VICTORIA PLC

2023 Half-year report for the 26 weeks ended 30 September 2023

VICTORIA PLC

OUR MISSION STATEMENT

To create wealth for our Shareholders

Contents

FINANCIAL AND OPERATIONAL HIGHLIGHTS

	H1 FY24	H1 FY23
Underlying Revenue[1]	**£643.4m**	£771.5m
Underlying EBITDA[1]	**£95.8m**	£100.1m
Underlying operating profit[1]	**£54.3m**	£61.1m
Operating profit	**£33.0m**	£82.0m
(Loss)/profit before tax	**£(19.2)m**	£53.1m
Net debt[2]	**£670.6m**	£651.4m
Net debt / EBITDA[3]	**3.8x**	3.4x
(Loss)/earnings per share:		
- Diluted	**(19.61)p**	36.69p
- Diluted adjusted[1]	**13.48p**	17.87p

- Higher margins driven by reorganisation programme, offset softer demand in the period
- Relocation of manufacturing to modernised UK factories a key contributor to margin improvement
- EBITDA margin improvement broadly across all divisions
    - UK and Europe Soft Flooring operating margin increased 500bps on H2 FY23
    - Low margin SKUs removed from product range
- Weak demand in ceramic tiles, yet delivering EBITDA margin improvement versus same period last year
- North America remains resilient with operational excellence driving margin expansion
- Strong liquidity and cash balance and undrawn credit lines totalling c. £250m
- Debt financing provided by long-dated Senior Notes not due until 2026

Outlook

- Delivery against strategy of margin enhancement is expected to continue
- Challenging outlook given increasing costs and lower demand
- Business well-positioned to tackle anticipated near-term headwinds
- Long-term sector fundamentals remain strong

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

CHAIRMAN & CEO'S STATEMENT

Our H1 performance was in line with management expectations with softer demand offset by higher margins beginning to come through from the reorganisation programme started 18 months ago. This delivery against our strategy of margin enhancement is expected to continue into the second half and beyond, where we expect to see further improvements to future earnings and cash flow.

Underlying EBITDA margin improved 100bps to 14.9%, compared to the prior six-month period (H2 FY23), resulting in an increase of 0.7% in Underlying EBITDA (in constant currency) to £95.8 million, whilst Underlying Revenue fell by 4.1% (in constant currency) to £643.4 million compared with the same prior six-month period. The extent of the margin expansion is particularly noteworthy given the inevitable operational leverage impact of lower volumes. A key contributing factor to this margin improvement, and as described below in the Reorganisation projects, was the relocation of significant manufacturing to our modernised UK factories, delivering much-enhanced productivity, lower logistics costs and improved customer service.

The remainder of the year continues to look more challenging with ongoing lower demand maintaining pressure on top line sales, alongside inflation edging up raw material input costs. Accordingly, the Board now expects the resulting impact of these headwinds to slightly more than offset the c. £20m EBITDA benefit from the previously announced reorganisation programme. Nevertheless, thanks to the extensive reorganisation Victoria has undertaken over the last 24 months, the business is far better prepared to meet these challenges.

H1, Financial Year	**2024**	**2023**	**2022**	**2021**	**2020**
Underlying Revenue	£643.4m	£771.5m	£489.0m	£305.5m	£312.9m
Underlying EBITDA	£95.8m	£100.1m	£84.5m	£52.4m	£58.5m
EBITDA margin	14.9%	13.0%	17.3%	17.2%	18.7%

OPERATIONAL REPORT BY DIVISION

UK & Europe Soft Flooring – operating margin +360bps

	H1 FY24	**H2 FY23**	**H1 FY23**
Revenue	£318.6m	£346.8m	£372.0m
EBITDA	£43.2m	£29.7m	£37.2m
EBITDA margin	13.6%	8.6%	10.0%
Margin variance %*	*+360bps*		

* margin variance measured against H1 FY23. It is +500bps when measured against the previous six-month period.

The UK & Europe Soft Flooring division increased its operating margin by a very pleasing 360bps and absolute EBITDA by 16.1% (both compared with H1 FY2023) despite lower volumes. Critically, the operating margin increased by 500bps and absolute EBITDA by 45.5% compared with the previous six-month period (H2 FY23) when trading conditions were most similar.

There were a number of factors at play contributing to this very pleasing outcome:

(i) Volumes for Victoria's Soft Flooring division declined 13% due primarily to soft market conditions driven by the macro-economic environment. The Board believe this decline to be materially less than the market as a whole (we believe the impact on VCP is being moderated by our mid-high end product positioning), but nonetheless the lower volumes created negative manufacturing variances due to operational leverage. Despite this, the EBITDA margin increased 500bps from 8.6% achieved in the previous six-month period (H2 FY23) to 13.6%

(ii) Volumes were also impacted by 'bottom slicing'; the decision by operational management to remove low margin SKU's from the product range. As part of the reorganisation projects the Group has had underway over the last 18 months, management have been rigorously reviewing each SKU to ensure an adequate margin is made on each one. In cases where the margin is insufficient and a price increase is unsustainable, the product has been discontinued. Although this impacts headline revenue, it leads to improved cash flow and a higher return on working capital.

(iii) Selling prices have been selectively reduced to ensure we continue to treat our customers fairly as input costs (primarily raw materials and energy) have eased.

(iv) The first of the benefits of the reorganisation projects began to be seen. Although this remained, as previously advised to shareholders, very much a work-in-progress during H1, margins steadily increased as costs were actively removed throughout the period from the business. A summary of these projects is set out below.

<u>Reorganisation projects</u>
Given the largely completed reorganisation of the soft flooring division, we thought it might be helpful to recap what the projects entailed and the anticipated impact on future earnings and cash flow.

(i) Carpet

a. Following the reorganisation of Victoria's UK manufacturing footprint in 2019/20 and the investment made in modernising the factories at the time, the Group had significant spare broadloom carpet capacity. Taken together with the fact that nearly all Balta's broadloom carpet output of 14 million sqm was being exported to the UK (Europe's largest carpet market), this surplus capacity made it possible to relocate Balta's carpet production to the UK, without significant capex.
b. The cost of this project consisted of relocating certain carpet tufting machines and raw materials to the UK as well as redundancies in Belgium, totalling c.£19 million.
c. The much-enhanced productivity, lower logistics costs, and improved customer service achieved by manufacturing in the UK.

(ii) Rugs

a. A substantial extension to the rug factory in Turkey was constructed in 5 months to allow for the transfer of weaving and extrusion capacity from Belgium to Turkey, which is a much lower cost operating environment. Relocation of the yarn finishing plant from the now closed Avelgem factory into the Sint Baafs Vivje plant in Belgium for a more integrated, and lower cost, manufacturing process.
b. The costs associated with this project predominantly entailed construction of the additional building in Turkey, extensive relocation of plant and machinery both within Belgium and to Turkey, and redundancies in Belgium. Together, these costs were £31m.
c. The outcome is primarily lower production costs, which will increase the international competitiveness of Balta's rugs and the Board anticipates top line growth as a result.

UK & Europe Ceramic Tiles – very weak market conditions

	H1 FY24	**H2 FY23**	**H1 FY23**
Revenue	£185.3 million	£198.9 million	£254.4 million
EBITDA	£39.1 million	£54.9 million	£51.0 million
EBITDA margin	21.1%	27.6%	20.0%
Margin variance %	*+110bps*		

In the face of very weak demand (YTD market volume -30.2% in Spain and -19.3% in Italy. Source: Intrastat) similar to that experienced during the 2008 Global Financial Crisis, Victoria's ceramics management team faced the decision of whether to maintain price or volume. Price, once discounted by a premium brand, is extremely difficult to recover as customers understandably resist subsequent increases. Therefore, due to the flexibility of our operations, we decided to shed volume as consumers traded down to lower quality products rather than risk the premium brand position by dropping prices. This decision has led to volume declines in line with the broader market, although the Group's margins remain very materially above (>2x) known competitors.

Australia – Stable margins in a softer market

	H1 FY24	**H2 FY23**	**H1 FY23**
Revenue	£54.0 million	£56.7 million	£64.2 million
EBITDA	£6.9 million	£7.1 million	£8.2 million
EBITDA margin	12.8%	12.5%	12.8%
Margin variance %	*0bps*		

Following exceptional LFL organic revenue growth of more than 20% in H1 FY2023, our Australian business experienced softer demand in H1 FY2024 with margins broadly flat.

North America – operational excellence projects driving margin expansion

	H1 FY24	H2 FY23	H1 FY23
Revenue	£85.5 million	£87.5 million	£80.9 million
EBITDA	£9.6 million	£4.4 million	£4.9 million
EBITDA margin	11.2%	5.1%	6.0%
Margin variance %	*+520bps*		

North America continues to be a resilient market for Victoria. Due to the careful selection of the businesses we have acquired in the US, much of our revenue derives from geographic markets such as Florida and Texas, where economic growth continues.

During H1 revenue was temporarily impacted by the Uyghur Forced Labor Prevention Act, which required importers to provide documentary evidence that goods manufactured in Xinjiang are not made with forced labour. The inspection process led to significant delays in container traffic crossing the US ports and held up some deliveries to customers. We have responded by increasing the percentage of product manufactured for us outside of China and delays have correspondingly reduced. Consequently, management expects continued revenue growth in H2.

Margin gains are expected to continue as integration proceeds:

(i) Access to Victoria's supply chain lowering cost of goods sold.
(ii) Integration into Victoria's US logistics platform, improving delivery times and reducing costs.
(iii) Commercial excellence projects focussed on restructuring salesforce incentives to encourage maximising margins rather than volume, minimising claim and product return related expenses, renegotiating services contracts, and optimising workforce productivity.

CASHFLOW & LIQUIDITY

Net operating cash flow was in line with management expectations.

Restructuring payments consisting primarily of redundancy payments and plant and machinery relocation totalling £20.5 million were made during the period. The redundancy expenses were already fully provided for in FY2023.

As previously indicated to shareholders, capex costs reverted to normal levels of £28.7 million for the period. This compares with £41.3 million invested in H1 FY2023 (and £99.6 million for the full year FY2023) and reflects the completion of the major reorganisation projects.

We are not satisfied with the progress being made with our management of working capital, although, to be fair to the management team, there was a material impact on inventory levels due to the US port backlogs caused by the Uyghur Forced Labor Prevention Act (described in the section covering Victoria's US division) resulted in some 2.5 months excess inventory in our US business. Nevertheless, this source of cash remains a key area of focus with incentives in place for delivery of defined targets.

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

FY 23 AUDIT

The Board appreciates the support and patience exhibited by shareholders with the overwhelming votes in favour of the various resolutions (re-election of directors, adoption of the annual accounts, and re-appointment of Grant Thornton as auditor, amongst others) presented at the recent shareholder meetings.

Shareholders can be assured that the Board immediately moved to comprehensively address the items set out in the audit report and have allocated additional experienced finance resources to the small (1.25% of Group revenue) subsidiary that has been the focus of all the attention and audit qualification. Further controls have been put in place to ensure the subsidiary's accounting records and internal controls are being maintained to the high levels we have solidly embedded across the rest of the Group.

OUTLOOK

Operations:
Across the globe, demand for flooring has been at levels not seen since the 2008 financial crisis, with a number of correlations previously observed over a long period of time not holding in current conditions. More Victoria-specific impacts include the current situation in the Middle-East – Israel is an important export market for our ceramic tile division and the current war has temporarily impacted order flow from that country.

Fortunately, the Group benefits from experienced operational management who have a number of levers available to further lower costs and improve productivity (particularly in ceramics) and, of course, the full benefit of the soft flooring division reorganisation was not seen in H1 whilst the projects were still being finalised.

Whilst one swallow does not a summer make, recent positive daily news flow appears to be resetting market expectations for mortgage interest rates in 2024 in certain key markets which, when translated into consumer confidence will drive increased spending on flooring.

Acquisitions:
Whilst we actively continue to maintain relationships with potential acquisitions, our focus remains firmly on the optimising the integration projects and reducing leverage.

There are two main reasons for this decision:

(i) The cost of capital is high at present which makes achieving an acceptable return on an acquisition for shareholders challenging.
(ii) Although Victoria has become a permanent home of choice for flooring companies in Europe and the US – particularly family-owned businesses – private company owners typically take time to adjust their valuation expectations to levels reflecting the new reality.

Nonetheless, acquisitions remain a core part of Victoria's long-term growth strategy and therefore, at the right time and within our leverage policy, we will continue to 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

The long-term sector fundamentals remain strong as, whilst consumer spending on flooring may be subdued during difficult macro-economic conditions, unless people wish to return to walking on mud floors, demand always recovers. The current lower demand is a result of purchase decisions deferred, not purchases forgone: carpet continues to age, stains don't magically disappear with the passing of time, ceramic tiles continue to chip or crack, style and fashion move on. Therefore, as consumer confidence and discretionary spending rebounds Victoria will, of course, benefit from significant pent-up demand – just as it always has done in the past.

We cannot predict precisely when the rebound will occur although we are (clearly) continually closer to that point. Nevertheless, we view the second half of FY2024 with caution, with increased geopolitical uncertainty and continuing high mortgage rates impacting consumer confidence and discretionary spending. Consequently, we are managing the business to optimise results, market share, and cash flow until the inevitable recovery in demand.

Geoffrey Wilding
Executive Chairman

Philippe Hamers
Group Chief Executive

21 November 2023

Condensed Consolidated Income Statement

For the 26 weeks ended 30 September 2023 (unaudited)

		Notes	**26 weeks ended 30 September 2023**			26 weeks ended 1 October 2022			52 weeks ended 1 April 2023 (audited)		
			Underlying performance	**Non-underlying items**	**Reported numbers**	Underlying performance	Non-underlying items	Reported numbers	Underlying performance	Non-underlying items	Reported numbers
			£m	**£m**	**£m**	£m	£m	£m	£m	£m	£m
Revenue		3	**643.4**	**5.1**	**648.5**	771.5	4.6	776.1	1,461.4	18.8	1,480.2
Cost of sales			**(416.3)**	**(16.8)**	**(433.1)**	(541.5)	(12.6)	(554.0)	(986.6)	(58.9)	(1,045.5)
Gross profit			**227.1**	**(11.7)**	**215.3**	230.0	(8.0)	222.0	474.8	(40.1)	434.7
Distribution and administrative expenses			**(176.1)**	**(9.6)**	**(185.7)**	(171.5)	(32.6)	(204.2)	(360.4)	(193.4)	(553.8)
Negative goodwill arising on acquisition			**-**	**-**	**-**	-	61.5	61.5	-	90.5	90.5
Other operating income			**3.3**	**-**	**3.3**	2.6	-	2.6	4.4	0.1	4.5
Operating profit / (loss)			**54.3**	**(21.3)**	**33.0**	61.1	20.9	82.0	118.8	(142.9)	(24.1)
Comprising:											
Operating profit before non-underlying and exceptional items			**54.3**	**-**	**54.3**	61.1	-	61.1	118.8	-	118.8
Amortisation of acquired intangibles		4	**-**	**(20.4)**	**(20.4)**	-	(21.0)	(21.0)	-	(41.5)	(41.5)
Other non-underlying items		4	**-**	**7.1**	**7.1**	-	(13.4)	(13.4)	-	(16.0)	(16.0)
Exceptional goodwill impairment		4	**-**	**-**	**-**	-	-	-	-	(80.0)	(80.0)
Other exceptional items		4	**-**	**(8.0)**	**(8.0)**	-	55.3	55.3	-	(5.4)	(5.4)
Finance costs		5	**(22.6)**	**(29.6)**	**(52.2)**	(21.3)	(7.6)	(28.9)	(41.9)	(44.6)	(86.5)
Comprising:											
Interest on loans and notes		5	**(17.9)**	**-**	**(17.9)**	(17.7)	-	(17.7)	(33.6)	-	(33.6)
Amortisation of prepaid finance costs and accrued interest		5	**(1.3)**	**-**	**(1.3)**	(1.5)	-	(1.5)	(2.8)	-	(2.8)
Unwinding of discount on right-of-use lease liabilities		5	**(3.3)**	**-**	**(3.3)**	(2.0)	-	(2.0)	(5.4)	-	(5.4)
Preferred equity items		5	**-**	**(14.0)**	**(14.0)**	-	(14.3)	(14.3)	-	(26.9)	(26.9)
Other finance items		5	**(0.1)**	**(15.6)**	**(15.7)**	(0.1)	6.7	6.6	(0.1)	(17.7)	(17.8)
Profit / (loss) before tax			**31.7**	**(50.9)**	**(19.2)**	39.8	13.3	53.1	76.9	(187.5)	(110.6)
Taxation (charge) / credit		6	**(9.0)**	**5.7**	**(3.3)**	(9.7)	4.1	(5.6)	(17.3)	36.1	18.8
Profit / (loss) for the period			**22.7**	**(45.2)**	**(22.5)**	30.1	17.4	47.5	59.6	(151.4)	(91.9)
(Loss) / earnings per share - pence	basic	7			**(19.61)**			40.76			(79.35)
	diluted	7			**(19.61)**			36.69			(79.35)

Condensed Consolidated Statement of Comprehensive Income

For the 26 weeks ended 30 September 2023 (unaudited)

	26 weeks ended 30 September 2023	26 weeks ended 1 October 2022	52 weeks ended 1 April 2023 (audited)
	£m	£m	£m
(Loss) / profit for the period	**(22.5)**	47.5	(91.8)
Other comprehensive (expense) / income			
Items that will not be reclassified to profit or loss:			
Actuarial (loss) / gain on defined benefit pension scheme	**(0.7)**	0.9	(2.0)
Items that will not be reclassified to profit or loss	**(0.7)**	0.9	(2.0)
Items that may be reclassified subsequently to profit or loss:			
Hyperinflation adjustments	**9.9**	32.1	16.5
Retranslation of overseas subsidiaries	**(24.1)**	16.6	(2.1)
Items that may be reclassified subsequently to profit or loss	**(14.2)**	48.7	14.4
Other comprehensive (loss) / income	**(14.9)**	49.6	12.4
Total comprehensive (expense) / income for the period attributable to the owners of the parent	**(37.4)**	97.1	(79.4)

Condensed Consolidated Balance Sheet

As at 30 September 2023 (unaudited)

	30 September 2023	1 October 2022	1 April 2023 (audited)
	£m	£m	£m
Non-current assets			
Goodwill	**172.5**	258.8	173.6
Intangible assets other than goodwill	**281.4**	335.1	305.5
Property, plant and equipment	**456.2**	433.7	462.6
Right-of-use lease assets	**152.8**	169.0	162.0
Investment property	**0.2**	0.2	0.2
Deferred tax assets	**2.0**	23.5	1.7
Total non-current assets	**1,065.1**	1,220.3	1,105.6
Current assets			
Inventories	**368.5**	415.7	351.2
Trade and other receivables	**252.7**	315.9	276.3
Current tax assets	**10.6**	-	14.7
Cash and cash equivalents	**92.7**	78.4	93.3
Assets classified as held for sale	**25.8**	-	25.8
Total current assets	**750.3**	810.0	761.3
Total assets	**1,815.4**	2,030.3	1,866.9
Current liabilities			
Trade and other current payables	**359.1**	427.3	369.8
Current tax liabilities	**11.2**	8.5	6.9
Obligations under right-of-use leases - current	**27.2**	23.3	27.6
Other financial liabilities	**62.4**	42.2	65.2
Provisions	**9.4**	-	19.0
Total current liabilities	**469.3**	501.2	488.5
Non-current liabilities			
Trade and other non-current payables	**7.4**	11.5	14.1
Obligations under right-of-use leases - non-current	**136.5**	132.7	144.6
Other non-current financial liabilities	**716.0**	683.5	706.2
Preferred equity	**269.2**	222.2	255.2
Preferred equity – contractually-linked warrants	**26.0**	46.4	26.0
Deferred tax liabilities	**84.1**	132.6	89.3
Retirement benefit obligations	**8.1**	5.5	8.0
Provisions	**16.0**	-	16.0
Total non-current liabilities	**1,263.3**	1,234.4	1,259.4
Total liabilities	**1,732.6**	1,735.6	1,747.9
Net Assets	**82.8**	294.7	119.0
Equity			
Share capital	**6.3**	6.3	6.3
Retained earnings	**62.5**	229.5	85.7
Foreign exchange reserve	**(23.1)**	19.7	1.0
Hyperinflation reserve	**26.4**	32.1	16.5
Other reserves	**10.7**	7.1	9.5
Total equity	**82.8**	294.7	119.0

Condensed Consolidated Statement of Changes in Equity

For the 26 weeks ended 30 September 2023 (unaudited)

	Share capital £m	Retained earnings £m	Foreign exchange reserve £m	Hyperinflation reserve £m	Other reserves £m	Total equity £m
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 expense 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	-	(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
Loss for the period to 30 September 2023	-	(22.5)	-	-	-	(22.5)
Other comprehensive expense for the period	-	(0.7)	-	-	-	(0.7)
Retranslation of overseas subsidiaries	-	-	(24.1)	9.9	-	(14.2)
Total comprehensive loss	-	(23.2)	(24.1)	9.9	-	(37.4)
Share-based payment charge	-	-	-	-	1.2	1.2
Transactions with owners	-	-	-	-	1.2	1.2
At 30 September 2023	**6.3**	**62.5**	**(23.2)**	**26.4**	**10.7**	**82.8**
At 2 April 2022	6.3	187.3	3.1	-	5.9	202.6
Profit for the period to 1 October 2022	-	47.5	-	-	-	47.5
Other comprehensive income for the period	-	0.9	-	-	-	0.9
Retranslation of overseas subsidiaries	-	-	16.6	32.1	-	48.7
Total comprehensive income	-	48.4	16.6	32.1	-	97.1
Buy back of ordinary shares	-	(6.2)	-	-	-	(6.2)
Share-based payment charge	-	-	-	-	1.2	1.2
Transactions with owners	-	(6.2)	-	-	1.2	(5.0)
At 1 October 2022	**6.3**	**229.5**	**19.7**	**32.1**	**7.1**	**294.7**

Condensed Consolidated Statement of Cash Flows

For the 26 weeks ended 30 September 2023 (unaudited)

	26 weeks ended 30 September 2023	26 weeks ended 1 October 2022	52 weeks ended 1 April 2023 (audited)
	£m	£m	£m
Cash flows from operating activities			
Operating profit / (loss)	**33.0**	82.0	(24.1)
Adjustments For:			
Depreciation and amortisation of IT software	**46.4**	39.6	90.5
Amortisation of acquired intangibles	**20.4**	21.0	41.5
Hyperinflation impact	**(18.5)**	-	(22.0)
Negative goodwill arising on acquisition	**-**	(61.5)	(90.5)
Goodwill impairment	**-**	-	80.0
Acquisition-related performance plan charge	**5.3**	4.0	10.3
Amortisation of government grants	**(0.4)**	(0.4)	(1.3)
Profit on disposal of property, plant and equipment	**(0.7)**	(1.1)	(1.8)
Fixed asset impairment	**-**	-	47.5
Loss on disposal of leased assets	**-**	-	1.5
Share incentive plan charge	**1.2**	1.2	3.6
Defined benefit pension	**(0.7)**	-	(2.5)
Net cash flow from operating activities before movements in working capital, tax and interest payments	**86.0**	84.8	132.7
Change in inventories	**(26.5)**	(7.8)	62.8
Change in trade and other receivables	**14.8**	(32.5)	40.6
Change in trade and other payables	**(15.9)**	(23.8)	(114.5)
Change in provisions	**(9.8)**	-	19.1
Cash generated by continuing operations before tax and interest payments	**48.6**	20.7	140.7
Interest paid on loans and notes	**(14.3)**	(20.4)	(34.8)
Interest relating to right-of-use lease assets	**(3.3)**	(2.0)	(5.4)
Income taxes received / (paid)	**0.8**	(7.3)	(11.4)
Net cash inflow / (outflow) from operating activities	**31.8**	(9.0)	89.1
Investing activities			
Purchases of property, plant and equipment	**(27.6)**	(40.8)	(96.4)
Purchases of intangible assets	**(1.2)**	(0.5)	(3.2)
Proceeds on disposal of property, plant and equipment	**2.0**	2.4	5.3
Deferred consideration and acquisition-related performance plan payments	**(10.5)**	(3.5)	(4.6)
Acquisition of subsidiaries net of cash acquired	**-**	(108.6)	(119.7)
Net cash used in investing activities	**(37.3)**	(151.0)	(218.6)
Financing activities			
Proceeds from debt	**45.2**	25.1	66.0
Repayment of debt	**(24.4)**	(34.5)	(75.4)
Buy back of ordinary shares	**-**	(6.2)	(7.8)
Payments under right-of-use lease obligations	**(13.1)**	(11.5)	(23.9)
Net cash generated / (used) in financing activities	**7.7**	(27.1)	(41.1)
Net increase / (decrease) in cash and cash equivalents	**2.2**	(187.2)	(170.6)
Cash and cash equivalents at beginning of period	**90.4**	258.0	258.0
Effect of foreign exchange rate changes	**(1.3)**	2.7	3.0
Cash and cash equivalents at end of period	**91.3**	73.5	90.4
Comprising:			
Cash and cash equivalents	**92.7**	78.4	93.3
Bank overdrafts	**(1.4)**	(4.9)	(2.9)
	91.3	73.5	90.4

Notes to the Condensed Half-year Financial Statements

For the 26 weeks ended 30 September 2023 (unaudited)

1. General information

These condensed consolidated financial statements for the 26 weeks ended 30 September 2023 have not been audited or reviewed by the Auditor. They were approved by the Board of Directors on 21 November 2023.

The information for the 52 weeks ended 1 April 2023 does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The audited financial statements incorporated 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.

2. Basis of preparation and accounting policies

These condensed consolidated financial statements should be read in conjunction with the Group's financial statements for the 52 weeks ended 1 April 2023, which were prepared in accordance with IFRSs as adopted by the European Union.

These interim financial statements have been prepared on a consistent basis and in accordance with the accounting policies set out in the Group's Annual Report and Financial Statements for the 52 weeks ended 1 April 2023.

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

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

Hyperinflation accounting

The inflation rate used by the Group is the official rate published by the Turkish Statistical Institute, TurkStat. The movement in the publicly available official price index for the half year ended 30 September 2023 was 33% (half year ended 1 October 2022: 24%).

Notes to the Condensed Half-year Financial Statements

For the 26 weeks ended 30 September 2023 (unaudited)

2. Basis of preparation and accounting policies (continued)

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

3. Segmental information

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

The UK & Europe Soft Flooring segment comprises legal entities 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.

Notes to the Condensed Half-year Financial Statements continued

For the 26 weeks ended 30 September 2023 (unaudited)

3. Segmental information (continued)

Income statement

	26 weeks ended 30 September 2023						26 weeks ended 1 October 2022					
	UK & Europe Soft Flooring	UK & Europe Ceramic Tiles	Australia	North America	Unallocated central expenses	Total	UK & Europe Soft Flooring	UK & Europe Ceramic Tiles	Australia	North America	Unallocated central expenses	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Income statement												
Revenue	320.2	188.8	54.0	85.5	-	648.5	373.7	257.4	64.2	80.9	-	776.1
Underlying operating profit / (loss)	20.7	25.3	4.4	7.2	(3.3)	54.3	15.7	37.5	5.6	3.7	(1.3)	61.1
Non-underlying operating items	(7.1)	0.2	(0.8)	(3.9)	(1.7)	(13.3)	(17.8)	(12.0)	(0.9)	(2.5)	(1.2)	(34.4)
Exceptional operating items	(6.8)	(0.1)	-	(0.3)	(0.8)	(8.0)	57.1	(1.0)	(0.1)	(0.6)	(0.2)	55.3
Operating profit / (loss)	6.8	25.4	3.6	3.0	(5.8)	33.0	55.1	24.5	4.7	0.6	(2.7)	82.0
Underlying net finance costs						(22.8)						(21.3)
Non-underlying finance costs						(29.6)						(7.6)
(Loss) / profit before tax						(19.4)						53.1
Tax credit						(3.3)						(5.6)
(Loss) / profit for the period						(22.5)						47.5

	26 weeks ended 30 September 2023						26 weeks ended 1 October 2022					
	UK & Europe Soft Flooring	UK & Europe Ceramic Tiles	Australia	North America	Unallocated central expenses	Total	UK & Europe Soft Flooring	UK & Europe Ceramic Tiles	Australia	North America	Unallocated central expenses	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Depreciation of tangible fixed assets and IT software amortisation	17.1	11.7	1.5	1.2	-	31.5	15.4	11.2	1.5	0.8	0.1	29.0
Depreciation of right-of-use lease assets	9.6	2.9	1.1	1.1	0.2	14.9	6.1	2.9	1.1	0.3	0.2	10.6
Amortisation of acquired intangibles	5.7	11.4	0.9	2.4	-	20.4	7.1	11.1	0.9	1.9	-	21.0
	32.4	26.0	3.5	4.7	0.2	66.8	28.6	25.2	3.5	3.0	0.3	60.6

	26 weeks ended 30 September 2023						26 weeks ended 1 October 2022					
	UK & Europe Soft Flooring	UK & Europe Ceramic Tiles	Australia	North America	Central	Total	UK & Europe Soft Flooring	UK & Europe Ceramic Tiles	Australia	North America	Central	Total
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Total capital expenditure (cashflow)	19.6	4.3	1.4	2.2	0.1	27.6	16.7	17.2	2.0	3.0	-	38.9

Notes to the Condensed Half-year Financial Statements continued

For the 26 weeks ended 30 September 2023 (unaudited)

4. Exceptional and non-underlying items

	26 weeks ended 30 September 2023	26 weeks ended 1 October 2022
	£m	£m
Exceptional items		
(a) Acquisition related costs	**(0.7)**	(1.9)
(b) Reorganisation costs	**(7.3)**	(4.3)
(c) Negative goodwill arising on acquisition	**-**	61.5
	(8.0)	55.3
Non-underlying operating items		
(d) Acquisition-related performance plans	**(5.3)**	(4.0)
(e) Non-cash share incentive plan charge	**(1.2)**	(1.2)
(f) Amortisation of acquired intangibles (excluding hyperinflation)	**(19.9)**	(21.0)
(g) Unwind of fair value uplift to acquisition opening inventory	**-**	(9.5)
(h) Depreciation of fair value uplift to acquisition property, plant and machinery	**(2.7)**	(0.2)
(i) Hyperinflation depreciation adjustment	**(2.1)**	(0.5)
(j) Hyperinflation amortisation adjustment	**(0.6)**	-
(k) Hyperinflation monetary gain	**26.1**	1.9
(l) Other hyperinflation adjustments (excluding depreciation and monetary gain)	**(7.6)**	-
	(13.3)	(34.4)
Total	**(21.3)**	20.9

(a) One-off third-party professional fees in connection with M&A prospecting activities during the period.

(b) One-off reorganisation costs relating to a number of efficiency projects during the period and prior period, mainly Balta restructuring.

(c) Negative goodwill of £61.5m arose in the prior period on the consolidation of Balta, Ragolle, all acquired during the prior period. As the purchase price allocation was concluded over FY23 the final negative goodwill for Balta and Ragolle totalled £85.5m. The increase was mainly due to the fair value uplift of property.

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

Notes to the Condensed Half-year Financial Statements continued

For the 26 weeks ended 30 September 2023 (unaudited)

4. Exceptional and non-underlying items (continued)

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

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

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

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

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

Notes to the Condensed Half-year Financial Statements continued

For the 26 weeks ended 30 September 2023 (unaudited)

5. Finance costs

	26 weeks ended 30 September 2023 £m	26 weeks ended 1 October 2022 £m
Underlying finance items		
Interest on bank facilities and notes	**17.9**	17.0
Amortisation of prepaid finance costs on loans and notes	**1.3**	1.5
Unwinding of discount on right-of-use lease liabilities	**3.3**	2.7
Net interest expense on defined benefit pensions	**0.1**	0.1
	22.6	21.3
Non-underlying finance items		
(a) Finance items related to preferred equity	**14.0**	14.3
Preferred equity related	**14.0**	14.3
(b) Unwinding of present value of deferred and contingent earn-out liabilities	**0.3**	-
Acquisitions related	**0.3**	-
(c) Fair value adjustment to notes redemption option	**(0.6)**	2.7
(d) Mark to market adjustments and gains on foreign exchange forward contracts	**(1.4)**	(5.0)
(e) Translation difference on foreign currency loans and cash	**13.2**	(3.0)
(f) Hyperinflation - finance portion	**4.1**	(1.4)
Other non-underlying	**15.3**	(6.7)
	29.6	7.6

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

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

Notes to the Condensed Half-year Financial Statements continued

For the 26 weeks ended 30 September 2023 (unaudited)

5. Finance costs (continued)

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

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

6. Taxation

	26 weeks ended 30 September 2023	**26 weeks ended 1 October 2022**
	£m	£m
Current tax		
- Current year UK	**0.9**	-
- Current year overseas	**6.7**	8.8
- Adjustments in respect of prior years		-
	7.6	8.8
Deferred tax		
- Credit recognised in the current year	**(4.4)**	(3.2)
- Adjustments in respect of prior years		-
- Effect of rate change		-
	(4.4)	(3.2)
Total tax charge	**3.3**	5.6

Corporation tax is calculated at the applicable percentage of the estimated assessable profit for the year in each respective geography. The overall effective corporation tax rate on underlying profit is 28.6% (FY22: 24.5%), representing the best estimate of the weighted average annual corporation tax rate expected for the full financial year.

Notes to the Condensed Half-year Financial Statements continued

For the 26 weeks ended 30 September 2023 (unaudited)

7. Earnings per share

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

	26 weeks ended 30 September 2023		26 weeks ended 1 October 2022	
	Basic	**Adjusted**	Basic	Adjusted
	£m	**£m**	£m	£m
(Loss) / profit attributable to ordinary equity holders of the parent entity	**(22.5)**	**(22.5)**	47.5	47.5
Exceptional and non-underlying items:				
Income statement impact of preferred equity	**-**	**14.0**	-	14.3
Amortisation of acquired intangibles	**-**	**19.9**	-	21.0
Other non-underlying items	**-**	**9.2**	-	11.9
Other exceptional items	**-**	**8.0**	-	(55.3)
Interest on short -term draw of Group revolving credit facility	**-**	**-**	-	-
Amortisation of prepaid finance costs	**-**	**-**	-	-
Fair value adjustment to notes redemption option	**-**	**(0.6)**	-	2.7
Translation difference on foreign currency loans	**-**	**13.2**	-	(3.0)
Other non-underlying finance items	**-**	**(1.1)**	-	(7.8)
Tax effect on adjusted items where applicable	**-**	**(5.7)**	-	(4.1)
Hyperinflation	**-**	**(11.7)**	-	2.9
(Loss) / earnings for the purpose of basic and adjusted earnings per share	**(22.5)**	**22.7**	47.5	30.1

Notes to the Condensed Half-year Financial Statements continued

For the 26 weeks ended 30 September 2023 (unaudited)

7. Earnings per share (continued)

Weighted average number of shares

	26 weeks ended 30 September 2023	**26 weeks ended 1 October 2022**
	Number of shares	Number of shares
	(000's)	(000's)
Weighted average number of shares for the purpose of basic and adjusted earnings per share	**115,010**	116,464
Effect of dilutive potential ordinary shares:		
Share options and warrants	**1,768**	1,473
Weighted average number of ordinary shares for the purposes of diluted earnings per share	**116,778**	117,937
Preferred equity and contractually-linked warrants	**51,682**	50,493
Weighted average number of ordinary shares for the purposes of diluted adjusted earnings per share	**168,460**	168,430

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:

	26 weeks ended 30 September 2023	**26 weeks ended 1 October 2022**
	Pence	Pence
Earnings / loss per share		
Basic (loss) / earnings per share	**(19.61)**	40.76
Diluted (loss) / earnings per share	**(19.61)**	36.69
Basic adjusted earnings per share	**19.75**	25.85
Diluted adjusted earnings per share	**13.48**	17.87

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

Notes to the Condensed Half-year Financial Statements continued

For the 26 weeks ended 30 September 2023 (unaudited)

8. Rates of Exchange

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

	26 weeks ended 30 September 2023	26 weeks ended 1 October 2022	52 weeks ended 1 April 2023
Australia (A$) - average rate	**1.9110**	1.7447	1.7679
Australia (A$) - period end	**1.8975**	1.7425	1.8458
Europe (€) - average rate	**1.1567**	1.1701	1.1557
Europe (€) - period end	**1.1528**	1.1374	1.1360
USD ($) - average rate	**1.2560**	1.2160	1.2065
USD ($) - period end	**1.2197**	1.1150	1.2345
Turkey (₺) - average rate	**30.8810**	20.3012	21.6304
Turkey (₺) - period end	**33.4357**	20.6297	23.6755

On behalf of the Board

Geoffrey Wilding
Executive Chairman

21 November 2023

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