.3%**



Australia EBITDA margin bridge

FY22	15.0%
Acquisition mix effect	*0.0%*
Organic impact	*-2.3%*
FY23	**12.7%**



North America EBITDA margin bridge

FY22	5.6%
Acquisition mix effect	*+1.7%*
Organic impact	*-1.7%*
FY23	**5.5%**

ACQUISITIONS AND INTEGRATION

Using the cash that we had built up in prior years, including the issue of additional preferred equity, we completed three acquisitions in FY23. The most significant acquisition was the rugs and UK broadloom business of Balta in Belgium in April 2022 for total consideration of circa €114.8m million (c. £95.7m). When we acquired Balta we immediately began the process of restructuring the business and integrating it into Victoria. This work consists of three projects:

- The relocation of Balta's carpet manufacturing from Belgium to Victoria's UK factories, with a net reduction of 295 employees.

- The consolidation of the Balta rug manufacturing operation onto Victoria's large site at Sint-Baafs Vijve, Belgium, together with the relocation of some production to Usak, Turkey, where the Group has two very modern rug-making and yarn extrusion factories. These changes will improve efficiency and lower production costs, with the same output possible with 220 fewer employees.

- The sale of non-core assets acquired with the Balta transaction where the opportunity for synergies with the Group's existing businesses are minimal.

The second acquisition, in June 2022, was of a rugs business based in Belgium, Ragolle, for total consideration of circa €21.4 million (c. £18.2m). This business is highly complementary to Balta's rugs business.

The third acquisition, in October 2022, was of a ceramic distributor IWT, based in Florida in the US for total consideration of circa $22.8 million (c. £20.4m). This adds to the Group's US footprint, along with Cali which we acquired in FY22 and the rugs business of Balta, with revenues over $400 million.
We also continued to integrate the businesses we acquired in FY22 with projects in Graniser and Cali Flooring.

- Graniser has integrated production into Victoria's Spanish and Italian factories increasing spare production capacity to 38% with 292 fewer FTE's and made investments in new printers & packaging lines to allow more higher-margin exports.

- Cali Flooring has been given access to Victoria's supply chain lowering COGS and integrated into Victoria's US logistics platform, improving delivery times and reducing costs.

Further details of these acquisitions are provided in Note 8 to the Accounts.

FINANCING

Debt financing and facilities

Victoria has attractively priced, long dated facilities and liquidity headroom in excess of £250m.

The Group's senior debt comprises €500 million (c. £440m) of notes with a fixed coupon of 3.625% and maturity of August 2026, and €250 million (c. £220m) of notes with a fixed coupon of 3.75% and maturity of March 2028 along with a £150m Revolving Credit Facility which matures in 2026. The Revolving Credit Facility was increased from £120m to £150m to provide additional liquidity headroom after the acquisition of Balta.

Other debt facilities in the Group represent small, local working capital facilities at the subsidiary level, which 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

There have been no changes to the preferred equity arrangements in the year. In FY22, 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).

Further details of the preferred equity and their accounting treatment are provided in Note 6 to the Accounts.

EXCEPTIONAL AND NON-UNDERLYING ITEMS

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

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

The Group incurred £85.4 million of exceptional costs during the year (FY22: £6.9m). 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	**2023 £'m**	2022 £'m
Acquisition related costs	**(4.0)**	(10.7)
Reorganisation costs	**(44.4)**	(5.3)
Fixed asset impairment	**(47.5)**	-
Negative goodwill arising on acquisition	**90.5**	6.9
Exceptional goodwill impairment	**(80.0)**	-
Contingent consideration linked to positive tax ruling	**-**	(0.6)
Profit on disposal of fixed assets	**-**	2.9
Total exceptional items	**(85.4)**	(6.9)

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* - These costs relate to third-party advisory fees for due diligence and legal services., three acquisitions were completed during the year, compared to five acquisitions in the prior year A significant proportion of the costs of acquiring Balta were charged in FY22.

- *Reorganisation costs* - As described earlier the Group made a significant investment in restructuring the rugs and UK broadloom businesses of Balta. The scale of the restructuring was known ahead of the acquisition and consists of reducing the footprint of the businesses in Belgium and relocating some production to Turkey and the UK. We also incurred costs in relation to the restructuring of the Saloni Ceramics business in Spain as we mothballed one of our sites. In the prior year 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 costs are either redundancy costs or fees from external service providers.

- *Fixed asset impairment* - The assets of the Balta acquisition have been impaired. Certain assets acquired within Balta, due to the requirements of IFRS of valuing assets in accordance with highest and best use at the point of acquisition, were subsequently impaired to reflect the market value or actual value in use to the company.

- *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. This was the case with all the acquisitions during the year. In the prior year this relates to the acquisitions of Santa Maria in Italy and Graniser in Turkey.

- *Exceptional goodwill impairment* –Productivity investments at Keraben, subdued demand, and a refocussing of the Saloni brand towards the high-end architect and design market to drive margin rather than volume contributed to the decision of the Spanish business to temporarily shut-off the use of its production facilities at Saloni in Castellon, to avoid production inefficiencies.

The other prior year items are described in more detail in Note 2 to the Accounts.

Adjustment in respect of hyperinflation

During FY23 inflation in Turkey, where Victoria has two businesses, Graniser (UK & Europe Soft Flooring) and Balta Rugs (UK & Europe Ceramics), passed the threshold of inflation exceeding 100% over a three year cumulative period in March 2022. Under IAS29 this is one of the key indicators for hyperinflation needing to be adopted. This resulted in the revaluation of the 2 April 2022 opening balance sheet for these businesses as well as indexing the FY23 numbers. As required by the accounting standard there is no restatement of the prior year performance and we have treated these adjustments as non-underlying to ensure comparability of results year on year.

The impact of hyperinflation on the income statement is:

	2023 £'m
Revenue	18.9
Cost of sales	(38.1)
Operating costs	35.8
EBIT	**16.6**
EBITDA	**22.0**
Finance costs	(1.8)
Profit before tax	**14.8**
Deferred tax	0.2
Profit for the period	**15.0**

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.

Non-underlying operating items	**2023 £'m**	2022 £'m
Acquisition-related performance plan charge	**(10.3)**	(7.1)
Non-cash share incentive plan charge	**(3.6)**	(2.3)
Amortisation of acquired intangibles (excluding hyperinflation)	**(40.3)**	(32.4)
Unwind of fair value uplift to acquisition opening inventory	**(10.9)**	(5.3)
Depreciation of fair value uplift to acquisition property, plant and machinery	**(9.1)**	(0.2)
Hyperinflation monetary gain	**38.9**	-
Hyperinflation amortisation adjustment	**(1.1)**	-
Hyperinflation depreciation adjustment	**(4.2)**	-
Other hyperinflation adjustments (excluding depreciation and monetary gain)	**(16.9)**	-
	(57.6)	(47.4)

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). The primary reason for the increase is the acquisition of IWT in the year which was acquired with an element of the consideration being contingent on performance.

- ***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. 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 FY23 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.

- ***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.

As described above there were a number of adjustments made to the income statement in relation to Hyperinflation. The hyperinflation adjustments represent the impact of restating the non-monetary items on the Turkish entities balance sheet based on the change in the general price index between the acquisition date and the reporting date, as well as the indexation of the income statement, with the gain/loss on the monetary position being included within the income statement.

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

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

Non-underlying financial costs	**2023 £'m**	2022 £'m
Finance items related to preferred equity	**26.9**	33.0
Fair value adjustment to notes redemption option	**2.0**	6.3
Unsecured loan redemption premium charge	**-**	0.4
Mark to market adjustments and gains on foreign exchange forward contracts	**0.4**	(2.0)
Translation difference on foreign currency loans	**13.3**	(5.7)
Other financial expenses (hyperinflation)	**1.8**	-
Defined benefit pension (law change)	**0.2**	-
Other non-underlying	**17.7**	(1.1)
	44.6	31.9

The significant items are described below:

- *Finance items related to preferred equity* – the preferred equity issued in November 2020 and further in January 2022 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	2023 £m	2022 £m
Amortised cost of host instrument	**26.8**	14.9
Accounting impact of terms modification in Jan 2022	**-**	11.5
Fair value movement on associated equity warrants	**(20.3)**	11.3
Fair value movement on embedded redemption option	**20.5**	(10.7)
Charge associated with previous KED commitment to additional pref's (now ended)	**-**	6.0
Total	**26.9**	33.0

- *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.

- *Other financial expense (hyperinflation)* – Restated finance costs within Turkish entities based on the change in the general price index between the date when the finance costs were initially recorded and the reporting date.

- *Defined benefit pension (law change)* – Turkish government announced an early retirement law change based on being in employment back in 1999.

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

OPERATING PROFIT AND PBT

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

Operating profit and PBT	2023 £'m	2022 £'m
Underlying operating profit	**118.8**	107.9
Reported operating (loss) / profit (after exceptional items)	**(24.1)**	53.6
Underlying profit before tax	**76.9**	73.8
Reported loss before tax (after exceptional items)	**(110.6)**	(12.4)

Reported operating loss (earnings before interest and taxation) of 24.1 million (FY22: £53.6 million profit). After removing the exceptional and non-underlying items described above, underlying operating profit was £118.8 million, representing a 10.1% increase over the prior year.

Reported loss before tax increased to £110.6 million (FY22: loss of £12.4 million). After removing the exceptional and non-underlying items described above, underlying profit before tax was £76.9 million, representing a 4.2% increase over the prior year.

TAXATION

The reported tax credit in the year of £18.8m (2022: £nil) was distorted by the impact of the exceptional and non-underlying costs, which contributed to a tax credit of £36.1 million. On an underlying basis, the tax charge for the year was £17.3 million (2022: £18.1m) against adjusted profit before tax of £76.9 million (2022: £73.8m), implying an underlying effective tax rate of 22.4% (2022: 24.6%).

EARNINGS PER SHARE

The Group delivered a basic loss per share of 79.35p (FY22: loss per share of 10.61p) due to exceptional costs in relation to acquisitions and restructuring and also the increase in amortisation of amortisation of acquired intangibles. However, adjusted earnings per share (before non-underlying and exceptional items) on a fully-diluted basis was 39.06p (FY22: 40.21p). While earnings have increased, the decrease in EPS is driven by the greater dilutive impact of the preference shares.

Basic and diluted earnings / (loss) per share	**2023**	2022
Basic loss per share	**(79.35p)**	(10.61p)
Diluted adjusted earnings per share	**39.06p**	40.21p

OPERATING CASH FLOW

Cash flow from operating activities before interest, tax and exceptional items was £157.8 million which represents a conversion of 92% of underlying EBITDA (pre-IFRS 16).

Operating and free cash flow	**2023 £'m**	2022 £'m
Underlying operating profit	**118.8**	107.9
Add back: underlying depreciation & amortisation	**77.2**	54.9
Underlying EBITDA	**196.0**	162.8
Payments under right-of-use lease obligations	**(29.3)**	(18.8)
Non-cash items	**(15.1)**	(5.9)
Underlying movement in working capital	**6.3**	(26.3)
Operating cash flow before interest, tax and exceptional items	**157.8**	**111.8**
% conversion against underlying operating profit	**133%**	104%
% conversion against underlying EBITDA (pre-IFRS 16)	**92%**	78%
Interest paid	**(34.8)**	(28.4)
Corporation tax paid	**(11.4)**	(13.7)
Capital expenditure - replacement / maintenance of existing capabilities	**(45.6)**	(40.9)
Proceeds from fixed asset disposals	**5.3**	5.3
Free cash flow before exceptional items	**71.3**	34.2
% conversion against underlying operating profit	**60%**	32%
% conversion against underlying EBITDA (pre-IFRS 16)	**42%**	23%

Pre-exceptional free cash flow of the Group – after interest, tax and net replacement capex – was £71.3 million. Compared with underlying operating profit (i.e. post-depreciation), this represents a conversion ratio of 60%. Cash conversion was positively impacted in the year by improvements in working capital compared with the prior year.

The Group generated a cash inflow from working capital of £53.1m in the second half of the year through reducing inventory levels as supply chains and raw material prices returned to more normal levels. Working capital management will continue to be a focus for us in the coming year.

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

NET DEBT

As at 1 April 2023, the Group's net debt position (excluding IFRS 16 right-of-use leases and preferred equity) was £658.3m. Free cash flow of £71.3 million was generated in the year, while £79.4 million was invested in organic growth / synergy initiatives. Acquisition-related expenditure (including debts assumed on acquisition) was £207.1 million, which was funded from the cash on balance sheet, and the net cash proceeds from the additional preferred equity issuance of £143 million in previous financial year.

Applying our banks' adjusted measure of financial leverage, the Group's year end net debt to EBITDA ratio was 3.44x (FY22: 2.66x).

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. As a result of changing conditions and with the higher interest rates that are likely to be experienced for the foreseeable future, it is the Board's objective to reduce the Group's net debt/EBITDA ratio to around 2.25x ahead of refinancing the current bond issues.

Free cash flow to movement in net debt	**2023** **£'m**	2022 £'m
Free cash flow before exceptional items (see above)	**71.3**	**34.2**
Capital expenditure - growth / synergy	(54.1)	(12.4)
Exceptional reorganisation cash cost	(25.3)	(2.5)
Investment in organic growth / synergy projects	**(79.4)**	**(14.9)**
Acquisition of subsidiaries	(119.7)	(127.9)
Total debt acquired or refinanced	(87.4)	(74.8)
Deferred and contingent consideration payments	(4.6)	(20.5)
Exceptional M&A costs	(4.0)	(10.7)
Acquisition-related working capital absorption	(17.3)	-
Acquisitions - related	**(233.1)**	**(233.9)**
Buy back of ordinary shares	(7.8)	(0.6)
Preferred equity issuance	-	143.0
Net refinancing cash flow	**(7.8)**	**142.4**
Other debt items including factoring and prepaid finance costs	24.4	1.5
Translation differences on foreign currency cash and loans	(27.0)	9.6
Other exceptional items	**(2.6)**	**11.1**
Total movement in net debt	**(251.7)**	**(61.1)**
Opening net debt	(406.6)	(345.7)
Net debt before obligations under right-of-use leases	**(658.3)**	**(406.6)**

Net debt	**2023** **£'m**	2022 £'m
Net cash and cash equivalents	90.4	258.0
Senior secured debt (at par)	(660.2)	(631.6)
Unsecured loans	(87.5)	(32.2)
Finance leases and hire purchase arrangements (pre IFRS 16)	(1.0)	(0.8)
Net debt before obligations under right-of-use leases	**(658.3)**	(406.6)
Adjusted net debt / EBITDA	**3.4x**	2.7x
Bond embedded redemption option	-	2.7
Bond issue premium – non-cash (related to initial value of redemption option)	(3.6)	(4.3)
Pre-paid finance costs on senior debt	7.9	9.8
Preferred equity, associated warrants and embedded derivatives	(281.2)	(254.2)
Factoring and receivables financing facilities	(25.1)	
Obligations under right-of-use leases (incremental to above finance leases)	(171.3)	(104.8)
Statutory net debt (net of prepaid finance costs)	**(1,131.5)**	(757.4)

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.

LIMITATION OF SCOPE

In the year ended 1 April 2023 UK subsidiary, Hanover Flooring Limited ("HFL"), a small regional distributor in Yorkshire, had revenue of £18.7m (2022: £23.4m), statutory loss before tax of £1.2m (2022: loss £0.9m), underlying profit before tax of £3.9m (2022: £5.8m) and net liabilities of £0.4m (2022: net assets of £0.7m). For reference, the level of materiality set by our auditor Grant Thornton for work performed on HFL for FY23 is £2.4m and £6.0m for the entire Group audit.

Victoria plc acquired the trade, inventory and debtors of Hanover Carpets ("HCP") from a UK partnership on 26 January 2021, with one of the partners joining the group as managing director of HFL.

As is usual in these types of acquisitions, customers, despite instructions otherwise, continued to remit receipts for sales into the bank account of the seller (the bank account was not acquired by HFL and continued to be used by the partnership's other businesses). These receipts (£5.2m since acquisition, more than 70% between January and June 2021 but including £0.3m in FY23) were periodically transferred to HFL. HCP also made payments on behalf of HFL of £0.4m in FY21 from this bank account between January and June 2021. The opening and activation of a bank account for HFL was delayed until March 2021 due to Covid-19 lockdowns.

This arrangement was specifically anticipated in the Asset Purchase Agreement as we were not acquiring the bank account but it was brought to our attention in June 2023 that a small number of customers were still remitting payments into it (c.£0.002 million in the previous three months). This matter was reviewed by executive management and in discussion with the Board it was decided to appoint an external professional services firm (Big Four Accounting Firm) to assist in performing a number of procedures to confirm the completeness of amounts owing to HFL from HCP and the adequacy of accounting records.

The interim outcome of the work undertaken has confirmed that since 26 January 2021:

(a) £0.4m due to HFL by HCP was offset from the latest deferred consideration payment;

(b) £0.1m of HFL customer receipts in FY23 (and £1.2m since January 2021) cannot be reconciled to individual product invoices due to a lack of detailed records in relation to those payments. (It is important to understand Victoria has received the payments, it is solely that customer receipts were applied to customer receivable balance without regard for specific invoices being paid); and

(c) a number of instances of potential non-compliance with High Value Dealer regulations (MLR 2017) in HFL since the date of acquisition. Once identified we immediately stopped all cash handling until appropriate controls could be put in place, have advised the relevant regulatory authorities and, with the benefit of appropriate legal advice, have made a provision for the expected fine.

Under the terms of the Asset Purchase Agreement we have the legal right to retain any or all of the contingent consideration (of which £8.0 million remains to be paid) to cover any negative financial effect should there be one. We will continue to perform procedures on the completeness of amounts owed to

HFL from HCP ahead of the final deferred consideration payment. Therefore, we do not anticipate any financial impact on Victoria from any of the above matters.

There have been some deficiencies in the control environment in this minor subsidiary and it has not maintained adequate and complete accounting records for the purposes of demonstrating how individual customer receipts were applied to individual invoices in the debtors' ledger. Consequently, we allocated additional experienced finance resources to this subsidiary who are putting appropriate controls in place to ensure adequate accounting records will be maintained.

We have reviewed other similar acquisitions in the group and did not identify these deficiencies in their control environments or record keeping.

We believe, based on the extensive work carried out with the support of professional advisors, that due to inadequate books and records in certain areas, any further audit procedures by Grant Thornton will not provide them with sufficient and appropriate evidence to satisfy their concerns and therefore we took the decision to impose a limitation of scope on the auditor's work and requested them to stop their work in respect of HFL.

As a result, Grant Thornton have not been able to complete their audit work on HFL in support of the Group audit for the year ended 1 April 2023. Grant Thornton have had to modify their audit opinion in respect of our decision to impose a limitation of scope in this area.

GOING CONCERN

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

Brian Morgan
Chief Financial Officer
13 September 2023

Consolidated Income Statement
For the 52 weeks ended 1 April 2023

		52 weeks ended 1 April 2023			52 weeks ended 2 April 2022		
	Notes	**Underlying performance £m**	**Non-underlying items £m**	**Reported numbers £m**	Underlying performance £m	Non-underlying items £m	Reported numbers £m
Revenue	1	**1,461.4**	**18.8**	**1,480.2**	1,019.8	-	1,019.8
Cost of Sales		**(986.6)**	**(58.9)**	**(1,045.5)**	(657.5)	(5.5)	(663.0)
Gross profit		**474.8**	**(40.1)**	**434.7**	362.3	(5.5)	356.8
Distribution and administrative expenses		**(360.4)**	**(193.4)**	**(553.8)**	(256.5)	(58.6)	(315.1)
Negative goodwill arising on acquisition		**-**	**90.5**	**90.5**	-	6.9	6.9
Other operating income		**4.4**	**0.1**	**4.5**	2.1	2.9	5.0
Operating profit / (loss)		**118.8**	**(142.9)**	**(24.1)**	107.9	(54.3)	53.6
Comprising:							
Operating profit before non-underlying and exceptional items		**118.8**	**-**	**118.8**	107.9	-	107.9
Amortisation of acquired intangibles	1,2	**-**	**(41.5)**	**(41.5)**	-	(32.4)	(32.4)
Other non-underlying items	1,2	**-**	**(16.0)**	**(16.0)**	-	(15.0)	(15.0)
Exceptional goodwill impairment		**-**	**(80.0)**	**(80.0)**	-	-	-
Other exceptional items	1,2	**-**	**(5.4)**	**(5.4)**	-	(6.9)	(6.9)
Finance costs	3	**(41.9)**	**(44.6)**	**(86.5)**	(34.1)	(31.9)	(66.0)
Comprising:							
Interest on loans and notes	3	**(33.6)**	**-**	**(33.6)**	(27.9)	-	(27.9)
Amortisation of prepaid finance costs and accrued interest	3	**(2.8)**	**-**	**(2.8)**	(2.3)	-	(2.3)
Unwinding of discount on right-of-use lease liabilities	3	**(5.4)**	**-**	**(5.4)**	(3.8)	-	(3.8)
Preferred equity items	3	**-**	**(26.9)**	**(26.9)**	-	(33.0)	(33.0)
Other finance items	3	**(0.1)**	**(17.7)**	**(17.8)**	(0.1)	1.1	1.0
Profit / (loss) before tax		**76.9**	**(187.5)**	**(110.6)**	73.8	(86.2)	(12.4)
Taxation (charge) / credit		**(17.3)**	**36.1**	**18.8**	(18.1)	18.1	-
Profit / (loss) for the period		**59.6**	**(151.4)**	**(91.8)**	55.7	(68.1)	(12.4)
(Loss) / earnings per share - pence — basic	4			**(79.35)**			(10.61)
diluted	4			**(79.35)**			(10.61)

Consolidated Statement of Comprehensive Income
For the 52 weeks ended 1 April 2023

	Note	**52 weeks ended 1 April 2023**	52 weeks ended 2 April 2022
		£m	£m
Loss for the period		**(91.8)**	(12.4)
Other comprehensive (expense) / income			
Items that will not be reclassified to profit or loss:			
Actuarial (loss) / gain on defined benefit pension scheme	7	**(2.0)**	1.6
Items that will not be reclassified to profit or loss		**(2.0)**	1.6
Items that may be reclassified subsequently to profit or loss:			
Hyperinflation adjustments		**16.5**	
Retranslation of overseas subsidiaries		**(2.1)**	3.5
Items that may be reclassified subsequently to profit or loss		**14.4**	3.5
Other comprehensive income		**12.4**	5.1
Total comprehensive expense for the period attributable to the owners of the parent		**(79.4)**	(7.3)

Consolidated Balance Sheet
As at 1 April 2023

	Note	**1 April 2023 £m**	2 April 2022 (Restated) £m	3 April 2021 (Restated) £m
Non-current assets				
Goodwill		**173.6**	244.6	164.8
Intangible assets other than goodwill		**305.5**	259.7	224.2
Property, plant and equipment		**462.6**	256.0	202.1
Right-of-use lease assets		**162.0**	99.6	82.6
Investment property		**0.2**	0.2	0.2
Investments in subsidiaries		**-**	-	-
Trade and other non-current receivables		**-**	-	-
Deferred tax assets		**1.7**	1.0	1.0
Total non-current assets		**1,105.6**	861.1	674.9
Current assets				
Inventories		**351.2**	280.7	164.4
Trade and other receivables		**276.3**	223.8	150.1
Current tax assets		**14.7**	-	-
Cash and cash equivalents		**93.3**	273.6	348.8
Assets classified as held for sale		**25.8**	-	-
Total current assets		**761.3**	778.1	663.3
Total assets		**1,866.9**	1,639.2	1,338.2
Current liabilities				
Trade and other current payables		**369.8**	337.2	213.8
Current tax liabilities		**6.9**	0.7	5.1
Obligations under right-of-use leases - current		**27.6**	16.9	13.0
Other financial liabilities		**65.2**	25.2	30.2
Provisions		**19.0**	-	-
Total current liabilities		**488.5**	380.0	262.1
Non-current liabilities				
Trade and other non-current payables		**14.1**	7.5	17.0
Obligations under right-of-use leases - non-current		**144.6**	88.7	74.0
Other non-current financial liabilities		**706.2**	646.0	647.5
Preferred equity		**255.2**	207.9	70.1
Preferred equity – contractually-linked warrants		**26.0**	46.4	6.1
Deferred tax liabilities		**89.3**	55.2	46.7
Retirement benefit obligations	7	**8.0**	4.9	6.5
Provisions		**16.0**	-	-
Total non-current liabilities		**1,259.4**	1,056.6	867.9
Total liabilities		**1,747.9**	1,436.6	1,130.0
Net Assets		**119.0**	202.6	208.2
Equity				
Share capital		**6.3**	6.3	6.3
Retained earnings		**85.7**	187.3	198.7
Foreign exchange reserve		**1.0**	3.1	(0.4)
Hyperinflation reserve		**16.5**	-	-
Other reserves		**9.5**	5.9	3.6
Total equity		**119.0**	202.6	208.2

Consolidated Statement of Changes in Equity
For the 52 weeks ended 1 April 2023

	Share capital £m	Retained earnings £m	Foreign exchange reserve £m	Hyper-inflation 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 loss 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
Loss for the period to 1 April 2023	-	(91.8)	-	-	-	(91.8)
Other comprehensive income for the period	-	(2.0)	-	-	-	(2.0)
Retranslation of overseas subsidiaries	-	-	(2.1)	16.5	-	14.4
Total comprehensive loss	-	(93.8)	(2.1)	16.5	-	(79.4)
Buy back of ordinary shares (note 22)	-	(7.8)	-	-	-	(7.8)
Share-based payment charge	-	-	-	-	3.6	3.6
Transactions with owners	-	(7.8)	-	-	3.6	(4.2)
At 1 April 2023	**6.3**	**85.7**	**1.0**	**16.5**	**9.5**	**119.0**

Consolidated Statement of Cash Flows
For the 52 weeks ended 1 April 2023

	52 weeks ended 1 April 2023 £m	52 weeks ended 2 April 2022 £m
Cash flows from operating activities		
Operating (loss) / profit	**(24.1)**	53.6
Adjustments for:		
Depreciation and amortisation of IT software	**90.5**	55.2
Amortisation of acquired intangibles	**41.5**	32.4
Hyperinflation impact	**(22.0)**	-
Negative goodwill arising on acquisition	**(90.5)**	(6.9)
Goodwill impairment	**80.0**	-
Acquisition-related performance plan charge	**10.3**	7.1
Amortisation of government grants	**(1.3)**	(0.5)
Profit on disposal of property, plant and equipment	**(1.8)**	(2.9)
Fixed asset impairment	**47.5**	-
Loss on disposal of leased assets	**1.5**	-
Share incentive plan charge	**3.6**	2.3
Defined benefit pension	**(2.5)**	(0.1)
Net cash flow from operating activities before movements in working capital, tax and interest payments	**132.7**	140.2
Change in inventories	**62.8**	(51.8)
Change in trade and other receivables	**40.6**	(29.9)
Change in trade and other payables	**(114.5)**	55.5
Change in provisions	**19.1**	-
Cash generated by continuing operations before tax and interest payments	**140.7**	114.0
Interest paid on loans and notes	**(34.8)**	(28.4)
Interest relating to right-of-use lease assets	**(5.4)**	(3.8)
Income taxes paid	**(11.4)**	(13.7)
Net cash inflow from operating activities	**89.1**	68.1
Investing activities		
Purchases of property, plant and equipment	**(96.4)**	(51.3)
Purchases of intangible assets	**(3.2)**	(2.0)
Loan to subsidiary companies	**-**	-
Proceeds on disposal of property, plant and equipment	**5.3**	5.3
Deferred consideration and acquisition-related performance plan payments	**(4.6)**	(12.7)
Acquisition of subsidiaries net of cash acquired	**(119.7)**	(127.9)
Net cash used in investing activities	**(218.6)**	(188.6)
Financing activities		
Proceeds from debt	**66.0**	-
Repayment of debt	**(75.4)**	(89.8)
Issue of preferred equity	**-**	150.0
Preferred equity ticking fee	**-**	(7.0)
Buy back of ordinary shares	**(7.8)**	(0.6)
Payments under right-of-use lease obligations	**(23.9)**	(15.0)
Repayment of acquisition-related capital investment to Keraben senior mgmt team	**-**	(7.2)
Net cash (used) / generated in financing activities	**(41.1)**	30.4
Net (decrease) / increase in cash and cash equivalents	**(170.6)**	(90.1)
Cash and cash equivalents at beginning of period	**258.0**	344.8
Effect of foreign exchange rate changes	**3.0**	3.3
Cash and cash equivalents at end of period	**90.4**	258.0
Comprising:		
Cash and cash equivalents	**93.3**	273.6
Bank overdrafts	**(2.9)**	(15.6)
	90.4	258.0

NOTES

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 primarily in the UK, Republic of Ireland, the Netherlands and Belgium (including manufacturing entities in Turkey and a distribution entity in North America), whose operations involve the manufacture and distribution of carpets, rugs, 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, LVT and tiles.

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 1 April 2023					
	UK & Europe Soft Flooring £m	**UK & Europe Ceramic Tiles £m**	**Australia £m**	**North America £m**	**Unallocated central expenses £m**	**Total £m**
Income statement						
Revenue	**722.9**	**468.0**	**120.9**	**168.4**	**-**	**1,480.2**
Underlying operating profit / (loss)	**27.2**	**77.5**	**10.0**	**6.0**	**(1.9)**	**118.8**
Non-underlying operating items	**(30.0)**	**(12.0)**	**(1.7)**	**(9.2)**	**(4.6)**	**(57.5)**
Exceptional operating items	**5.8**	**(90.1)**	**(0.1)**	**2.8**	**(3.8)**	**(85.4)**
Operating profit / (loss)	**3.0**	**(24.6)**	**8.2**	**(0.4)**	**(10.3)**	**(24.1)**
Underlying net finance costs						**(41.9)**
Non-underlying finance costs						**(44.6)**
Loss before tax						**(110.6)**
Tax credit						**18.8**
Loss for the period						**(91.8)**

	52 weeks ended 2 April 2022					
	UK & Europe Soft Flooring £m	UK & Europe Ceramic Tiles £m	Australia £m	North America £m	Unallocated central expenses £m	Total £m
Income statement						
Revenue	423.1	371.6	109.5	115.6	-	1,019.8
Underlying operating profit / (loss)	45.4	47.5	11.8	5.2	(2.0)	107.9
Non-underlying operating items	(9.9)	(27.5)	(1.7)	(5.1)	(3.2)	(47.4)
Exceptional operating items	(4.0)	2.2	(0.1)	(1.8)	(3.2)	(6.9)
Operating profit / (loss)	31.5	22.2	10.0	(1.7)	(8.4)	53.6
Underlying net finance costs						(34.1)
Non-underlying finance costs						(31.9)
Loss before tax						(12.4)
Tax credit						-
Loss for the period						(12.4)

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

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

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

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

	2023	2022
	£m	£m
Revenue		
United Kingdom	**316.5**	336.6
Belgium	**251.5**	-
Spain	**204.1**	205.8
Italy	**184.8**	155.2
Netherlands	**94.1**	86.5
Turkey	**105.6**	10.7
Australia	**120.9**	109.5
United States	**202.7**	115.6
	1,480.2	1,019.8

Balance sheet

	52 weeks ended 1 April 2023					
	UK & Europe Soft Flooring	**UK & Europe Ceramic Tiles**	**Australia**	**North America**	**Central**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Total assets	**684.4**	**719.9**	**83.6**	**138.5**	**240.5**	**1,866.9**
Total liabilities	**(401.0)**	**(295.6)**	**(26.6)**	**(64.0)**	**(960.7)**	**(1,747.9)**
Net Assets	**283.4**	**424.3**	**57.0**	**74.5**	**(720.2)**	**119.0**

	52 weeks ended 2 April 2022 (restated)					
	UK & Europe Soft Flooring	UK & Europe Ceramic Tiles	Australia	North America	Central	Total
	£m	£m	£m	£m	£m	£m
Total assets	378.6	769.8	99.7	96.3	294.8	1,639.2
Total liabilities	(193.4)	(293.7)	(34.1)	(31.8)	(883.6)	(1,436.6)
Net Assets	185.3	476.2	65.5	64.5	(588.9)	202.6

The Group's non-current assets (net of deferred tax) as at 1 April 2023 were split geographically as follows:

	2023	2022
	£m	£m
Non-current assets (net of deferred tax)		
United Kingdom	**169.7**	146.6
Belgium	**179.6**	-
Spain	**301.0**	375.6
Italy	**102.5**	97.7
Netherlands	**101.9**	98.8
Turkey	**108.7**	35.5
Australia	**34.8**	40.1
United States	**105.7**	65.8
	1,103.9	860.1

Other segmental information

	52 weeks ended 1 April 2023					
	UK & Europe Soft Flooring	**UK & Europe Ceramic Tiles**	**Australia**	**North America**	**Unallocated central expenses**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Depreciation of tangible fixed assets and IT software amortisation	**35.7**	**23.8**	**3.0**	**1.8**	**-**	**64.3**
Depreciation of right-of-use lease assets	**16.4**	**5.6**	**2.3**	**1.4**	**0.5**	**26.2**
Amortisation of acquired intangibles	**11.9**	**23.4**	**1.8**	**4.4**	**-**	**41.5**
	64.0	**52.8**	**7.1**	**7.6**	**0.5**	**132.0**

	52 weeks ended 1 April 2023					
	UK & Europe Soft Flooring	**UK & Europe Ceramic Tiles**	**Australia**	**North America**	**Central**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**
Total capital expenditure (cashflow)	**46.1**	**39.6**	**3.3**	**5.2**	**0.1**	**94.3**

52 weeks ended 2 April 2022						
	UK & Europe Soft Flooring	UK & Europe Ceramic Tiles	Australia	North America	Unallocated central expenses	Total
	£m	£m	£m	£m	£m	£m
Depreciation of tangible fixed assets and IT software amortisation	13.4	21.8	0.3	0.9	-	36.4
Depreciation of right-of-use lease assets	11.5	2.3	4.2	0.4	0.4	18.8
Amortisation of acquired intangibles	7.4	20.8	1.7	2.5	-	32.4
	32.3	44.9	6.2	3.8	0.4	87.6

52 weeks ended 2 April 2022						
	UK & Europe Soft Flooring	UK & Europe Ceramic Tiles	Australia	North America	Central	Total
	£m	£m	£m	£m	£m	£m
Total capital expenditure (cashflow)	12.9	30.6	3.1	1.2	0.2	47.9

2. Exceptional and non-underlying items

	52 weeks ended 1 April 2023 £m	52 weeks ended 2 April 2022 £m
Exceptional items		
(a) Acquisition related costs	**(4.0)**	(10.7)
(b i) Reorganisation costs	**(44.4)**	(5.3)
(b ii) Fixed asset impairment	**(47.5)**	-
(c i) Negative goodwill arising on acquisition	**90.5**	6.9
(c ii) Exceptional goodwill impairment	**(80.0)**	-
(d) Contingent consideration linked to positive tax ruling	**-**	(0.6)
(e) Profit on disposal of fixed assets	**-**	2.9
	(85.4)	(6.9)
Non-underlying operating items		
(f) Acquisition-related performance plans	**(10.3)**	(7.1)
(g) Non-cash share incentive plan charge	**(3.6)**	(2.3)
(h) Amortisation of acquired intangibles (excluding hyperinflation)	**(40.3)**	(32.4)
(i) Unwind of fair value uplift to acquisition opening inventory	**(10.9)**	(5.3)
(j) Depreciation of fair value uplift to acquisition property, plant and machinery	**(9.1)**	(0.2)
(k) Hyperinflation depreciation adjustment	**(4.2)**	-
(l) Hyperinflation amortisation adjustment	**(1.1)**	-
(m) Hyperinflation monetary gain	**38.9**	-
(n) Other hyperinflation adjustments (excluding depreciation and monetary gain)	**(16.9)**	-
	(57.5)	(47.4)
Total	**(142.9)**	(54.3)
Representing functional categorisation of:		
Revenue (see notes k,l,m,n)	**18.9**	-
Cost of sales (see notes i,j,k,l,m,n)	**(58.9)**	(5.5)
Distribution and administrative expenses	**(193.4)**	(58.6)
Negative goodwill arising on acquisition	**90.5**	6.9
Other operating income (see notes e,k,l,m,n)	**0.1**	2.9
	(142.9)	(54.3)

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

(b) One-off reorganisation costs of £44.4m relating to a number of efficiency projects during the year, mainly Balta restructuring. An asset impairment cost of £47.5m also occurred in the year relating to acquired Balta property, plant & machinery. One property was revalued on acquisition using a depreciated replacement cost valuation approach however due to subsequent restructuring decisions the property was transferred to assets held for sale and is now held at fair value less costs to sell. Indicators of impairment have been identified in respect of certain groups of assets which have been valued at the higher of value in use and fair value less costs to sell. Prior year included 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 i) Negative goodwill of £90.5m arose on the consolidation of Balta, Ragolle and IWT, all acquired during the period, achieved through favourable bilateral negotiations on Ragolle and IWT's negative goodwill is due to the accounting treatment of the accrued employment costs. Balta's negative goodwill is linked to the fact further spend is required to restructure the business and due to fair value uplift of property. See point b.

(c ii) Productivity investments at Keraben, subdued demand, and a refocussing of the Saloni brand towards the high-end architect and design market to drive margin rather than volume contributed to the decision of the Spanish business to temporarily shut-off the use of its production facilities at Saloni in Castellon, to avoid production inefficiencies.

Prior period negative goodwill of £4.2m arose on the consolidation of Santa Maria, and £4.7m on the consolidation of Graniser, both acquired during the prior period, achieved through favourable bilateral negotiations. This was offset by a £1.9m charge relating to Hanover.

(d) One-off prior period 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.

(e) Prior period 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.

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

(k,l,m,n) Impact of hyperinflation indexation in the period, see accounting policies.

The hyperinflation impact in the period on revenue was £18.9m (income), cost of sales was £38.1m (charge), admin expenses was £35.8m (income) and other operating income was £0.1m.

3. Finance costs

	52 weeks ended 1 April 2023 £m	52 weeks ended 2 April 2022 £m
Underlying finance items		
Interest on bank facilities and notes	**33.6**	27.1
Interest on unsecured loans	**-**	0.8
Total interest on loans and notes	**33.6**	27.9
Amortisation of prepaid finance costs on loans and notes	**2.8**	2.3
Unwinding of discount on right-of-use lease liabilities	**5.4**	3.8
Net interest expense on defined benefit pensions	**0.3**	0.1
Retranslation on foreign cash balances	**(0.2)**	-
	41.9	34.1
Non-underlying finance items		
(a) Finance items related to preferred equity	**26.9**	33.0
Preferred equity related	**26.9**	33.0
(b) Unwinding of present value of deferred and contingent earn-out liabilities	**0.3**	-
(c) Partial waiver of deferred consideration	**(0.3)**	-
Acquisitions related	**-**	-
(d) Fair value adjustment to notes redemption option	**2.0**	6.3
(e) Unsecured loan redemption premium charge	**-**	0.4
(f) Mark to market adjustments and gains on foreign exchange forward contracts	**0.4**	(2.0)
(g) Translation difference on foreign currency loans and cash	**13.3**	(5.7)
(h) Hyperinflation - finance portion	**1.8**	-
(i) Defined benefit pension (law change)	**0.2**	-
Other non-underlying	**17.7**	(1.1)
	44.6	31.9

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

(b) Current 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.

(c) Credit arising due to partial waiver of deferred consideration payable due to formally agreeing a reduction in the overall liability based on an advanced payment.

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

(e) Prior period charge relating to the £0.4 million redemption premium on the BGF loan. The BGF loan, including redemption premium, was fully repaid in the prior period.

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

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

(h) Other finance cost/income impact of hyperinflation.

(i) Defined benefit pension change in year relating to law change in Turkey.

See Financial Review for further details of these items.

4. Earnings per share

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

	52 weeks ended 1 April 2023		52 weeks ended 2 April 2022	
	Basic	**Adjusted**	Basic	Adjusted
	£m	**£m**	£m	£m
(Loss) / profit attributable to ordinary equity holders of the parent entity	**(91.8)**	**(91.8)**	(12.4)	(12.4)
Exceptional and non-underlying items:				
Income statement impact of preferred equity	**-**	**26.9**	-	33.0
Amortisation of acquired intangibles	**-**	**40.3**	-	32.4
Other non-underlying items	**-**	**33.7**	-	15.0
Exceptional goodwill impairment	**-**	**80.0**	-	-
Other exceptional items	**-**	**5.4**	-	6.9
Interest on short -term draw of Group revolving credit facility	**-**	**-**	-	-
Amortisation of prepaid finance costs	**-**	**-**	-	-
Fair value adjustment to notes redemption option	**-**	**2.0**	-	6.3
Translation difference on foreign currency loans	**-**	**13.3**	-	(5.7)
Other non-underlying finance items	**-**	**0.7**	-	(1.6)
Tax effect on adjusted items where applicable	**-**	**(36.1)**	-	(18.1)
Hyperinflation	**-**	**(14.8)**	-	-
(Loss) / earnings for the purpose of basic and adjusted earnings per share	**(91.8)**	**59.6**	(12.4)	55.7

Weighted average number of shares

	52 weeks ended 1 April 2023 Number of shares (000's)	52 weeks ended 2 April 2022 Number of shares (000's)
Weighted average number of shares for the purpose of basic and adjusted earnings per share	**115,746**	116,858
Effect of dilutive potential ordinary shares:		
Share options and warrants	**1,569**	1,759
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**117,315**	118,617
Preferred equity and contractually-linked warrants	**35,213**	19,774
Weighted average number of ordinary shares for the purposes of diluted adjusted earnings per share	**152,528**	138,391

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 1 April 2023 Pence	**52 weeks ended 2 April 2022** Pence
Earnings / loss per share		
Basic earnings / (loss) per share	**(79.35)**	(10.61)
Diluted earnings / (loss) per share	**(79.35)**	(10.61)
Basic adjusted earnings per share	**51.47**	47.62
Diluted adjusted earnings per share	**39.06**	40.21

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. Due to the loss incurred in the year, in calculating the diluted loss per share, the share options, warrants and preferred equity are considered to be non-dilutive.

5. Rates of exchange

	2023		2022	
	Average	**Year end**	Average	Year end
Australia - AUD	**1.7679**	**1.8458**	1.8269	1.7509
Europe - EUR	**1.1557**	**1.1360**	1.1777	1.1874
United States - USD	**1.2065**	**1.2345**	1.3627	1.3114
Turkey - TRY	**21.6304**	**23.6755**	18.7879	19.2606

6. Net Debt

Analysis of net debt

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

Group	At 3 April 2022 £m	Cash flow £m	Non-cash movement on inception of leasing contract expenditure £m	Acquisitions £m	Other non-cash changes £m	Exchange movement £m	**At 1 April 2023 £m**
Cash and cash equivalents	273.6	(192.5)	-	9.3	-	3.0	**93.3**
Bank overdraft	(15.6)	12.6	-	-	-	-	**(2.9)**
Net cash and cash equivalents	258.0	(179.9)	-	9.3	-	3.0	**90.4**
Senior secured debt (gross of prepaid finance costs):							
- due in more than one year	(633.2)	-	-	-	(2.0)	(28.6)	**(663.8)**
Unsecured loans:							
- due in less than one year	(9.6)	8.5	-	(87.5)	27.9	(1.7)	**(62.3)**
- due in more than one year	(22.6)	-	-	-	(27.9)	0.3	**(50.3)**
Net debt	(407.4)	(171.4)	-	(78.2)	(2.0)	(27.0)	**(686.0)**
Obligations under right-of-use leases:							
- due in less than one year	(16.9)	23.9	(9.7)	(6.0)	(17.4)	(1.5)	**(27.6)**
- due in more than one year	(88.7)	-	(32.5)	(33.7)	11.1	(0.8)	**(144.6)**
Preferred equity (gross of prepaid finance costs)	(254.2)	-	-	-	(27.0)	-	**(281.2)**
Prepaid finance costs:							
- In relation to senior debt	9.8	0.8	-	-	(2.7)	(0.1)	**7.9**
Financing liabilities	(1,015.4)	33.3	(42.2)	(127.2)	(38.0)	(32.3)	**(1,221.9)**
Net debt including right-of-use lease liabilities, issue premia, preferred equity and prepaid finance costs	(757.4)	(146.6)	(42.2)	(117.9)	(38.0)	(29.4)	**(1,131.5)**

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

Senior debt

Senior debt as at 1 April 2023 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. The fair value of the liability as at 1 April 2023 was €603.3m (2022:

€718.6m), 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. Of which £0.7m has been amortised in the period (2022: £Nil). 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 £Nil (2022: £2.7m), and therefore an associated non-cash debit was recognised through the income statement for the period of £2.7m (2022: £6.3m).

Prepaid legal and professional fees associated with the issue of the new notes totalling £12.9m (2.0% of gross debt raised) is offset against the senior debt liability and is amortised over its life (£2.7m in the year (2022: £2.3m). The net prepaid value as at 1 April 2023 is £7.9m.

As a result, as at 1 April 2023 there is a total liability recognised of £655.9m (2022: £623.4m) in relation to notes with a par value of £660.2m (2022: £631.6m).

Additionally, the Group has a variable rate £150m multi-currency revolving credit facility maturing in 2026, which at the year end was drawn by £12.5m.

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 in the prior period resulted in substantial modification, resulting in extinguishing the old financial liability and recognising a new financial liability.

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 value of the host debt recognised following the amendment in the prior period 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 1 April 2023 was £255.2m (2022: £228.4m), with the fair value at 1 April 2023 was £160.7m (2022: £218.7m).

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

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 fair value of the asset as at 1 April 2023 was £Nil (2022: £20.5m). 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. 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.

The host debt liability and redemption option asset have been presented as a single instrument under the heading 'Preferred equity' in the summary of Other Financial Liabilities presented above.
Finally, the KED ordinary equity warrants have been separately identified. The warrants are fair valued at each reporting date through the income statement, with a fair value of £26.0m as at 1 April 2023 (2022: £46.4m). 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.

Preferred Equity P&L charge	2023	2022
	£m	£m
Host contract	26.8	14.9
Fair value warrants	(20.3)	11.3
Fair value redemption asset	20.5	(10.7)
Loan commitment	-	1.3
Ticking fee	-	4.7
Loss on substantial modification	-	10.3
Preferred equity	26.9	31.8
Preferred equity prepaid finance costs	-	1.2
Preferred equity including prepaid finance costs	26.9	33.0

7. Retirement benefit obligations

Defined contribution schemes

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

Contributions are charged to the Income Statement as incurred and amounted to £6,288,000 (2022: £5,660,000), of which £2,835,000 (2022: £2,837,000) relates to the UK schemes. The total contributions outstanding at year-end were £nil (2022: £nil).

Defined benefit schemes

The Group has four defined benefit schemes:

- two schemes relate to Interfloor Limited;
- one scheme relates to both Balta Services and Balta Industries (Balta group);
- the final scheme relates to Seramik, Sahika and Ic vd Dis Ticaret (Graniser group).

Summary of all schemes

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

	2023	2022
	£m	£m
Net interest expense	0.3	0.1
Loss on settlements	0.5	-
Current / Past service cost	1.0	-
Components of defined benefit costs recognised in profit or loss	**1.8**	0.1

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

	2023	2022
	£m	£m
The return on plan assets (excluding amounts included in net interest expense)	**(9.5)**	0.6
Actuarial losses arising from changes in demographic assumptions	**(0.1)**	(0.5)
Actuarial gains arising from changes in financial assumptions	**5.8**	1.5
Remeasurement gains on defined benefit obligation	**3.6**	-
Actuarial losses arising from experience adjustments	**(1.8)**	-
Remeasurement of the net defined benefit liability	**(2.0)**	1.6

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

	2023	2022
	£m	£m
Present value of defined benefit obligations	**(34.1)**	(29.2)
Fair value of plan assets	**26.1**	24.3
Net liability arising from defined benefit obligation	**(8.0)**	(4.9)
Deferred tax applied to net obligation	**1.9**	1.3

8. Acquisition of subsidiaries

(a) Balta

On 5 April 2022, the Group acquired 100% of the equity 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'. Balta consists of distribution entities in the UK and the United States in addition to manufacturing facilities in Belgium and Turkey.

The primary reason for the business combination is discussed within the Chairman and CEO's review.

Total consideration of Balta was €114.8m (£95.7m[1]). The consideration of €121.1m (£101.0m[1]) was paid on completion and €6.3m (£5.3m[1]) was received subsequently in July 2022 as a closing cash adjustment. Upon acquisition Victoria settled €59.0m (£49.2m) of debt and therefore is excluded from the consideration.

The Group results for the 52 weeks ended 1 April 2023 include contribution from Balta of €328.7m (£283.9m[2]) of revenue and €11.0m (£9.7m[2]) of loss before tax (before hyperinflation, amortisation of acquired intangibles and acquisition costs).

[1] Applying the GBP to EUR exchange rate at the date of acquisition of 1.1990
[2] Applying the average exchange rate over the financial year of 1.1582

(b) Ragolle

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 primary reason Ragolle was acquired to complement the Balta Rugs business.

The total cash consideration of €21.4m (£18.2m[3]) was paid on completion.

The Group results for the 52 weeks ended 1 April 2023 include contribution from Ragolle of €30.6m (£26.4m[3]) of revenue and €2.8m (£2.5m[3]) 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 €7.7m (£6.6m[4]) and €0.3m (£0.3m[4]) respectively.

[3] *Applying the GBP to EUR exchange rate at the date of acquisition of 1.1763*
[4] *Applying the average exchange rate over the financial year of 1.1582*

(c) IWT

On 17 October 2022 the Group acquired 100% of the equity of Florida-based flooring distributor, International Wholesale Tile LLC ("IWT").

The total cash consideration of $16.8m (£15.0m[5]) was paid on completion and contingent consideration with a present value of $6.0m (£5.4m[5]) and dependant on future EBITDA performance over a four-year period. Based on the projected EBITDA forecast over the contingent earnout period, the gross payment would range between $7.0m to $8.2m (based on a range of base less 10% and base plus 10%).

The primary reason for the business combination is discussed within the Chairman and CEO's review.

The Group results for the 52 weeks ended 1 April 2023 include contribution from IWT of $27.2m (£22.4m[5]) of revenue and $3.9m (£3.2m[5]) 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 $39.5m (£32.5m[6]) and $4.5m (£3.7m[6]) respectively.

[5] *Applying the GBP to USD exchange rate at the date of acquisition of 1.1171*
[6] *Applying the average exchange rate over the financial year of 1.2145*

9. Restatement of deferred tax assets and liabilities

Deferred tax assets and liabilities in 2022 and 2021 have been restated to offset, for presentational purposes, deferred tax liabilities arising on consolidation against deferred tax assets in the Group's subsidiaries where these relate to income taxes levied by the same taxation authority within the same taxable entity or different taxable entities within the Group which intend to settle current tax assets and liabilities on a net basis.

For the restated Consolidated Balance Sheet presented at 2 April 2022, the deferred tax asset has decreased by £26.2m, from £27.2m to £1.0m; the deferred tax liability has also decreased by £26.2m, from £81.4m to £55.2m. This prior period adjustment changes the balance sheet presentation of deferred tax only, with the net deferred tax position remaining a liability of £54.2m.

For the restated Consolidated Balance Sheet presented at 3 April 2021, the deferred tax asset has decreased by £16.2m, from £17.2m to £1.0m; the deferred tax liability has also decreased by £16.2m, from £62.9m to £46.7m. This prior period adjustment changes the balance sheet presentation of deferred tax only, with the net deferred tax position remaining a liability of £45.7m.

The above adjustments have no impact on any other balances within the Consolidated Balance Sheets at 2 April 2022 or 3 April 2021 nor the reported Consolidated Income Statements for the 52 weeks ended 2 April 2022 or the 53 weeks ended 3 April 2021, nor any impact on basic or diluted earnings per share measures in prior year periods.

10. Basis of Preparation

The consolidated financial statements for the Group have been prepared on a going-concern basis. The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Chairman and CEO's Review, the Strategic Report, and the Financial Review.

The Board remains satisfied with the Group's funding and liquidity position. During the year ended 1 April 2023 there has been no period where financial covenant tests applied.

The Group's cash position as at the year ended 1 April 2023 was £93.3m (2022: £273.6m). The Group expects to continue to generate positive operating cash flows in the forecast period to March 2025.

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; of which £12.5m was drawn at 1 April 2023. 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 to March 2025 was modelled, with the base case set to the FY24 and FY25 budgets, consistent with the model 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 drop in EBITDA of between 30% to 60% versus the base case to ensure that even in an extreme downside scenario, sufficient liquidity was maintained through the forecast period. The stress- test didn't include any mitigating actions other than a reduction in capital expenditure (ranging from 20% to 100%) and the Group does not consider the stress-test, or anything worse than it, a reasonably possible downside scenario.

The Directors are therefore of the view that the Group is well placed to manage its business risks. Accordingly, the Directors continue to adopt the going concern basis in preparing the Annual Report and Accounts.

The results have been extracted from the audited financial statements of the Group for the 52 weeks ended 1 April 2023. The results do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. Whilst the financial information included in this announcement has been computed in accordance with the principles of international accounting standards in conformity with the requirements of the Companies Act 2006, this announcement does not itself contain sufficient information to comply with international accounting standards. The Group will publish full financial statements that comply with international accounting standards. The audited financial statements incorporate a qualified audit report which concludes that except for the effects of the matter which gave rise to the qualification, 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 1 April 2023 and of the Group's loss for the period then ended. The qualification notes that due to a management-imposed limitation of scope in relation to a non-significant component, that the auditor is unable to conclude on this non-significant component. Management imposed this limitation due to the Board's view that procedures proposed by the auditor were unlikely to generate further or better-quality audit evidence.

The Auditor's report on the financial statements did not draw attention to any further matters by way of emphasis and, other than solely in respect of receiving all the information and explanations from a non-significant component which, to the best of the Auditor's knowledge and belief, were necessary for the purposes of the audit, did not contain statements under S498(2) or (3) Companies Act 2006.

Statutory accounts for the 52 weeks ended 2 April 2022, which incorporated an unqualified auditor's report, have been filed with the Registrar of Companies. The Auditor's report on these accounts did not draw attention to any matters by way of emphasis and did not contain statements under S498(2) or (3) Companies Act 2006.

The Annual Report & Accounts will be posted to shareholders in due course. Further copies will be available from the Company's Registered Office: Worcester Six Business Park, Worcester, Worcestershire, WR4 0AE or via the website: www.victoriaplc.com.