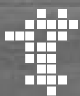

VICTORIA PLC

Annual Report and Accounts for the 52 weeks ended 1 April 2023

www.victoriaplc.com
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VICTORIA PLC

WELCOME TO VICTORIA PLC

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

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

GROUP FINANCIAL AND OPERATIONAL HIGHLIGHTS

UNDERLYING REVENUE (£m)

Year	£m
23	1,461.4
22	1,019.8
21	662.3
20	621.5

UNDERLYING OPERATING PROFIT (£m)[1]

Year	£m
23	118.8
22	107.9
21	79.8
20	77.1

IFRS REPORTED OPERATING PROFIT / (LOSS) £m

Year	£m
23	(24.1)
22	53.6
21	45.9
20	(8.5)

ADJUSTED NET DEBT / EBITDA[2]

Year	Ratio
23	3.4x
22	2.7x
21	3.1x
20	3.0x

- 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%[3], 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.

1. *underlying and before exceptional and non-underlying items*
2. *applying our lending banks' measure of financial leverage*
3. *cash generated after replacement capex, interest, and tax as a percentage of EBITDA*

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

OUR MISSION STATEMENT

TO CREATE WEALTH FOR OUR SHAREHOLDERS

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Read the **Financial review** on pages 18 to 30

Visit our corporate website www.victoriaplc.com

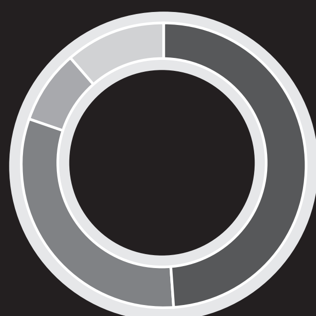
A Snapshot of Victoria PLC

OVERVIEW

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

UNDERLYING REVENUE

UK & Europe Soft Flooring	48.9%
UK & Europe Ceramic Tiles	31.6%
Australia	8.2%
North America	11.3%

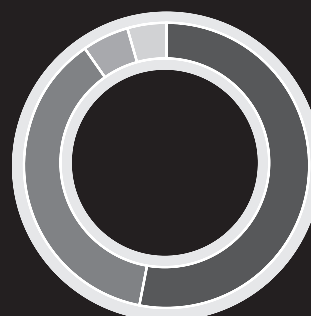


OPERATING PROFIT

UK & Europe Soft Flooring	21.3%
UK & Europe Ceramic Tiles	65.2%
Australia	8.4%
North America	5.1%

EMPLOYEES

UK & Europe Soft Flooring	53.3%
UK & Europe Ceramic Tiles	37.2%
Australia	5.1%
North America	4.4%



UK & EUROPE SOFT FLOORING

Underlying Revenue	Employees	m^2 flooring sold	m^2 underlay sold
£718.8m	3,884	115.8m	51.3m

UK & EUROPE CERAMIC TILES

Underlying Revenue	Employees	m^2 flooring sold
£453.3m	2,714	53.9m

AUSTRALIA

Underlying Revenue	Employees	m^2 flooring sold	m^2 underlay sold
£120.9m	369	8.4m	14.7m

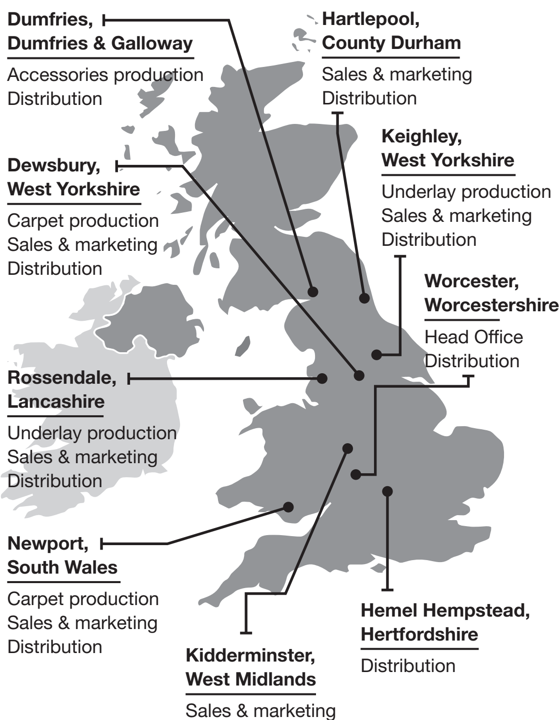
NORTH AMERICA

Underlying Revenue	Employees	m^2 flooring sold
£168.4m	321	6.1m

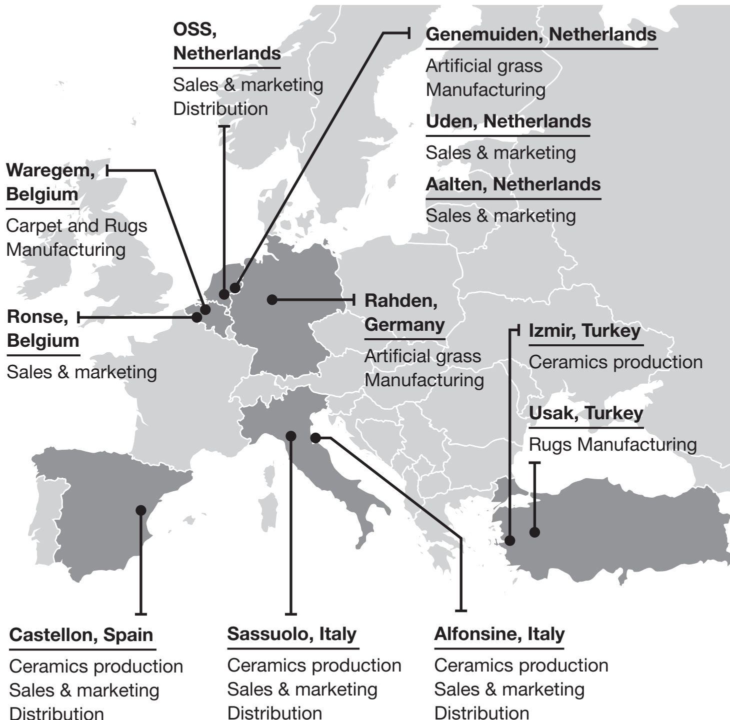
LOCATION OF OPERATIONS

The Group has operations in the UK, Europe, Turkey, the USA and Australia, employing approximately 7,300 people at more than 30 sites.

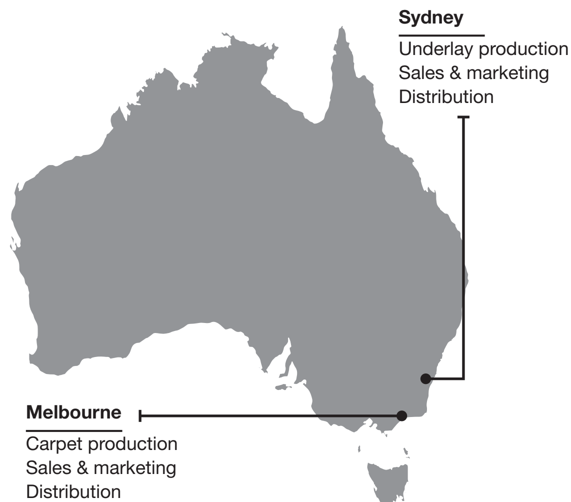
UNITED KINGDOM



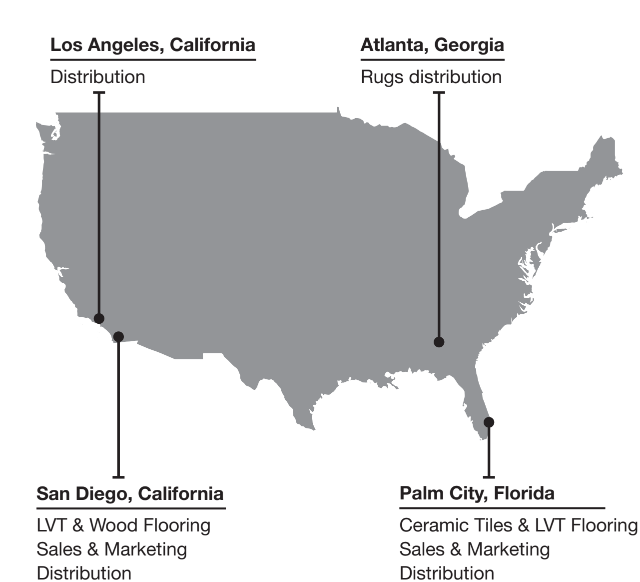
EUROPE



AUSTRALIA



NORTH AMERICA



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 and the 'alternative performance measures' are reconciled to IFRS-compliant measures in the appendix to this Annual Report.*
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 extra-IFRS performance measures. The 'alternative performance measures' are reconciled to IFRS compliant measures in the appendix to this Annual Report. 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: £53.6m profit), 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.

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

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

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).

Chairman and CEO's Review

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 service 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:

(i) Delayed completion of the divestment of an unneeded factory building arising from the reorganisation of Balta. Recent Belgian 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.

(ii) 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 shortly, although when it was acquired in April, 2022 we advised that integration could take 24-36 months.

(iii) 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.

(iv) 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 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.

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 was 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.

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

Chairman and CEO's Review

- 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%	-730bps
Underlying EBIT	**£27.2 million**	£45.4 million	-40.1%
Underlying EBIT margin	**3.8%**	10.7%	-695bps

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.

Carpet and Underlay

- 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 ft^2 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 focuses exclusively on high-end commercial applications, with stylish new showrooms for the Architecture & Design community opened in key locations in Spain.

Chairman and CEO's Review

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%	-227bps
Underlying EBIT	**£10.0 million**	£11.8 million	-15.7%
Underlying EBIT margin	**8.3%**	10.8%	-255bps

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 products – 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)[1]	4,585	45,322	+888%

[1.] *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 products 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 minimis (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.

Chairman and CEO's Review

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 focuses 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.

Strategic Report

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 banks' adjusted 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.

Further details of our stakeholder engagement are set out in the Directors Report on page 45.

Further details of the impact of the Company's operations on the community and the environment are set out in the Environmental, Social and Governance Report on pages 31 to 42.

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 CEOs Review on pages 5-6) 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;

Strategic Report

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 reviews 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

TOM FORD
VANITY FAIR PORTRAITS

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 as significant legal, major restructuring

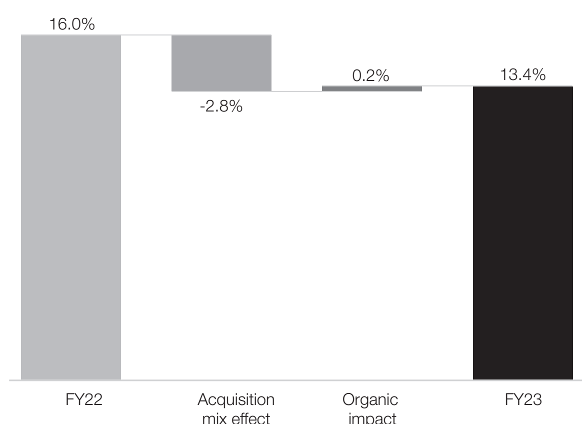
and transactional items), they should not be regarded as a complete picture of the Group's financial performance, which is presented in its Total results. The exclusion of other Adjusting items may result in Adjusting earnings being materially higher or lower than Total earnings. In particular, when 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)

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

GROUP EBITDA MARGIN BRIDGE



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.

Financial Review

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 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, goodwill impairment 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*

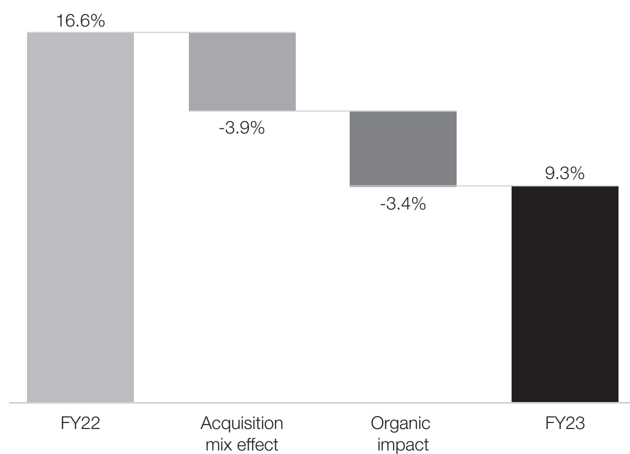
North America	FY23	FY22	Growth
Underlying Revenue	**£168.4m**	£115.6m	+45.7%
Underlying EBITDA	**£9.3m**	£6.4m	+44.7%
Margin %	***5.5%***	*5.6%*	*-4 bps*
Underlying EBIT	**£6.0m**	£5.2m	+16.9%
Margin %	***3.6%***	*4.5%*	*-88 bps*

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.

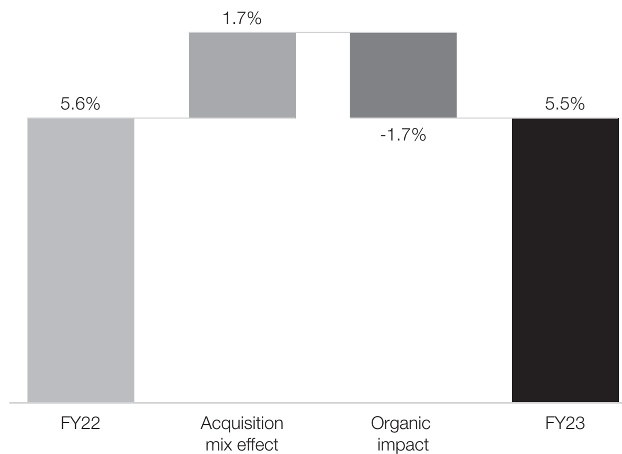
The underlying EBITDA margin charts below, which bridge from the prior year to the current year reported margin, strip out the impact of acquisitions to show the underlying margin trend in each.

Financial Review

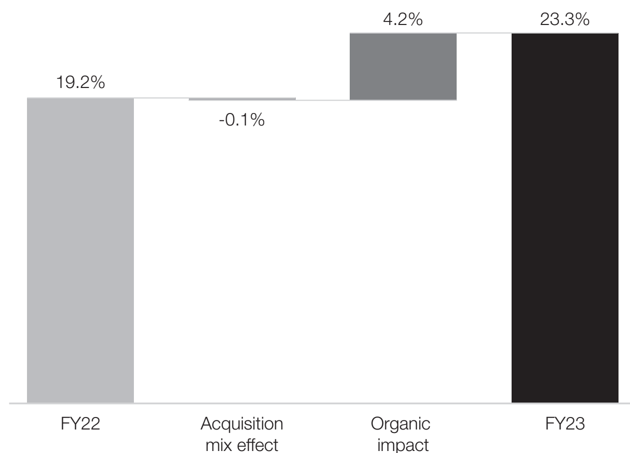
UK & Europe Soft Flooring EBITDA margin bridge



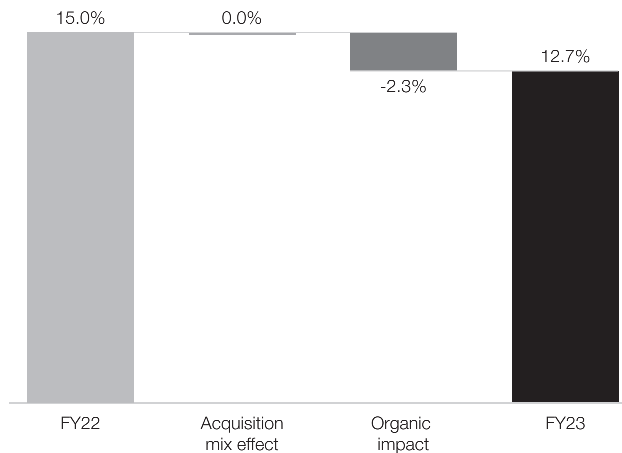
North America EBITDA margin bridge



UK & Europe Ceramic Tiles EBITDA margin bridge



Australia EBITDA margin bridge



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 24 to the Accounts.

FINANCING

Debt financing and facilities

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

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 £150 million Revolving Credit Facility which matures in 2026. The Revolving Credit Facility was increased from £120 million to £150 million 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 17 to the Accounts.

EXCEPTIONAL AND NON-UNDERLYING ITEMS

This section of the Financial Review runs through all the 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 remained 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.

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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).

Financial Review

- ***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 represents 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 the Accounting Policies and in Note 2 to the accounts.

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

Non-underlying financial costs	**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 €500 million 2026 corporate bonds, and €250 million 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 the Accounting Policies and in Note 3 to the accounts.

OPERATING PROFIT AND PBT

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

Operating profit and PBT	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: £53.6m 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 £12.4m). 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 £18.8 million (2022: £Nil) was distorted by the impact of the exceptional and non-underlying costs, which contributed to a tax credit of £36.1million. 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 £'m	2022 £'m
Basic loss per share	(79.35p)	(10.61p)
Diluted adjusted earnings per share	39.06p	40.21p

Financial Review

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 £658.3 million. 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 the 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).

Financial Review

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:

- £0.4m due to HFL by HCP was offset from the latest deferred consideration payment;
- £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
- 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. The Director's report on page 46 sets out the justification for this basis of preparation.

Brian Morgan
Chief Financial Officer

13 September 2023

Environmental, Social and Governance Report

OVERVIEW

Victoria advocates sustainable practices, prioritising waste reduction, operational efficiency, and the well-being of our workforce as fundamental pillars of our success as a Group.

Our commitment to sustainable operational improvements has played a pivotal role in driving the growth and advancement of our business. An excellent recent example of this is the consolidation of part of our Balta acquisition into our UK carpet manufacturing and logistics operations (see adjacent box).

OUR APPROACH TO ESG

We continue to develop our Environmental, Social and Governance (ESG) strategy to ensure that sustainability issues are effectively managed, data collection is streamlined, and progress reporting is cohesive throughout the entire Group. In FY24 we will establish a set of ESG targets, and Key Performance Indicators (KPIs) to showcase how we will measure performance over time, that we expect to publish in our next Annual Report. This year's report references the primary ESG challenges that we first detailed in the 2022 Annual Report and discusses our ongoing achievements in the current year against them.

The achievements detailed throughout this year's report demonstrate that we continue to make significant progress and in line with our reporting requirements we will include the necessary Task Force on Climate related Financial Disclosures (TCFD) in next year's Annual Report. This disclosure will include some of the targets and key performance indicators (KPIs) for the significant ESG topics. The robust action plans we are developing seek to ensure the successful achievement of these targets, whilst remaining true to the group's wider business strategy that delivers our ongoing success.

CONSOLIDATION OF OUR BALTA CARPET MANUFACTURING & DISTRIBUTION

In the past we've previously detailed how the consolidation of our UK carpet operations has been done in such a way that we have been able to make more carpet at a higher quality with less waste and lower overheads.

Using the knowledge gained from these previous integrations we are now in the process of consolidating some of the manufacturing and distribution of our newly acquired Balta subsidiary into our manufacturing plant in Newport, Wales. We expect this project to lead to numerous benefits from a sustainability perspective. With most customers being based in the UK we will be able to produce the goods closer to the point of consumption, reducing the emissions associated with distribution of the product. Our expectation is this will more than offset the small increase in distance we will incur from the supply chain.

In addition, we expect the wind down of activity in the previous factory to lead to an overall decrease in emissions as the production is integrated into our existing UK facilities.

Our previous consolidation activity meant less power usage and reduced carbon emissions per square meter of carpet produced and our expectation is this project will repeat this trend.

Environmental, Social and Governance Report

OUR SIGNIFICANT ESG TOPICS

Below we present a table outlining what we consider to be the significant ESG topics associated with each aspect of our operations, along with their respective priorities.

These topics were first disclosed in 2022 and represent the outcome of work performed alongside a leading ESG consultancy to understand our ESG risks, mitigating activities and opportunities. The activity was a Group wide review involving many stakeholder interviews and significant research into both the sector and territories we operate in. This review, detailing the factors that impact Victoria specifically and the flooring industry in general, were a key input into a management assessment that concluded on these topics and their corresponding priorities.

These ESG topic areas, and their priority, will be re-assessed annually. The current period assessment has resulted in no change.

The prioritisation of specific topics across the Group is contingent upon the nature of their operations (for instance, the priorities associated with soft flooring manufacturing may differ substantially from those related to ceramic tile manufacturing). Consequently, certain topics may represent a higher or lower priority for different parts of the Group.

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

ESG Risk Priority

○ Low Priority ◐ Medium Priority ● High Priority

ENVIRONMENT

Managing our energy usage & our carbon emissions

We review our Greenhouse Gas (GHG) footprint through the Streamlined Energy and Carbon Reporting (SECR) process. This data enables us to identify the areas of our business which produce the most emissions and take significant, direct action to reduce our energy usage and carbon emissions.

Streamlined Energy and Carbon Reporting

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

GHG Emission (1st April 2022 to 31st March 2023)	Units	UK & Europe soft flooring	Australia	Ceramics	North America	Total
Emissions from combustion of gas (Scope 1)	tCO_2e	20,368	2,899	206,284	72	229,623
Emissions from combustion of fuel for transport purposes (Scope 1)	tCO_2e	13,003	368	3,062	83	16,517
Emissions from purchased electricity (Scope 2)	tCO_2e	31,545	5,220	31,447	120	68,332
Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3)	tCO_2e	35	–	14	–	49
Total Gross emissions	tCO_2e	64,951	8,487	240,808	274	314,521
Energy consumption used to calculate above emissions	kWh	283,907,776	24,327,609	1,248,088,386	1,000,947	1,557,324,718
Total Gas Usage	kWh	115,040,948	15,737,729	1,130,042,689	379,410	1,261,200,777
Total Electricity Usage	kWh	118,122,602	7,008,294	105,362,031	306,595	230,799,523
Total Transport Usage	kWh	48,098,591	1,581,585	12,683,665	313,134	62,676,976

Within the UK, the total Gross emissions for the year were 24,292 tCO_2e (previous year 26,259 tCO_2e) and total associated energy consumption was 116,649,642 kWh (previous year 126,414,714 kWh).

The total Global Gross emissions for the year were 314,521 tCO_2e (previous year 303,717 tCO_2e) and total associated energy consumption was 1,557,324,718 kWh (previous year 1,548,654,291 kWh). Excluding the emissions and energy consumption of our acquisitions our total Global Gross emissions for the year were 280,636 tCO_2e and total associated energy consumption was 1,412,054,924 kWh, a like for like decrease in the current period.

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

Emissions (1st April 2022 to 31st March 2023)	Units	UK & Europe soft flooring	Australia	Ceramics	North America	Total
Intensity Ratios	$tCO_2e/1000m^2$	0.388	0.367	4.472	0.045	1.257
Previous year intensity ratio	$tCO_2e/1000m^2$	0.332	0.393	4.887	0.004	1.660

Note that Graniser was excluded from the Ceramics intensity metric reported in last year's annual report because it was acquired towards the end of the period and so this same treatment has been carried forward into the previous year intensity ratio reported in the table above.

Environmental, Social and Governance Report

Methodology

Victoria have followed the 2019 HM Government Environmental Reporting Guidelines and report in alignment with relevant aspects of the GHG Protocol. Emissions factors used are tonnes of CO_2 equivalent and data has been calculated using the 2022 UK Government's Conversion Factors for Company Reporting, for all UK electricity and global fuels data. The Australian Government National Greenhouse Accounts Factors, International Energy Agency, Association of Issuing Bodies and the Environmental Protection Agency have been used for all remaining geographical electricity conversion factors for location-based reporting.

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

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

The Scope 3 emissions relate to grey fleet. A grey fleet vehicle is one owned and driven by an employee for business purposes. This also includes fuel use for any vehicles which have been rented short term, for an employee to travel for business purposes. We do not currently include other Scope 3 emissions including, but not limited to, those associated with purchased goods and services, the upstream emissions of the fuel and electricity we consume and employee commuting.

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

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

The usage and emissions presented align with monthly supplier invoices and are calculated and presented for 1st April 2022 to 31st March 2023. Companies acquired during the Financial Year have been included from the start of the next month after the acquisition.

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

Energy management and carbon emissions

Continuing volatility in global energy prices has meant our ongoing strategy to invest in sustainable, eco-friendly, and reliable energy solutions has never been more important. The diverse nature of the Group means we have an opportunity to achieve this in a variety of ways with the most common being the use of solar photovoltaic (PV) panels in several locations. Historically several Group entities have benefitted from this technology and in the current financial year specifically we have invested further with two of our Australian subsidiaries and our UK logistics operation benefitted from new solar panel installations.

At our ceramic tile facilities across Europe we continue, as in previous years, to harness the heat generated from our spray driers. Through co-generation plants, we utilise this heat to generate electricity. This approach allows us to reduce our environmental impact and contribute to a more sustainable energy consumption model.

Our carpet manufacturing operation in Newport, Wales has for a number of years benefitted from a nearby wind turbine providing up to 40% of our electricity needs at this site. At several of our locations we take the opportunity at times of low demand to sell the surplus renewable energy we produce back to the national grid. Similarly at several of our subsidiaries we procure the additional energy we require from renewable providers.

We recognise that whilst it is important to ensure that wherever possible the energy we consume is renewable it is also vital that we make every effort to reduce our consumption.

In response to this our artificial grass business has this year managed to reduce carbon emissions through the development of an innovative new polyurethane coating for use in its product. This method not only eliminates water usage but also requires approximately 70% less gas to produce, significantly reducing our emissions.

At a number of our subsidiaries we have undertaken projects to closely monitor our gas and electricity usage via sub metering. Initiatives such as these have allowed us to implement a significant number of energy saving measures this year that have ranged from the launch of "switch it off" campaigns, the replacement of high energy usage components with more modern and efficient models, LED lighting installation schemes as well as using alternate, less carbon-

intensive, transport (i.e. sea routes where possible) to import our materials. We've also taken steps to optimise our logistics chain at one of our Australian subsidiaries by using our delivery trucks to pick up recycled material on the return journey. Another notable project was undertaken in summer 2022 in our Turkish Ceramics operation that involved further insulation of our kilns to reduce the heat leak rate, with a notable reduction in energy usage.

Logistics

The transportation of our products significantly contributes to our environmental impact. The fuel consumption of our truck fleet, which is essential for logistics, poses a substantial cost and generates a significant portion of the greenhouse gas emissions produced by our Group. Addressing this aspect is crucial in our efforts to reduce our environmental footprint.

During the year our underlay operation in the UK has been renewing their delivery fleet, with the more modern vehicles expected to deliver a 10% improvement in fuel efficiency.

For our UK carpet operations the distribution vehicles used were already compliant with the latest Euro 6 standard and we continue to monitor the technology solutions available, for example the potential to use electric trucks in the future. Our new distribution centre has been built ready to satisfy this need with 125kW of electric vehicle charging infrastructure and 32 charge points and within the warehouse itself all forklift trucks are exclusively battery powered.

Waste and Water Management

We have consistently upheld a conscientious approach to utilising raw materials, striving to minimise waste in our manufacturing operations and optimising resource utilisation. All businesses have a responsibility to carefully manage resources to mitigate their impact on the environment. Embracing the principle of "doing more with less," not only enables us to achieve improved financial performance and deliver value to our customers but also generates increasing returns for our shareholders. By aligning our sustainability efforts with sound business practices, we can create a positive impact on both the environment and our stakeholders.

In support of this within our artificial grass business we have initiated a project to collect industrial waste that we are then able to recycle back to raw material chips. Our aim is to re-use this in the backing process and throughout 2023 we will continue trialling the potential use of this in our yarn production process. Our first yarns incorporating post industrial waste have already been launched.

At one UK underlay subsidiary we recycle 100% of all process water and a minimum of 90% of waste is diverted to be used either as refuse-derived fuel (RDF) or is recycled.

Process changes at our Italian Ceramics business mean that we will move to a non water based process in resizing. We have also made process changes at our new carpet distribution centre leading to significant reductions in our use of water with harvested rainwater now being used in the toilets and the washing of our trucks.

Significant efforts have also been made at one of our Australian subsidiaries to improve waste management. The waste yarn that might otherwise be lost is being recovered, separated and prepared for supply to recycle networks. We expect this initiative to significantly help reduce waste, as will another project undertaken to use soft

PLAN FOR HYDROGEN FIRED KILNS IN ITALY

We continue to explore how our Italian ceramics business can reduce its carbon footprint and minimise gas consumption through use of green hydrogen technology. To achieve this, we are evaluating a potential plan for a new plant that would span an area of 25,000 square meters and generate a substantial 20 gigawatts (GW) of green energy. Our plan will continue to be developed with a decision expected in FY25. This clean energy would be complemented by on-site solar panels and a Hydrogen supplied engine system. These measures would replace approximately 30% of the site's gas consumption with environmentally friendly energy and power various equipment and cogeneration processes, including four kilns and five tile dryers.

In addition, we would transition most of our machinery to utilise bio methane, produced using agricultural waste. This shift towards sustainable practices would also mean our business requires fewer greenhouse gas (GHG) emission certificates, contributing to our overall environmental goals.

Looking ahead to 2030, we anticipate significant advancements in hydrogen technology and so believe if we proceed with these plans it will enable us to meet most of our energy needs through clean energy sources. This substantial increase in the utilization of renewable energy would result in a notable reduction in carbon emissions and support our sustainability ambitions.

wool waste in packaging and acoustic materials. The same team have also seen water usage significantly reduced through use of a new boiler system and process changes in the dyehouse that have helped us reduce the amount of water needed for each kg of yarn produced.

Product lifecycle

The ceramic tile business within our Group manufactures a product that is easily recyclable and can be repurposed to create new ceramic and aggregate products. Through collaborations with local suppliers and recyclers, our ceramic tile manufacturing businesses harness the potential of recycled bricks, tiles, and glass to create specific ceramic tile products. Moreover, owing to the inherent reusability of our ceramics, once they reach the end of their life cycle, they can be transformed into new tiles through a process of re-grinding. This eliminates the need to dispose of waste in landfills and further supports our contribution to sustainability.

At the core of our underlay production is a recycling operation. Our manufacturing sites repurpose polyurethane foam waste from various industries, such as vehicle seats, soft furnishings, and mattresses, into long-lasting products for our customers. In addition to foam waste, we are exploring opportunities to incorporate other recycled components, such as carpet waste. Taking our recycling approach a step further, we are developing processes to reclaim used foam underlay that has reached the end of its useful life and recycle it into new high quality underlay products.

Within the carpet industry in the UK there is a lack of accessible options for consumers to recycle synthetic carpets. While we produce durable and high-quality products intended for long-term use, our synthetic carpets and artificial grass products consist of a complex mix of materials, posing challenges for recycling. Although we also offer carpets made from natural fibres, consumer demand for synthetic carpets remains strong, making them the predominant choice in our production.

To combat the lack of accessibility in carpet recycling in the UK, we are committed to driving progress in this area. To support the advancement of carpet recycling, we have become a Core Member of Carpet Recycling UK, an independent non-profit membership association. This association collaborates with manufacturers, distributors, contractors, retailers, fitters, and the waste sector to divert carpet waste from ending up in landfills.

By joining we have gained access to strategic collaborations and networks that enable us, along with the wider industry, to develop viable solutions for carpet and other textile flooring waste. Our membership ensures that we are aware of and can participate in emerging opportunities in carpet recycling. This includes exploring sustainable raw materials for manufacturing, promoting product reuse, implementing take-back schemes, identifying recycling outlets nationwide, and staying updated on innovations in material processing. Our active involvement demonstrates our commitment to driving positive change and contributing to the development of sustainable practices for carpet recycling within our industry.

To address the challenges we are committed to conducting a comprehensive evaluation of our product range to explore opportunities for developing more circular products, i.e. products that minimise reliance on virgin resources and are purposefully designed with their end-of-life considerations in mind. Achieving this can be accomplished either by producing items with a diverse material composition that are easier to separate during recycling or by creating products made from a single material.

Our artificial grass subsidiary believes sustainability starts with quality and will continue to focus on the development of products offering longer product lifetimes. During the year we also launched a new coating range meaning only one polymer-family is used in the entire artificial grass product. This makes recycling easier and means that the recycled material is higher quality and more easily reusable into other artificial grass components. This innovation has been deployed in a new product range within our landscape brands, alongside our other brands focused on the environment. Our landscape solutions team also started a take back scheme in Belgium and the Netherlands, aiming to collect all the cutting waste of the carpets during installation and to collect the end-of-life product. Measures such as these helps enable a product range that is recyclable and circular. We are also developing new yarn with biobased polymers and yarn that is made up of recycled content with another new product range expected to launch in 2023 as a result.

Our Australian subsidiaries also have several initiatives that support the lifecycle of our products. These include a take back scheme that will recover used underlay and recycle it into new product. At Dunlop we recycle 100 tonnes of used underlay per year and are proud that 100% of our product can be recycled. In addition to this the underlays offered by them are made up of 90% recycled materials and we launched sustainable bio-based underlay using renewable source sugar cane accompanied by a commitment to plant one tree for every ten rolls of underlay sold. This range is complemented with the use of biodegradable bags which we’re

currently exploring for all ranges. The point of sale displays for this product also contain no plastic and are entirely recyclable.

At another of our Australian subsidiaries we have developed a range of Solution Dyed Nylon (SDN) that utilises recycled waste for new product ranges launching in 2023. A takeback programme is also being explored and we've developed a process with a local company that will see our waste polypropylene recycled into products for the agricultural, nursery and landscaping industries.

Our new Balta acquisition benefits from a 'Pureloop' installation for recycling of polypropylene waste & intermediate products. All mono polypropylene material (from weaving, tufting, tape extrusion etc.) is recycled inhouse and used in our staple fibre extrusion and for tape extrusion. In addition, we have started recycling all waste from our Turkish extrusion plant using our Pureloop installation in Belgium and made investments to enable the extrusion of recycled polyester yarn.

Chemicals Management

We recognise the importance of responsible chemical management and strive to protect the natural environment while ensuring the health and safety of our colleagues. We utilise a range of chemicals tailored to meet the unique needs of our products and businesses. Over the years, we have made significant efforts to eliminate the use of chemicals from our manufacturing processes.

Our manufacturing businesses prioritise the safety and responsible handling of chemicals through Control of Substances Hazardous to Health (COSHH) Task Risk Assessments conducted for all relevant production processes.

These assessments provide detailed information on the chemicals used, potential hazards, and the measures implemented to mitigate any risks associated with their use. Each chemical is assigned a risk score ranging from 'Very Low' to 'Extreme' based on its specific application. Many of our assessments indicate a 'Low' or 'Very Low' risk level, with only a limited number categorised as 'Medium' risk.

Our businesses adhere to robust Heath, Safety, and Environmental protection policies and guidelines that cover the handling of chemicals on our sites. These outline packaging, labelling, storage, and disposal requirements for the chemicals we use, as well as the necessary Personal Protective Equipment (PPE) for our colleagues. Regular training on chemicals handling and usage is provided to all relevant employees as a mandatory requirement for their roles.

Procedures are in place to promptly address any spills or contact incidents involving chemicals. Our sites are equipped with hand and eye wash stations, as well as specialised clean-up equipment to effectively contain and manage any spills.

Additionally, designated emergency response officers are present at our sites to handle any incidents that may occur. Furthermore, our manufacturing businesses engage third-party specialists to conduct annual discharge surveys, ensuring that there are no unintentional discharges into local water courses.

Specific activities in the year include a project underway within UK underlay to eliminate all chemicals with a hazard statement from production within 5 years, with investment in further trials seeking sustainable materials already made.

We have already taken measures in one of our Australian subsidiaries to ensure we are no longer applying chemical based topical treatments on our Solution Dyed Nylon (SDN) carpets.

Where applicable our subsidiaries also check the EU's REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) statements of our supplier base to ensure the compliance of our end products.

SOCIAL

Victoria seeks to create an excellent workplace environment that positively influences local communities. In the current year one of those communities was impacted by one of the deadliest natural disasters in their history, the Turkey–Syria earthquake. After ensuring our people were safe the Group made a donation to the British Red Cross for the Turkey-Syria Earthquake Appeal to assist the country's rescue and relief effort.

Attracting, developing and retaining talent

Our continued success hinges on our capacity to attract, retain, and nurture top talent throughout the entirety of our organisation, providing them with the necessary resources to advance their careers within Victoria.

We prioritise fostering a diverse and inclusive workforce, ensuring that a multitude of career pathways are available. Our commitment to developing our employees is illustrated through structured training programmes offered internally, complemented by the recruitment of exceptional individuals from outside our organisation.

To cultivate fresh perspectives and drive innovative product development, it is imperative that we invest in emerging talent and explore novel approaches to work.

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VICTORIA SALES ACADEMY

At Victoria Ceramics Spain training is a fundamental pillar for the development of our teams, helping us to have skilled professionals who are aligned with the company's strategy and values. For this reason, last year we launched the first edition of VCS Academy: Sales Edition, a training programme in which 20 colleagues representing all our sales channels acquire and reinforce knowledge in the areas of product and processes, as well as in the improvement of commercial skills with the help of highly qualified internal and external trainers.

This project, which lasts 6 months and has 2 daily sessions each month (72 hours of training in total), aims to achieve professional excellence in the Group's sales team with high value training that helps to offer our customers great quality service and management, allowing us to differentiate ourselves from the competition and increase our contribution margin.

Thanks to the great reception of the pilot, we extended the programme to the rest of our colleagues with 2 further editions launching this year.

"With this training we try to bring the product and the process closer to the sales team so that they can use it as a sales tool, as it is the best way to understand our product. In addition, we want to pass on all our effort and care, which is what makes it special."

Dolors Porras
Head of Development and internal trainer

"I think this training has not only helped us to incorporate knowledge on a professional level, but also in our own personal lives, it is a development in all senses. I think we will be much better able to talk to a client, recognise what their needs are and be able to reach an agreement much better."

Alberto Luzón
Saloni Sales Representative and first edition student

We've made investments during the year in some of our workplaces. As part of the previously mentioned new distribution centre we've taken the opportunity to improve employee wellbeing in several meaningful ways, including a modern office environment and the encouragement of multiple ways of getting into work through for example carsharing and providing facilities for those who ride to work. We've also refurbished the recreation areas used by our staff in one of UK underlay subsidiaries and our new Balta acquisition benefitted from a significant investment providing new dressing rooms, shower facilities, nursery facilities and canteens.

Our Australian subsidiary Dunlop has been proud to partner with a non-profit organisation, The Sacred Heart Mission and provide the opportunity for staff to spend a quantity of time during the year volunteering in support of their mission to feed the homeless and disadvantaged.

We've implemented additional measures to try to improve the offering to our staff to attract, develop and retain the best talent. For example, one of our subsidiaries during the year developed a new programme alongside partners that offers our employees a range of social benefits and discounts.

Other subsidiaries have also incorporated a variety of measures, including reworking our compensation to make it more equitable across plants to increase the choice and mobility of our people.

We offer similar incentives designed to encourage retention at another subsidiary, with subsidised transport to our employees as well as increased annual leave to employees with long service to encourage retention of our most experienced staff.

Whilst integration projects and productivity improvements meant we did lose employees over the course of the year we recognise that continuing

to develop our existing staff and that of the future workforce is critical. We constantly review and seek new opportunities to do this such as at Alliance where we're planning to work with the appropriate Local Education Authority to encourage students and apprenticeships during 2023.

Employee diversity and inclusion

Victoria is dedicated to upholding the principles of equality and fairness in employment opportunities. We strive to cultivate a diverse workforce and foster an inclusive environment across our entire organisation. Our goal is to provide an atmosphere where every individual can thrive, realise their potential, and actively contribute to our business objectives, irrespective of their age, gender, ethnicity, or background.

To support our commitment to diversity and inclusion, we have established policies that outline our approach and provide guidelines for promoting equality. Additionally, wherever possible we offer family-friendly working practices that accommodate the needs of our employees and periodically review gender pay gaps within our various businesses before developing strategies and initiatives to address and close those gaps. Ultimately, our aim is to foster a culture where our employees feel empowered to bring their unique perspectives, experiences, and backgrounds to their place of work. By embracing diversity, we can collectively achieve exceptional performance and drive our growth as an organisation.

Our ceramics operation in Europe provide some good examples of our approach. In Spain we have started a new equality and diversity plan for each group subsidiary. This will involve a detailed equality assessment and diagnosis, a payroll audit and job evaluation to define if there is any gap in salary.

We demonstrate a commitment to fostering an inclusive workforce across the Group, an example of this is particularly evident in our Italian subsidiaries. In this particular case, notable achievements have been made in recent years upholding gender diversity, with women occupying around half of the positions across different roles. Furthermore, mirroring practices that can be seen elsewhere in the Group, proactive measures have been implemented to create an environment that embraces individuals with disabilities. These measures include providing necessary accommodations and support, enabling everyone to realise their professional potential to the fullest extent

Health, safety, and well-being

Ensuring the well-being and safety of our workforce lies at the core of our Group's culture. We are deeply committed to not only preventing injuries or accidents among our employees, but also to providing them with the necessary support to maintain their physical and mental well-being, while promoting a healthy work-life balance.

We operate a "Safety First" mindset, which aims to significantly contribute to improvements in our Lost Time Incidents (LTI) and Reporting of Injuries, Diseases, and Dangerous Occurrences Regulations (RIDDOR) performance. We actively encourage all colleagues to report any incidents or near misses, as this enables us to drive further enhancements in workplace safety.

Throughout our Group major manufacturing sites adhere to ISO accreditation and uphold the highest standards of health and safety. Each major site is supported by a dedicated Safety Manager who oversees the implementation of safety protocols. We actively involve our employees in the development of risk assessments for our operations, and through process improvements, increased training and development initiatives, and strong management focus, we seek to consistently achieve advancements in colleague safety within the workplace.

While a limited number of hazardous substances are utilised in our manufacturing processes, we have stringent procedures in place to govern their transportation, storage, and careful usage. The Group is constantly working on reducing the consumption of these substances and exploring safer alternatives as evidenced in the Chemicals Management section of this report.

Our employees are the invaluable foundation of our organisation, and we continuously seek ways to support them in their work at Victoria. We recognise and appreciate their contributions not only through fair compensation but also by prioritising their health and well-being. Examples of this commitment can be found throughout the business such as walk around audits and planned task observation as well as regular company briefings to help ensure our commitment to health and safety is paramount.

Our UK Carpet distribution business has introduced mental health first aiders and engaged with an occupational health provider to support our workforce whilst continuing to enforce strict procedures, including testing, with regards to drugs and alcohol ensuring the safety of our workforce and others.

At Balta we've deployed a safety campaign throughout their operations. Under the '1 Balta for Safety' umbrella we launched a 'Stop, Think, Act' campaign that involved all white and blue collar workers. This involved the use of videos alongside other

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communication campaign material. Due to this and other measures we were pleased to see our accident frequency decrease year on year by 6%.

At our Australian entities we employ similar practices, for example safety committees and 'toolbox talks'. During the year Victoria Carpets Australia also partnered with the Black Dog Institute, a foundation focused on developing strategies and programs for people and their families suffering with mental health issues raising money with the help of our employees. Alongside this we introduced an Employee Assistance Program whereby employees and their families can reach out for confidential assistance across a range of personal and domestic situations.

Our Ceramics entities have also been making important steps forward. In Spain we have been collaborating with a group of experts researching how to reduce the risks associated with exposure to crystalline silica in the ceramic sector. Together we have defined the technical and organisational measures requiring implementation and developed a guide that will shortly be published to the rest of the sector.

In Italy measures have included restructuring our work shift to be based on a 3+2 structure instead of the previous 4+2 and first aid training being offered to all our employees to help promote greater awareness of health and safety in the workplace.

Finally in Turkey we have focused on clean air by committing to a significant afforestation programme in the area surrounding our factory, improving the environment for our people.

Responsible Sourcing

The raw materials we procure from numerous suppliers worldwide contribute significantly to the impact of our products. We therefore support and encourage our suppliers and partners to address their own environmental, social and governance performance to ensure we procure the very best materials at the best prices, for the long term. This collaboration ensures that we obtain the finest materials at the most competitive prices, with a long-term perspective in mind.

As an example, wherever possible our wood materials are sourced from sustainable origins including suppliers certified by the Forest Stewardship Council (FSC) or the Programme for the Endorsement of Forest Certification (PEFC).

Across our Group, we conduct due diligence assessments on many of our suppliers to maintain low exposure to ESG risks. We regularly screen and visit key commercial partners, establishing supplier codes of conduct outlining the standards and practices we expect.

For example, at an Australian subsidiary we have a technical department that regularly audits the manufacturing processes of our suppliers to ensure they comply with good practice manufacturing in terms of people, environment and process, whilst at another of our Australian subsidiaries we conduct regular visits to supplier factories and provide regular feedback on quality and on-time performance. We employ an extensive assessment process over our key raw material suppliers against selection criteria that includes energy efficiency, material content, manufacturing processes, packaging materials, modes of transport, material design, service levels, and their human rights record.

We have similar processes in place in Europe, for example at our Turkey ceramic tile operation all our suppliers are required to transmit our Supplier Code of Conduct throughout their organisation and ensure compliance as well as adhering to our Supplier Sustainability Policy.

Our North American subsidiary Cali is committed to conservation and ensuring that all plant-based flooring products are legally harvested and sourced in accordance with federal law and properly declared. This is achieved through a combination of supplier education, third-party certification, supplier self-certification and enforcing internal accountability throughout our own workforce, enabled through appropriate training and support.

Modern Slavery

At Victoria, we prioritise the fair and respectful treatment of our employees throughout the entire Group. We are committed to providing them with equitable compensation and ensuring suitable working conditions. Discrimination, bullying, harassment, and victimisation are strictly prohibited, and we actively promote an environment of open communication, encouraging employees to voice any concerns they may have directly to senior management.

We have developed a Modern Slavery Statement highlighting how we address the issue of modern slavery and human trafficking. This statement outlines the measures we have implemented to ensure that such exploitative practices do not occur within our organisation or our supply chains.

Within our supply chains, we maintain a low risk of human rights violations. This is largely due to the longstanding and trusted relationships we have established with many of our suppliers. We regularly conduct thorough factory visits with key suppliers, fostering transparency and trust in our partnerships. Furthermore, our supplier base primarily consists of well-established and professionally managed businesses operating in jurisdictions with robust regulatory frameworks concerning Modern Slavery.

We undertake a number of actions both internally and within our supply chain to protect against these risks. An example would be that in our UK underlay business we recently benefitted from training sessions provided by a leading retailer and a UK charity focused on the detection of modern slavery and exploitation and continue to monitor new human rights and modern slavery risks as they emerge.

GOVERNANCE

Reporting and disclosure

Good governance is essential to all our work at Victoria. We ensure we have the appropriate controls across our businesses to always support and display strong business ethics. We support anyone who, in good faith, discloses a failure to meet our high standards of business ethics. We have a number of whistle blowing procedures in place across the organisation and in 2023 seek to integrate these solutions to provide an even more robust solution

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for the Group. We promote a culture where employees feel able to raise concerns without fear of retaliation and in the knowledge that the matters they report will be taken seriously and in confidence.

The Group also has in place a framework of internal policies and procedures to address anti-corruption, bribery, conflict of interest, whistleblowing, gifts and hospitality, tax evasion and share dealing issues.

One of the areas that is seeing the most regulatory change is that of sustainability. We are committed to improving how we capture data and disclose our performance against action plans that mitigate our ESG risks.

Currently, at a Group level, we collate our carbon impact data and report it against the requirements of the Streamlined Energy and Carbon Reporting (SECR) regulations. By enhancing our reporting and disclosure, we will further develop our understanding of our scope 3 emissions and build a clearer picture of the emissions intensity of our products which will support our GHG emission reduction efforts.

Next year, in line with our reporting requirements, we will align our disclosure of climate-related risks and opportunities with the guidelines provided by the Task Force on Climate-related Financial Disclosure (TCFD). This will detail our governance, strategy, risk management and metrics and targets related to our climate-related risks and opportunities. As part of next year's report we will also include the targets we are working towards and the United Nations Sustainable Development Goals, including where relevant the indicators and targets that sit underneath them, that we positively contribute to and are relevant to our plans. We also continue to monitor the regulatory environment in which we operate and will respond as necessary to other developments, such as the UK Sustainability Disclosure Requirements, Climate Change Transition Plan, Corporate Sustainability Reporting Directive (CSRD), the EU Taxonomy and the International Sustainability Standards Board (ISSB) disclosure requirements.

OUTLOOK

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

On behalf of the Board

Brian Morgan
Chief Financial Officer

13 September 2023

Board of Directors

GEOFFREY WILDING
Executive Chairman

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

PHILIPPE HAMERS
Chief Executive Officer

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

BRIAN MORGAN
Chief Financial Officer

Brian Morgan was appointed to the Board of Victoria PLC on 22 August 2022. Prior to joining Victoria, Brian was Director of Group Finance at Synthomer plc. He has worked in several other FTSE 250 multi-national companies in senior commercial finance and head office roles. Brian is a chartered accountant and has worked for Andersen and Deloitte in Corporate Finance and Audit.

ANDREW HARRISON
Non-executive Director

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

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

GAVIN PETKEN
Non-executive Director

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

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

ZACHARY STERNBERG
Non-executive Director

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

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

BLAKE RESSEL
Non-executive Director

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

Blake was appointed to the Board in December 2020.

Directors' Report

The Directors present their Annual Report and the audited financial statements for the Group for the 52 weeks ended 1 April 2023.

PRINCIPAL ACTIVITIES AND STRATEGIC REPORT

The Group's principal activities are the manufacture, distribution and sale of floorcoverings. A review of the group's activities and an indication of likely future developments are set out in the Chairman and CEO's review on pages 8 to 12.

The Company is required by the Companies Act 2006 to prepare a Strategic Report that includes a fair review of the Group's business, the development and the performance of the Group's business during the year and its future development, of the position of the Group at the end of the financial year to 1 April 2023 and a description of the principal risks and uncertainties faced by the Group. The Strategic Report can be found on pages 13 to 17.

RESULTS AND DIVIDENDS

The results include those of Victoria PLC and its subsidiaries for the full year and are set out in the financial statements on pages 62 to 140.

	£m
Loss attributable to shareholders	91.8
Total dividend paid in the financial year	–
Retained loss	91.8

The Directors do not recommend the payment of a final dividend for the 52 weeks ended 1 April 2023.

DIRECTORS' INSURANCE AND INDEMNITIES

The Company maintains directors' and officers' liability insurance which gives appropriate cover for any legal action brought against its directors. In accordance with section 236 of the Companies Act 2006, qualifying third-party indemnity provisions are in place for the directors in respect of liabilities incurred as a result of their office, to the extent permitted by law. Both the insurance and indemnities applied throughout the 52 weeks ended 1 April 2023 and through to the date of this report.

DIRECTORS' REMUNERATION

The remuneration of all Directors for the 52 weeks ended 1 April 2023 were as follows:

	Salary/Fees £000	Benefits in kind £000	Bonus £000	**Total 2023 £000**	Total 2022 £000
Executive					
Geoffrey Wilding	65	–	–	**65**	65
Philippe Hamers	652	30	175	**857**	1,033
Brian Morgan (from appointment on 22 August 2022)	184	–	75	**259**	–
Michael Scott (until resignation on 9 September 2022)	170	5	–	**175**	356
Non-executive					
Andrew Harrison	35	–	–	**35**	35
Gavin Petken	35	–	–	**35**	35
Zachary Sternberg	35	–	–	**35**	35
	1,176	35	250	**1,461**	1,559

Director's interests in share schemes are detailed in note 5.

DIRECTORS' PENSION ENTITLEMENTS

Philippe Hamers who held office during the 52 weeks ended 1 April 2023 was the only Director who was part of the money purchase scheme. The contributions paid by the Group in respect of this was £24,008 (2022: £24,008).

SHARES HELD IN TREASURY

During the year the Company has purchased 1,842,250 of the ordinary 5p shares in issue for a total consideration of £7,827,712. All of the shares purchased were transferred into treasury. There has also been a transfer out of treasury of 6,375 shares used for settlement of certain employee share options that vested in the period. The number of shares held in treasury at 1 April 2023 was 10,457,310 and represents 8.3% of the called-up share capital (2022: 8,621,435).

The total number of ordinary shares in issue in the Company at 1 April 2023 was 115,007,357 (excluding the shares held in treasury).

EMPLOYEES AND OTHER STAKEHOLDER MANAGEMENT

Employees

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

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

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

Shareholders and bondholders

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

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

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

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

Customers

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

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

Suppliers

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

Community and the environment

As a manufacturing and distribution business, there is a risk that some of the Group's activities could have an adverse impact on the local environment. Policies are in place to mitigate these risks, and all of the Group businesses are committed to full compliance with all relevant health and safety and environmental regulations.

Directors' Report

Further details on the Group's approach to environmental matters is included in the Environmental, Social and Governance Report on pages 31 to 42.

STREAMLINED ENERGY AND CARBON REPORTING

Under the Companies (Directors' Report) and Limited Liabilities Partnerships (Energy & Carbon Report) Regulations 2019, we are mandated to disclose our UK energy use and associated greenhouse gas emissions. These disclosures are set out separately in the Streamlined Energy and Carbon Report on page 33.

FINANCIAL INSTRUMENTS

The Group's financial risk management objectives and policies are set out within Note 25 of the financial statements. Note 25 also details the Group's exposure to foreign exchange, share price, interest, credit, capital and liquidity risks. This note is incorporated by reference and deemed to form part of this report.

CHARITABLE DONATIONS

The Group made a €20,000 donation to the British Red Cross for the Turkey-Syria Earthquake Appeal.

TAXATION STATUS

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

CORPORATE GOVERNANCE STATEMENT

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

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

GOING CONCERN

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

The Group's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Chairman and CEO's Review on pages 8 to 12. In addition, Note 25 to the Accounts includes details of the Group's financial instruments and its exposure to and management of credit risk, liquidity risk, currency risk and interest rate risk.

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

The Group's cash position as at the 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.

ANNUAL GENERAL MEETING

Notice of the 2023 Annual General Meeting, together with a description of the business to be discussed at the AGM, was sent to shareholders on 6 September 2023 and is available to view on the Company's website at www.victoriaplc.com. The resolutions to receive and adopt the accounts and re-appointment of the auditor were not included in this Annual General Meeting as the Annual Report was not available for distribution at the time of Notice. A General Meeting will be held later in the year to put forward these two resolutions.

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

POST BALANCE SHEET EVENTS

The Directors are not aware of any material post balance sheet events.

By Order of the Board

David Cressman
Company Secretary

13 September 2023

Directors' Responsibilities Statement

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

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

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

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

The Directors confirm that:

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

On behalf of the Board

Brian Morgan
Chief Financial Officer

13 September 2023

Independent Auditor's Report

to the members of Victoria PLC

QUALIFIED OPINION

OUR OPINION ON THE FINANCIAL STATEMENTS IS MODIFIED

We have audited the financial statements of Victoria PLC (the 'parent company') and its subsidiaries (the 'Group') for the 52 week period ended 1 April 2023, which comprises the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated and Company balance sheets, the Consolidated and Company statements of changes in equity, the Consolidated and Company statements of cash flows, the Significant accounting policies and notes to the accounts. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion, except for the effects of the matter described in the Basis for Qualified opinion section of our report:

- 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 Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with UK-adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

BASIS FOR QUALIFIED OPINION

We selected some non-significant components, including Hanover Flooring Limited ('Hanover'), to incorporate unpredictability into our audit approach. Despite Hanover's relative contribution to the group, we also considered external market factors; and identified risk factors of fraud (as specified in ISA (UK) 240 The auditor's responsibilities relating to fraud in an audit of financial statements) in respect of the revenue, cash and payroll cycles.

In the course of our audit work, we identified potential irregularities in respect of certain transactions within Hanover. This included that:

- after the acquisition of trade and assets which form Hanover in January 2021 customers continued to pay into the seller's (pre-acquisition) bank account and the seller made a number of payments on behalf of Hanover. Management identified £5.2m of receipts (2023: £0.3m, 2022: £2.8m, 2021: £2.1m) and £0.4m of payments (2023: £0.0m, 2022: £0.0m, 2021: £0.4m) relating to Hanover since January 2021. One of the sellers of the trade and assets acquired by Hanover is the managing director of Hanover. Management have explained to us that this account is used for various activities and includes a significant number of transactions not relating to Hanover;
- significant volumes of cash sales and an ageing accounts receivable profile were identified, which is not in line with the rest of the Group;
- inadequate accounting records were retained; and
- instances of non-compliance with High Value Dealer regulations (Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017) were noted.

We raised our concerns with management who together with external advisors performed further work to understand the nature of these transactions and, where relevant, to attempt to reconcile them to Hanover's records. Management have set out a description of the work they have performed on pages 29-30.

In responding to the identified and potential irregularities, we performed the following audit procedures:

- enhanced procedures in relation to the risk factors in respect of Hanover's revenue, debtors, bank, cash and wages;
- inspected the reports prepared by experts engaged by management to understand and seek to reconcile the activity in the bank account operated by Hanover's managing director. We engaged our own internal forensic expert to support our audit

by gaining an understanding of and challenging the work performed by management’s expert;

- obtained and read legal letters from the Group’s legal representatives on a number of matters. We liaised with our internal legal experts in regard to certain matters;
- performed additional procedures over the remainder of the Group to address the risk of similar potential irregularities taking place, including obtaining confirmations from our component auditors;
- consideration of management’s disclosures in the Annual Report and financial statements.

This work, and the procedures we have performed in response, has not adequately addressed our concerns. We sought to obtain further evidence but were unable to do so because management imposed a limitation of our scope. We requested that the Board remove management’s limitation, which they did not. Because of their view that our proposed procedures are unlikely to generate further or better-quality evidence to address our concerns, the Board has prevented us from undertaking further work in the area.

Whilst we set component materiality at £2.4m for Hanover, we have concluded that these matters are qualitatively and quantitatively material to the Group financial statements.

We were therefore unable to reduce the risk of material fraud or error to an acceptable level and obtain sufficient and appropriate audit evidence for all Hanover balances (net liabilities of £0.4m, 2022: net assets of £0.7m) and transactions (including revenue, loss before taxation and underlying profit before taxation of £18.7m (2022:£23.4m), £1.2m (2022: £0.9m) and £3.9m (2022: £5.8m) respectively) and cannot conclude whether any irregularities have or have not taken place, other than those disclosed by management on pages 29-30.

Consequently, in respect of Hanover we were unable to determine whether any adjustments to these amounts or disclosures are necessary and whether there have been any breaches of applicable laws or regulations, other than those disclosed by management on pages 29-30.

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

CONCLUSIONS RELATING TO GOING CONCERN

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

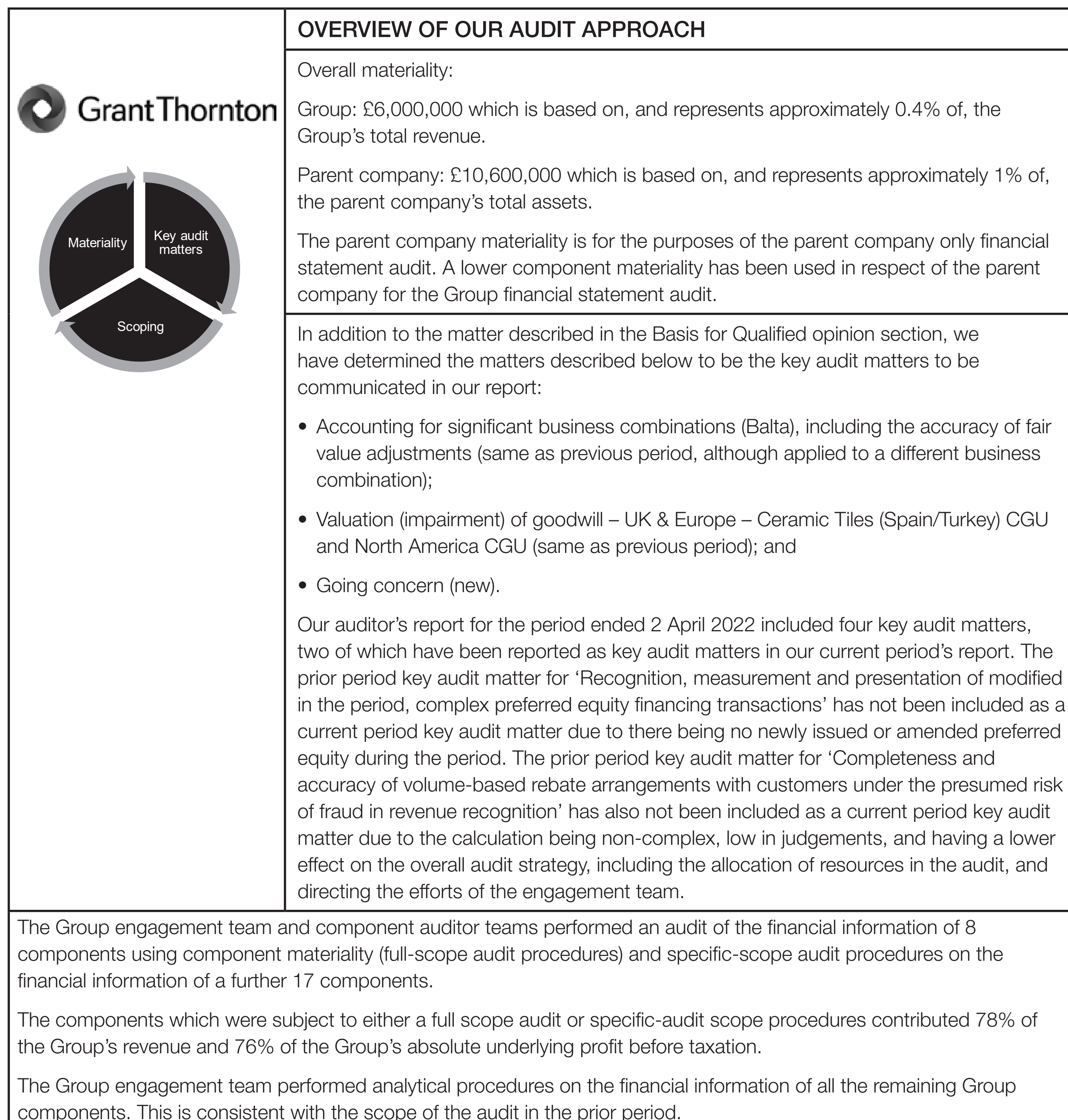
A description of our evaluation of management’s assessment of the ability to continue to adopt the going concern basis of accounting, and our results from that evaluation are included in the Key Audit Matters section of our report.

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

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

OUR APPROACH TO THE AUDIT



OVERVIEW OF OUR AUDIT APPROACH

Overall materiality:

Group: £6,000,000 which is based on, and represents approximately 0.4% of, the Group's total revenue.

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

The parent company materiality is for the purposes of the parent company only financial statement audit. A lower component materiality has been used in respect of the parent company for the Group financial statement audit.

In addition to the matter described in the Basis for Qualified opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report:

- Accounting for significant business combinations (Balta), including the accuracy of fair value adjustments (same as previous period, although applied to a different business combination);
- Valuation (impairment) of goodwill – UK & Europe – Ceramic Tiles (Spain/Turkey) CGU and North America CGU (same as previous period); and
- Going concern (new).

Our auditor's report for the period ended 2 April 2022 included four key audit matters, two of which have been reported as key audit matters in our current period's report. The prior period key audit matter for 'Recognition, measurement and presentation of modified in the period, complex preferred equity financing transactions' has not been included as a current period key audit matter due to there being no newly issued or amended preferred equity during the period. The prior period key audit matter for 'Completeness and accuracy of volume-based rebate arrangements with customers under the presumed risk of fraud in revenue recognition' has also not been included as a current period key audit matter due to the calculation being non-complex, low in judgements, and having a lower effect on the overall audit strategy, including the allocation of resources in the audit, and directing the efforts of the engagement team.

The Group engagement team and component auditor teams performed an audit of the financial information of 8 components using component materiality (full-scope audit procedures) and specific-scope audit procedures on the financial information of a further 17 components.

The components which were subject to either a full scope audit or specific-audit scope procedures contributed 78% of the Group's revenue and 76% of the Group's absolute underlying profit before taxation.

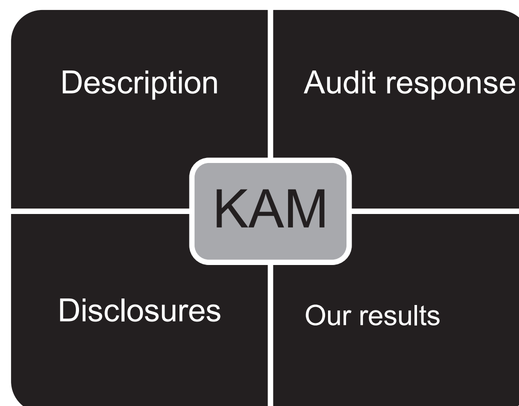
The Group engagement team performed analytical procedures on the financial information of all the remaining Group components. This is consistent with the scope of the audit in the prior period.

Independent Auditor's Report

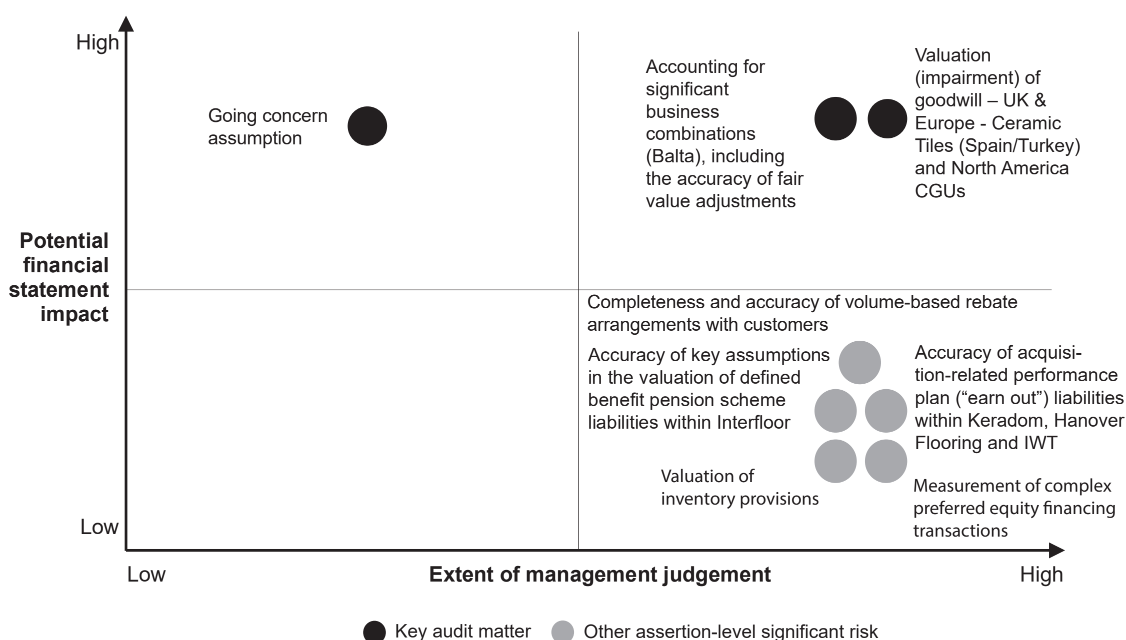
to the members of Victoria PLC

KEY AUDIT MATTERS

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



In the graph below, we have presented the key audit matters and the other assertion-level significant risks. We have also identified a significant financial statement level risk due to management override of controls. We also identified a significant risk and key audit matter regarding irregularities in respect of Hanover but as a result of our qualified opinion in respect of this matter, we were unable to determine the extent of management judgment or the potential financial statement impact of this matter



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

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

We identified accounting for significant business combinations (Balta), including the accuracy of fair value adjustments, as one of the most significant assessed risks of material misstatement due to error.

Considering the pervasive nature of these transactions and the level of judgement involved, this has been identified as a financial statement level significant risk.

The Group made the significant share purchase acquisition of Balta Industries NV ("Balta") in April 2022. Under International Financial Reporting Standard ('IFRS') 3 'Business Combinations', management is required to recognise, separately from goodwill, the assets acquired and liabilities assumed, and then to recognise goodwill on purchase.

Management makes significant judgements to identify specific fair value adjustments, including the identification of intangible assets that are acquired with a new business and makes significant estimates to value these assets. Judgements are also made under IFRS 13: 'Fair value measurement' to ascribe fair values to other assets and liabilities acquired or assumed including property, plant and equipment.

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

Management have also engaged a third-party valuation expert to assist with the valuation of property, plant and equipment and inventory for the calculation of fair value adjustments in assets acquired.

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

- assessed whether the Group's accounting policy for the accounting for business combinations, including the accuracy of fair value adjustments, is in accordance with UK-adopted international accounting standards, and determined whether the associated fair value measurements are accounted for in accordance with the stated accounting policy;
- obtained the acquisition date balance sheet of Balta and performed audit procedures in respect of the material trading assets and liabilities acquired, to evaluate the completeness and accuracy of the fair value adjustments made. This included utilising the support of auditor experts in testing the fair value adjustments recognised related to the property, plant and equipment acquired;
- obtained the details of the consideration paid, and agreed these to relevant source documents, such as sale and purchase agreements;
- challenged management on the completeness and accuracy of provisions recorded and developed shadow ranges for management's accounting estimates using third party supporting data;
- obtained management's purchase price allocation used to value specific acquired intangibles and assessed the appropriateness and reasonableness of key assumptions made in the calculations, such as growth rates, customer attrition rates and discount rates. We engaged our independent internal valuation specialist as an auditor's expert to assess the reasonableness of such models and assumptions, and thus inform our challenge;
- assessed the competency, objectivity and independence of management's experts who assisted with preparing the purchase price allocation;
- engaged our independent internal valuation specialist as an auditor's expert to perform calculations used to develop an auditor's range for the value of certain intangibles acquired to compare with management's point estimate;
- as a gain on bargain purchase was recognised, we exercised our professional scepticism and challenged management to ensure that they have correctly identified all of the assets acquired and all of the liabilities assumed and recognised any additional assets or liabilities that were identified in that review;
- evaluated the accuracy of the data used in the intangibles valuation by agreeing data to pertinent supporting documentation such as long-term growth forecasts;
- challenged management's assessment of the identifiable intangible assets acquired by the Group, and whether any further intangible assets should be identified; and
- evaluated the accuracy and sufficiency of management's accounts disclosures in respect of accounting for business combinations.

Independent Auditor's Report

to the members of Victoria PLC

Key Audit Matter – Group	How our scope addressed the matter – Group
RELEVANT DISCLOSURES IN THE ANNUAL REPORT AND ACCOUNTS 2023 • Financial statements: Note 24, Acquisition of subsidiaries • Significant accounting policies – Business Combinations	**OUR RESULTS** Our audit procedures performed identified material errors. As a result of our audit challenge, management recorded a material adjustment to acquired intangibles, gain on bargain purchase and impairment charges. We have not identified any further material misstatements in accounting for significant business combinations (Balta), including the accuracy of fair value adjustments
VALUATION (IMPAIRMENT) OF GOODWILL – UK & EUROPE - CERAMIC TILES (SPAIN/TURKEY) CGU AND NORTH AMERICA CGU We identified impairment (valuation) of goodwill - UK & Europe - Ceramic Tiles (Spain/Turkey) CGU and North America CGU as one of the most significant assessed risks of material misstatement due to error. The process for assessing whether an impairment exists under International Accounting Standard ('IAS') 36 'Impairment of Assets' is complex. When carrying out the goodwill impairment review, determining the recoverable amount for each cash-generating unit ('CGU') requires management to make judgements over several key inputs in the value-in-use discounted cash flow models. These include revenue growth, discount rates, long-term growth rates and the key assumption of margin growth. Due to the high level of estimation uncertainty present in the impairment test, underperformance of actual results to forecasts in the period, a year-on-year decline in margin and the sensitivity of the related assumptions in management's model, we identified the valuation of goodwill in relation to the UK & Europe – Ceramic Tiles (Spain/Turkey) CGU and North America CGU as a significant risk.	In responding to the key audit matter, we performed the following audit procedures: • obtained management's impairment paper and impairment workings, and critically assessed management's assessment of the cash generating units used for the impairment review in line with IAS 36; • evaluated whether the methodology applied in the value in use calculation is in accordance with the requirements of IAS 36; • evaluated the mathematical accuracy of management's model, including the calculation of the discount rate and the calculations of key underlying assumptions such as revenue, margin, revenue growth, margin trends, capital expenditure and working capital requirements for the period over which management has projected cash flows, based on financial judgements/forecasts approved by management; • challenged management on their FY24 and FY25 cash flow forecast, particularly around whether it appropriately factored in the impact of the wider macroeconomic environment and accuracy of recent forecasting. We corroborated management's responses to relevant evidence such as new customers won, or external market data to support key assumptions, and also used independent specialists to assist with economic assumptions drawn; • performed an overall assessment of management's assumptions to identify which were highly sensitive or contradictory, thus requiring further challenge of management; • used our independent internal valuation specialist as an auditor's expert to assess the reasonableness of management's assumptions used in calculating the discount rates used in the value-in-use calculation; • assessed the competency, objectivity and independence of management's experts who assisted with preparing the discount rates used in the value-in-use calculation; • assessed management's medium and long-term growth rates used in the forecast including comparison to economic and industry forecasts where appropriate; • performed a sensitivity analysis in respect of the key assumptions identified, such as margin growth assumptions, discount and revenue growth rates, to consider the level of headroom in management's calculation; and • evaluated the accuracy and sufficiency of management's accounts disclosures in respect of goodwill and impairment.

Key Audit Matter – Group	How our scope addressed the matter – Group
RELEVANT DISCLOSURES IN THE ANNUAL REPORT AND ACCOUNTS 2023 • Financial statements: Note 9, Goodwill	**OUR RESULTS** As a result of our audit procedures material errors were identified. Our challenge led to a material impairment charge of £80m against goodwill within the UK & Europe - Ceramic Tiles (Spain/Turkey) CGU. Furthermore, given the level of judgement and sensitivity associated with the assumptions underpinning management's forecasts, we identified that there are reasonably possible alternative scenarios which could lead to: i) further impairment within the UK & Europe – Ceramic Tiles (Spain/Turkey) CGU; and ii) an impairment within the North America CGU. As a result of our challenge, additional disclosures were made in the financial statements for both CGUs.
THE APPROPRIATENESS OF THE USE OF THE GOING CONCERN ASSUMPTION We identified the appropriateness of the use of the going concern assumption as one of the most significant assessed risks of material misstatement due to error. Due to recent macro-economic factors such as high inflation, deflated growth expectations and reduced customer confidence and declining margins and subdued revenue growth in the year, we have judged that there is a significant risk to the Group that the going concern assumption adopted in the preparation of the financial statements may be impacted. 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. Management makes judgements in respect of assessing the going concern assumption, including forecasting future cash flows amidst wider estimation uncertainty. This includes forecasting a base forecast and an extreme downside forecast. Under both scenarios, the Group remains liquid and is able to meet all liabilities as they fall due in the period to March 2025. The directors have concluded, based on the finance facilities available and various scenarios developed, that the Group has sufficient resources available to meet its liabilities as they fall due and have concluded that there exist no material uncertainties relating to the going concern assumptions employed. Due to the high level of estimation uncertainty, the wider macroeconomic environment, underperformance of actual results to forecasts in the period and a decline in year-on-year margin, we identified the going concern assumption as a significant risk.	In responding to the key audit matter, we performed the following audit procedures: • obtained management's forecasts covering the period to March 2025, which included a base case and an extreme downside scenario. These forecasts were evaluated to confirm the mathematical accuracy of the model; • tested the underlying data used to prepare the forecast scenarios and applied professional judgement to determine whether there was adequate support for the assumptions underlying the forecast; • obtained and compared analyst reports and industry data with management's estimates. This included considering whether the data provided corroborative or contradictory evidence in relation to management's assumptions; • considered the inherent risks associated with the Group's business model including effects arising from macro-uncertainties (such as interest and inflationary pressures) on the forecasting period. We assessed and challenged the reasonableness of estimates made and the related disclosures and analysed how those risks might affect the Group in the going concern period; • compared management's forecasting to historical financial information for the past four financial periods and post period end for April and May 2023 to assess the accuracy of that forecasting; and • evaluated the Group's disclosures on going concern for compliance with the requirements of IAS 1 'Presentation of Financial Statements'.
RELEVANT DISCLOSURES IN THE ANNUAL REPORT AND ACCOUNTS 2023 • Directors' report: page 46 • Significant accounting policies: Basis of Preparation	**OUR RESULTS** We have nothing to report in addition to that stated in the "Conclusions relating to going concern" section of our report."

Independent Auditor's Report

to the members of Victoria PLC

OUR APPLICATION OF MATERIALITY

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

Materiality was determined as follows:

Materiality measure	Group	Parent company
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	£6,000,000, which is based on, and represents approximately 0.4% of, the Group's total revenue.	£10,600,000, which is based on, and represents approximately 1% of, the parent company's total assets.
Significant judgements made by auditor in determining the materiality	In determining materiality, we made the following significant judgements: • revenue is a key performance indicator for the Group, is a key area of focus for stakeholders and was identified as the primary benchmark and key performance indicator highlighted in our analysis of comparator businesses in the wider flooring sector; • the development of the Group's strategy and operations following the acquisition of Balta indicated that revenue was a more suitable materiality benchmark compared to underlying profit before tax used in the prior period, with the scale of group operations increasing but with a volatile impact upon overall profitability; • the measurement percentage we have applied to the revenue benchmark is consistent with that used when considering prior period materiality as a percentage of prior period revenue (2022: 0.4%; 2021: 0.3%; 2020: 0.4%); and • we have restricted our materiality benchmark from 0.5% to 0.4% to reflect the volatility in the Group's share price in the period and in response to wider macro-economic factors such as high inflation, deflated growth expectations and reduced customer confidence. Materiality for the current period is higher than the level that we determined for the period ended 2 April 2022 to reflect the change in applicable benchmark explained above and the increase in the Group's activity (both revenue and underlying profit before tax) in the current period.	In determining materiality, we made the following significant judgements: • total assets is considered to be the most appropriate benchmark as it reflects the parent company's status as a non-trading holding company; and • we have restricted our materiality benchmark to 1% to reflect the increased risk stemming from the company's listing, given the company is an OEPI with market capitalisation being more than €200m over the preceding three financial years, and the related diversity of ownership percentages. Materiality for the current period is the same as that determined for the period ended 2 April 2022, due to the consistent company asset base at the period end. The parent company materiality is for the purposes of the parent company only financial statement audit. A lower component materiality has been used in respect of the parent company for the Group financial statement audit.
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	£3,900,000, which is 65% of financial statement materiality.	£7,950,000, which is 75% of financial statement materiality.

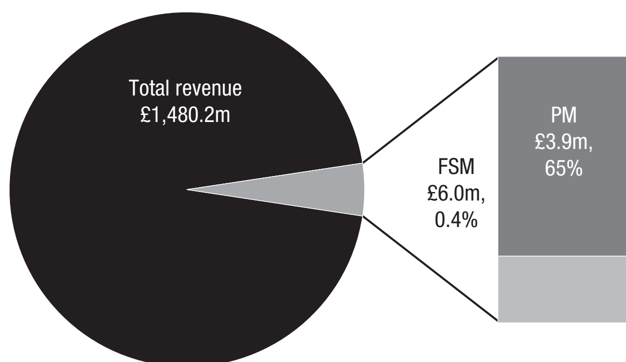
Materiality measure	Group	Parent company
Significant judgements made by auditor in determining the performance materiality	In determining performance materiality, we considered the following significant matters in forming our judgements:	In determining performance materiality, we considered the following significant matters in forming our judgements:
	• as there were a number of adjustments made to the Group financial statements in the prior period, a new CFO appointed in the current period and a significant deficiency identified in the prior period audit, we determined it was appropriate to reduce the performance materiality threshold to 65% from the 70% threshold used in the prior period; and • the significant deficiency raised in the prior period over management oversight of component entities and period end reporting.	• as there were limited misstatements identified in the parent company in the prior period, we determined it was appropriate to increase our performance materiality threshold to 75% from the 70% threshold used in the prior period; • limited significant control deficiencies have been identified in prior periods that would require a further decrease in performance materiality; and • there were no significant changes in business objectives / strategy, with the core finance team tasked with carrying out the financial statement entries and financial reporting process consistent period on period.
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	
Specific materiality	We determined a lower level of specific materiality for Directors' remuneration and identified related party transactions outside of the normal course of business.	We determined a lower level of specific materiality for Directors' remuneration and identified related party transactions outside of the normal course of business.
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee.	
Threshold for communication	£300,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£530,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds. The parent company threshold for communication is for the purposes of the parent company only financial statement audit. A lower component threshold has been used in respect of the parent company for the Group financial statement audit.

Independent Auditor's Report

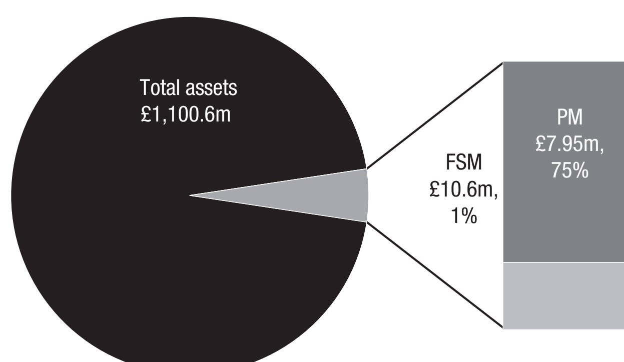
to the members of Victoria PLC

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

Overall materiality – Group



Overall materiality – Parent company



FSM: Financial statement materiality, PM: Performance materiality.

AN OVERVIEW OF THE SCOPE OF OUR AUDIT

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

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

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

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

- Presumed significant risk of management override of controls;
- Presumed significant risk of fraud in revenue recognition. Specifically, we have identified the risk to be in respect of the completeness and accuracy of volume-based rebate arrangements with customers, and through non-standard revenue transactions;
- Accounting for significant business combinations (Balta) including the accuracy of fair value adjustments;
- Valuation (impairment) of goodwill – UK & Europe – Ceramic Tiles (Spain / Turkey) CGU and North America CGU;
- Valuation of inventory provisions;
- The appropriateness of the use of the going concern assumption;
- Measurement of complex preferred equity financing transactions;
- Accuracy of key assumptions in the valuation of defined benefit pension scheme liabilities within Interfloor; and
- Accuracy of acquisition-related performance plan ("earn out") liabilities within Keradom, Hanover Flooring and IWT.

Identifying significant components

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

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

A full-scope audit approach for all components evaluated as significant was determined based on their relative share of key Group financial metrics including revenue and underlying profit before tax. For components classified as "individually financially significant to the Group" an audit of the financial information of the component using component materiality (full-scope audit procedures) was performed.

We also considered whether any components were likely to include significant risks of material misstatement to the Group financial statements due to their specific nature or circumstances. One such component in the UK was identified in the current period, which included the significant risk of the accuracy of key assumptions in the valuation of defined benefit pension scheme liabilities within Interfloor.

In order to address the audit risks identified during our planning procedures, the Group engagement team performed the following audit procedures:

- Full-scope audit procedures on the financial information of one significant component in the United States of America;
- Specific-scope audit procedures relating to significant risks of material misstatement of the Group financial statements of one component; and
- Specific-scope audit procedures relating to the risks of material misstatement of the Group financial statements of six components, with one located in the Netherlands, four in the United Kingdom, and one in the United States of America.

Component auditors performed the following audit procedures:

- Full-scope audit procedures on the financial information of three significant components, located in Belgium, Spain, and the United Kingdom;
- Full-scope audit procedures on the financial information of four other non-significant components, located in Italy, Spain, Turkey, and the United Kingdom; and
- Specific-scope audit procedures relating to the risks of material misstatement of the Group financial statements on ten components, with two located in Australia, three in Belgium, two in Italy, two in Turkey, and one in the United Kingdom.

The financial information of the remaining operations of the Group were subject to analytical procedures with a focus on the significance to the Group's balances and the areas of estimation and judgemental areas.

Performance of our audit

Audit approach	No. of components	% coverage – Underlying profit before tax	% coverage - Revenue
Full-scope audit	8	33	54
Specific-scope audit procedures*	17	43	24
Analytical procedures	57	24	22

* *Hanover Flooring Limited is included within this category of component*

Communications with component auditors

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

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

Changes in approach from previous period

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

- Full-scope procedures have been performed on one of the newly acquired components in Belgium which was identified as a significant component. Specified audit procedures have been performed on the two other newly acquired components in Belgium and United States of America.
- To add additional unpredictability to our Group scoping and risk assessment, the Group audit team carried out procedures in respect of four components, with one located in Australia, one in the Netherlands, and two in the United Kingdom.

OTHER INFORMATION

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

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

As described in the Basis for Qualified opinion section above, we were unable to obtain sufficient appropriate evidence for all Hanover balances and transactions and cannot conclude whether any irregularities have or have not taken place, other than those disclosed by management on pages 29-30. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

Our opinion on other matters prescribed by the Companies Act 2006

Except for the matter described in the Basis for Qualified opinion section of our report, in our opinion, based on the work undertaken in the course of the audit:

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

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

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

Matters on which we are required to report by exception

In respect solely to the issue described in the Basis for Qualified opinion section of our report:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; and
- we have not received all the information and explanations we require for our audit.

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

- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the directors' responsibilities statement set out on page 48 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

We obtained an understanding of the legal and regulatory frameworks that are applicable to the parent company and the Group and sector in which they operate and how the parent company and the Group are complying with those legal and regulatory frameworks, through our commercial and sector experience, making enquiries of management and those charged

with governance, and inspection of the parent company’s and the Group’s key external correspondence. We corroborated our enquiries through our inspection of board minutes and other information obtained during the course of the audit.

Through the understanding that we obtained, we determined the most significant legal and regulatory frameworks which are directly relevant to specific assertions in the financial statements to be those related to the financial reporting framework, being UK-adopted international accounting standards and the Companies Act 2006, together with the AIM Rules for Companies, High Value Dealer regulations (Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017) and the relevant taxation regulations in the jurisdictions in which the parent company and Group operate.

We enquired of management and the Board of Directors whether they were aware of any non-compliance with laws and regulations.

We enquired of management, the finance team, head or risk and compliance and the Audit Committee about the company’s policies and procedures relating to the identification, evaluation and compliance with laws and regulations, and the detection and response to the risk of fraud and the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We obtained an understanding of how the company is complying with those legal and regulatory frameworks, through making enquiries of management, those responsible for legal and compliance procedures, and the company secretary. Our findings were corroborated by our reading of the board minutes.

We assessed the susceptibility of the parent company’s and the Group’s financial statements to material misstatement, including how fraud might occur, consulting with our forensic specialists to inform this assessment and consider management’s incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to the estimation and judgemental areas with a risk of fraud, including potential management bias, of volume-based rebate arrangements with customers and through management override of controls.

Our audit procedures included:

- Gaining an understanding of the controls that management has in place to prevent and detect fraud;
- Journal entry testing, with a focus on journals indicating large or unusual transactions or account combinations based on our understanding of the business;
- Utilising forensic specialists in our audit testing where we considered it necessary;
- Gaining an understanding of and testing significant identified related party transactions; and
- Performing audit procedures to consider the compliance of disclosures in the financial statements with the applicable financial reporting requirements.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery, or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

The engagement partner’s assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team’s:

- Understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation.
- Knowledge of the industry in which the parent company and the Group operate; and
- Understanding of the legal and regulatory requirements specific to the parent company and the Group.

Communications within the audit team in respect of potential non-compliance with laws and regulations and fraud included the estimation and judgemental areas with a risk of fraud, including potential management bias, of volume-based rebate arrangements with customers, which we identified as a key audit matter, and through management override of controls in the preparation of the financial statements.

For components at which audit procedures were performed, we requested component auditors to report to us instances of non-compliance with laws and regulations that gave rise to a risk of material misstatement of the Group financial statements.

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

USE OF OUR REPORT

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

Paul Holland BSc BFP FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Birmingham
13 September 2023

Consolidated Income Statement

For the 52 weeks ended 1 April 2023

	Notes	52 weeks ended 1 April 2023 Underlying performance £m	Non-underlying items £m	Reported numbers £m	52 weeks ended 2 April 2022 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	2	–	(41.5)	(41.5)	–	(32.4)	(32.4)
Other non-underlying items	2	–	(16.0)	(16.0)	–	(15.0)	(15.0)
Exceptional goodwill impairment	2	–	(80.0)	(80.0)	–	–	–
Other exceptional items	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	6	(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	7			(79.35)			(10.61)
diluted	7			(79.35)			(10.61)

Consolidated Statement of Comprehensive Income

For the 52 weeks ended 1 April 2023

	Note	**52 weeks ended 1 April 2023 £m**	52 weeks ended 2 April 2022 £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	21	**(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 and Company Balance Sheets

As at 1 April 2023

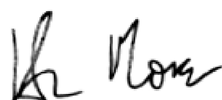
	Notes	Group			Company	
		1 April 2023 £m	2 April 2022 (restated) £m	3 April 2021 (restated) £m	**1 April 2023 £m**	2 April 2022 £m
Non-current assets						
Goodwill	9	**173.6**	244.6	164.8	**–**	–
Intangible assets other than goodwill	10	**305.5**	259.7	224.2	**0.2**	0.2
Property, plant and equipment	11	**462.6**	256.0	202.1	**–**	–
Right-of-use lease assets	11	**162.0**	99.6	82.6	**4.9**	5.3
Investment property	12	**0.2**	0.2	0.2	**0.1**	0.1
Investments in subsidiaries	12	**–**	–	–	**255.4**	251.8
Trade and other non-current receivables	14	**–**	–	–	**799.6**	590.6
Deferred tax assets	20	**1.7**	1.0	1.0	**–**	5.2
Total non-current assets		**1,105.6**	861.1	674.9	**1,060.2**	853.2
Current assets						
Inventories	13	**351.2**	280.7	164.4	**–**	–
Trade and other receivables	14	**276.3**	223.8	150.1	**26.6**	33.7
Current tax assets		**14.7**	–	–	**–**	–
Cash and cash equivalents	18	**93.3**	273.6	348.8	**13.8**	177.9
Assets classified as held for sale	11	**25.8**	–	–	**–**	–
Total current assets		**761.3**	778.1	663.3	**40.4**	211.6
Total assets		**1,866.9**	1,639.2	1,338.2	**1,100.6**	1,064.8
Current liabilities						
Trade and other current payables	15	**369.8**	337.2	213.8	**4.3**	7.2
Current tax liabilities		**6.9**	0.7	5.1	**–**	–
Obligations under right-of-use leases - current	17	**27.6**	16.9	13.0	**0.4**	0.4
Other financial liabilities	17	**65.2**	25.2	30.2	**–**	–
Provisions	16	**19.0**	–	–	**–**	–
Total current liabilities		**488.5**	380.0	262.1	**4.7**	7.6
Non-current liabilities						
Trade and other non-current payables	15	**14.1**	7.5	17.0	**–**	–
Obligations under right-of-use leases - non-current	17	**144.6**	88.7	74.0	**4.8**	5.2
Other non-current financial liabilities	17	**706.2**	646.0	647.5	**668.4**	623.4
Preferred equity	17	**255.2**	207.9	70.1	**255.2**	207.9
Preferred equity – contractually-linked warrants	17	**26.0**	46.4	6.1	**26.0**	46.4
Deferred tax liabilities	20	**89.3**	55.2	46.7	**–**	–
Retirement benefit obligations	21	**8.0**	4.9	6.5	**–**	–
Provisions	16	**16.0**	–	–	**–**	–
Total non-current liabilities		**1,259.4**	1,056.6	867.9	**954.4**	882.9
Total liabilities		**1,747.9**	1,436.6	1130.0	**959.1**	890.5
Net assets		**119.0**	202.6	208.2	**141.5**	174.3
Equity						
Share capital	22	**6.3**	6.3	6.3	**6.3**	6.3
Retained earnings	23	**85.7**	187.3	198.7	**125.7**	162.1
Foreign exchange reserve	23	**1.0**	3.1	(0.4)	**–**	–
Hyperinflation reserve	23	**16.5**	–	–	**–**	–
Other reserves	23	**9.5**	5.9	3.6	**9.5**	5.9
Total equity		**119.0**	202.6	208.2	**141.5**	174.3

The loss of the Company for the year was £28.6m (2022: loss of £30.8m).

Company Registered Number (England & Wales) 282204.

The financial statements on pages 64 to 142 were approved by the Board of Directors and authorised for issue on 13 September 2023.

They were signed on its behalf by:



Brian Morgan
Chief Financial Officer

Consolidated Statement of Changes In Equity

For the 52 weeks ended 1 April 2023

	Share capital £m	Retained earnings £m	Foreign exchange reserve £m	Hyperinflation reserve £m	Other reserves £m	Total equity £m
At 3 April 2021	6.3	198.7	(0.4)	–	3.6	208.2
Loss for the period to 2 April 2022	–	(12.4)	–	–	–	(12.4)
Other comprehensive income for the period	–	1.6	–	–	–	1.6
Retranslation of overseas subsidiaries	–	–	3.5	–	–	3.5
Total comprehensive loss	–	(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 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 (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**

Company Statement of Changes In Equity

For the 52 weeks ended 1 April 2023

	Share capital £m	Retained earnings £m	Other reserves £m	Total equity £m
At 3 April 2021	6.3	193.5	3.6	203.4
Loss for the period to 2 April 2022	–	(30.8)	–	(30.8)
Total comprehensive loss	–	(30.8)	–	(30.8)
Buy back of ordinary shares	–	(0.6)	–	(0.6)
Share-based payment charge	–	–	2.3	2.3
Transactions with owners	–	(0.6)	2.3	1.7
At 2 April 2022	6.3	162.1	5.9	174.3
Loss for the period to 1 April 2023	–	(28.6)	–	(28.6)
Total comprehensive loss	–	(28.6)	–	(28.6)
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**	**125.7**	**9.5**	**141.5**

Consolidated and Company Statements Of Cash Flows

For the 52 weeks ended 1 April 2023

	Note	Group		Company	
		52 weeks ended 1 April 2023 £m	52 weeks ended 2 April 2022 £m	**52 weeks ended 1 April 2023 £m**	52 weeks ended 2 April 2022 £m
Cash flows from operating activities					
Operating (loss) / profit	1	**(24.1)**	53.6	**(7.7)**	(13.4)
Adjustments For:					
Depreciation and amortisation of IT software	1	**90.5**	55.2	**0.6**	0.6
Amortisation of acquired intangibles	1	**41.5**	32.4	**–**	–
Hyperinflation impact	2	**(22.0)**	–	**–**	–
Negative goodwill arising on acquisition	2	**(90.5)**	(6.9)	**–**	–
Goodwill impairment	9	**80.0**	–	**–**	–
Acquisition-related performance plan charge	2	**10.3**	7.1	**–**	–
Amortisation of government grants		**(1.3)**	(0.5)	**–**	–
Profit on disposal of property, plant and equipment	11	**(1.8)**	(2.9)	**–**	–
Fixed asset impairment	2	**47.5**	–	**–**	–
Loss on disposal of leased assets		**1.5**	–	**–**	–
Share incentive plan charge	2	**3.6**	2.3	**2.4**	1.3
Defined benefit pension	21	**(2.5)**	(0.1)	**–**	–
Net cash flow from operating activities before movements in working capital, tax and interest payments		**132.7**	140.2	**(4.7)**	(11.5)
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	**(1.3)**	(0.1)
Change in provisions	16	**19.1**	–	**–**	–
Cash generated by continuing operations before tax and interest payments		**140.7**	114.0	**(6.0)**	(11.6)
Interest paid on loans and notes		**(34.8)**	(28.4)	**(25.9)**	(25.4)
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	**(31.9)**	(37.0)
Investing activities					
Purchases of property, plant and equipment		**(96.4)**	(51.3)	**–**	–
Purchases of intangible assets		**(3.2)**	(2.0)	**–**	(0.2)
Loan to subsidiary companies		**–**	–	**(137.1)**	(177.0)
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	24	**(119.7)**	(127.9)	**–**	–
Net cash used in investing activities		**(218.6)**	(188.6)	**(137.1)**	(177.2)
Financing activities					
Proceeds from debt		**66.0**	–	**11.6**	–
Repayment of debt		**(75.4)**	(89.8)	**–**	(14.0)
Issue of preferred equity		**–**	150.0	**–**	150.0
Preferred equity ticking fee		**–**	(7.0)	**–**	(7.0)
Buy back of ordinary shares	22	**(7.8)**	(0.6)	**(7.8)**	(0.6)
Payments under right-of-use lease obligations	18	**(23.9)**	(15.0)	**(0.4)**	(0.4)
Repayment of acquisition-related capital investment to Keraben senior management team		**–**	(7.2)	**–**	–
Net cash (used) / generated in financing activities		**(41.1)**	30.4	**3.4**	128.0
Net decrease in cash and cash equivalents		**(170.6)**	(90.1)	**(165.6)**	(86.2)
Cash and cash equivalents at beginning of period	18	**258.0**	344.8	**177.9**	262.7
Effect of foreign exchange rate changes	18	**3.0**	3.3	**1.5**	1.4
Cash and cash equivalents at end of period		**90.4**	258.0	**13.8**	177.9
Comprising:					
Cash and cash equivalents	18	**93.3**	273.6	**13.8**	177.9
Bank overdrafts	18	**(2.9)**	(15.6)	**–**	–
		90.4	258.0	**13.8**	177.9

Significant Accounting Policies

BASIS OF ACCOUNTING

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

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

BASIS OF PREPARATION

The consolidated financial statements have been prepared on a going concern-basis. The Director's Report on page 46 sets out the justification for this basis of preparation.

BASIS OF CONSOLIDATION

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

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

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

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

BUSINESS COMBINATIONS

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

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

The Group measures goodwill at the acquisition date as:

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

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

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

INVESTMENTS IN SUBSIDIARIES HELD BY THE COMPANY

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

HYPERINFLATION

The Group applied hyperinflationary accounting for its operations in Turkey. In March 2022, the three-year cumulative inflation in Turkey exceeded 100% and as a result, hyperinflationary accounting was applied for the year ended 1 April 2023 in respect of the Group's operations in Turkey. The Group's consolidated financial statements include the results and financial position of its Turkish operations restated to the measuring unit current at the end of the period, with hyperinflationary gains and losses in respect of monetary items being reported in operating costs. Comparative amounts presented in the consolidated financial statements were not restated. Hyperinflationary accounting needs to be applied as if Turkey has always been a hyperinflationary economy since acquisition date, hence, the differences between equity at 2 April 2022 as reported and the equity after the restatement of the non-monetary items to the measuring unit current at 2 April 2022 were recognised in retained earnings. Graniser and Balta (Turkish operations) were acquired in February 2022 and April 2022 respectively.

When applying IAS 29 on an ongoing basis, comparatives in stable currency are not restated and the effect of inflating opening balances (from acquisition date) to the measuring unit current at the end of the reporting period is presented in other comprehensive income. The inflation rate used by the Group is the official rate published by the Turkish Statistical

Significant Accounting Policies

Institute, TurkStat. The movement in the publicly available official price index for the year ended 1 April 2023 was 51% (year ended 2 April 2022: 61%). The index rate at the 1 April 2023 was 1,269.8.

GOODWILL

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

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

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

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

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

SEGMENTAL REPORTING

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

INVESTMENT PROPERTIES

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

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets' previous carrying amount and fair value less costs to sell.

REVENUE RECOGNITION

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

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

Revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Therefore, the amount of revenue recognised is adjusted for

any negotiated rebates which are estimated based on historical data. Rebates are generally recognised as a deduction from the corresponding trade receivable due from the related customer. The Group reviews its estimate at each reporting date and updates the amounts of the deduction from the trade receivable accordingly.

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

CASH AND CASH EQUIVALENTS

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

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

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

INTEREST INCOME

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

DIVIDEND INCOME

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

LEASING

The Group recognises right-of-use assets at cost and lease liabilities at the lease commencement date based on the present value of future lease payments. The right of use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis in line with the Group's accounting policy for property, plant and equipment. The lease liabilities are recognised at amortised cost using the effective interest rate method. The discount rates used reflect the incremental borrowing rate specific to the lease.

FOREIGN CURRENCIES

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

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

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

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

GOVERNMENT GRANTS

Government grants relating to property, plant and equipment are treated as deferred income, and released to profit or loss over the expected useful lives of the assets concerned. Other government grants, including those such as related to the Coronavirus Job

Significant Accounting Policies

Retention Scheme ("CJRS") in the UK , are recognised in profit or loss over the periods necessary to match them with the related costs and are deducted in reporting the related expense.

RETIREMENT BENEFIT COSTS

(a) Defined contribution schemes

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

(b) Defined benefit schemes

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

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

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

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

TAXATION

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

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

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

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

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

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

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

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

PROPERTY, PLANT AND EQUIPMENT

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

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

Buildings: 50 years

Plant and equipment: 3 to 20 years

Fixtures and equipment: 3 to 20 years

Motor vehicles: 4 to 5 years

Sampling assets: 2 to 5 years

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

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

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

Assets held for sale are measured at the lower of carrying amount and fair value less costs to sell.

INTANGIBLE ASSETS

(i) Intangible assets acquired in a business combination

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

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

(ii) Amortisation of intangible assets

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

Customer relationships: 6 to 20 years
Brand names: 20 to 35 years
Developed technology: 4 years

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

iii) Derecognition of intangible assets

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

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

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

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss

Significant Accounting Policies

is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

INVENTORIES

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

FACTORING

The Group has entered into receivables factoring agreements, whereby it may sell trade receivables arising from its normal course of business, at face value less reserves and fees. While certain recourse conditions exist, the credit risk related to certain factored receivables has been mitigated by using a third-party credit insurance company which is transferred to the factor. In respect of factored receivables covered by the credit insurance, for the purpose of derecognition criteria, management deem the original asset to be a combination of the receivables themselves along with the attached credit insurance. The credit insured receivables are therefore not derecognised hence the debtor balances and corresponding factoring liabilities are recognised gross on the balance sheet for all factored receivables.

PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material. Where the timing of settlement is uncertain amounts are classified as non-current where settlement is expected more than 12 months from the reporting date.

SHARE-BASED PAYMENTS

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

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

The share options issued under the LTIP 2022 scheme and warrants issued in 2022 to certain Group employees have no performance conditions and only subject to remaining in employment by the Group at the time the options or warrants are exercisable. The fair value of these share options and warrants has been determined using a Black-Scholes valuation model at grant date. The fair value is spread over the vesting period with the charge to the income statement recognised as an employee expense, and a corresponding increase in equity.

ACQUISITION-RELATED PERFORMANCE PLANS

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

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

NON-UNDERLYING ITEMS

EXCEPTIONAL ITEMS

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

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

Non-underlying items comprise:

Operating income and costs

(a) Exceptional items

Exceptional items, as described above, are not considered to form part of the underlying result and are therefore treated as non-underlying.

(b) Acquisition-related performance plan charge

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

(c) Non-cash share incentive plan charge

Share incentive plan costs are non-cash in nature and the fact that any expected share issue is accounted for in the assessment of fully diluted earnings per share, the corresponding IFRS2 charge is treated as a non-underlying cost. See Note 5 for further details of the scheme.

(d) Amortisation of acquired intangibles

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

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

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

(f) Hyperinflation

Income/charge relating to hyperinflation under IAS 29 are not considered to part of the operating performance of the business and the income/charge are non-cash in nature.

Finance costs

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

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

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

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

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

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

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

Significant Accounting Policies

(d) Translation differences on foreign currency loans

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

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

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

- A financial cost relating to the effective interest rate on the amortisation of the underlying host instrument;
- A financial cost / credit relating to the movement in fair value of the redemption option asset;
- A financial cost / credit relating to the movement in fair value of the warrants liability; and

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

FINANCIAL INSTRUMENTS

(a) Financial assets

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

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

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

(i) Assets held at amortised cost

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

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

The Group makes use of a simplified approach to accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are expected shortfalls in contractual cash flows, considering the potential for default at any point during the lifetime of the financial instrument. The Group uses its historical experience, external indicators and forward-looking information to calculate expected credit loss using a provision matrix.

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

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

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

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

(ii) Fair value through profit or loss

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

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

(b) Financial liabilities

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

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

The Group derecognises financial liabilities when, and only when, the

Group's obligations are discharged, cancelled or they expire.

(i) Financial liabilities measured at amortised cost

These liabilities include the following items:

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

(ii) Fair value through profit or loss

These liabilities include the following items:

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

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

(c) Share capital

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

(d) Embedded derivatives

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

PREFERRED EQUITY, ASSOCIATED WARRANTS AND OTHER ITEMS

On 30 October 2020 the Company entered into an agreement whereby Koch Equity Development, LLC ('KED') (via its affiliate KED Victoria Investments, LLC) committed to invest a total of £175m by way of convertible preferred equity to be issued by the Company.

As part of this agreement, £75m of preferred equity was issued immediately, on 16 November 2020. Additionally, KED was issued ordinary equity warrants over a maximum of 12.402m ordinary shares, exercisable following the third anniversary (unless preferred shares have been cash redeemed or there has been a change in control of the Company) at an exercise price of £3.50, and for which the Company has the option to net settle. A cap mechanism applies that potentially further reduces the number of shares issuable on exercise.

The agreement was subsequently amended on 23 December 2021 and the Company issued additional preferred shares for a total subscription price of £150 million. 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).

Significant Accounting Policies

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.

Based on the terms of the preferred equity, the underlying host instrument was identified alongside a number of other related items, including non-closely related embedded derivatives.

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

Two non closely-related embedded derivatives were identified:

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

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

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

Further details on the preferred equity instrument are included in Note 17 to the Accounts.

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

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

FUTURE ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

Notes to the Accounts

1. SEGMENTAL INFORMATION

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

The UK & Europe Soft Flooring segment comprises legal entities 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						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**	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**	423.1	371.6	109.5	115.6	–	1,019.8
Underlying operating profit / (loss)	**27.2**	**77.5**	**10.0**	**6.0**	**(1.9)**	**118.8**	45.4	47.5	11.8	5.2	(2.0)	107.9
Non-underlying operating items	**(30.0)**	**(12.0)**	**(1.7)**	**(9.2)**	**(4.6)**	**(57.5)**	(9.9)	(27.5)	(1.7)	(5.1)	(3.2)	(47.4)
Exceptional operating items	**5.8**	**(90.1)**	**(0.1)**	**2.8**	**(3.8)**	**(85.4)**	(4.0)	2.2	(0.1)	(1.8)	(3.2)	(6.9)
Operating profit / (loss)	**3.0**	**(24.6)**	**8.2**	**(0.4)**	**(10.3)**	**(24.1)**	31.5	22.2	10.0	(1.7)	(8.4)	53.6
Underlying net finance costs						**(41.9)**						(34.1)
Non-underlying finance costs						**(44.6)**						(31.9)
Loss before tax						**(110.6)**						(12.4)
Tax credit						**18.8**						–
Loss for the period						**(91.8)**						(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.

Notes to the Accounts

1. SEGMENTAL INFORMATION (CONTINUED)

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

	2023 £m	2022 £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						52 weeks ended 2 April 2022 (restated)					
	UK & Europe Soft Flooring £m	**UK & Europe Ceramic Tiles £m**	**Australia £m**	**North America £m**	**Unallocated central expenses £m**	**Total £m**	UK & Europe Soft Flooring £m	UK & Europe Ceramic Tiles £m	Australia £m	North America £m	Unallocated central expenses £m	Total £m
Total assets	**684.4**	**719.9**	**83.6**	**138.5**	**240.5**	**1,866.9**	378.6	769.8	99.7	96.3	294.8	1,639.2
Total liabilities	**(401.0)**	**(295.6)**	**(26.6)**	**(64.0)**	**(960.7)**	**(1,747.9)**	(193.4)	(293.7)	(34.1)	(31.8)	(883.6)	(1,436.6)
Net Assets	**283.4**	**424.3**	**57.0**	**74.5**	**(720.2)**	**119.0**	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 £m	2022 £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						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**	UK & Europe Soft Flooring £m	UK & Europe Ceramic Tiles £m	Australia £m	North America £m	Unallocated central expenses £m	Total £m
Depreciation of tangible fixed assets and IT software amortisation	**35.7**	**23.8**	**3.0**	**1.8**	**–**	**64.3**	13.4	21.8	0.3	0.9	–	36.4
Depreciation of right-of-use lease assets	**16.4**	**5.6**	**2.3**	**1.4**	**0.5**	**26.2**	11.5	2.3	4.2	0.4	0.4	18.8
Amortisation of acquired intangibles	**11.9**	**23.4**	**1.8**	**4.4**	**–**	**41.5**	7.4	20.8	1.7	2.5	–	32.4
	64.0	**52.8**	**7.1**	**7.6**	**0.5**	**132.0**	32.3	44.9	6.2	3.8	0.4	87.6

1. SEGMENTAL INFORMATION (CONTINUED)

	52 weeks ended 1 April 2023						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	UK & Europe Soft Flooring £m	UK & Europe Ceramic Tiles £m	Australia £m	North America £m	Unallocated central expenses £m	Total £m
Total capital expenditure (cashflow)	46.1	39.6	3.3	5.2	0.1	94.3	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)	18.8	–
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.

Notes to the Accounts

2. EXCEPTIONAL AND NON-UNDERLYING ITEMS (CONTINUED)

(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) 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.

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.

Exceptional goodwill impairment charge, see note 9 for further details.

(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 (see Note 24 for further details).

(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 (see Note 17).

(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 (see Note 17).

(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.

Notes to the Accounts

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

	2023 £m	2022 £m
After charging / (crediting):		
Net foreign exchange losses	(3.4)	2.3
Depreciation of property, plant and equipment (see Note 11)	63.1	35.5
Depreciation of right-of-use lease assets (see Note 11)	26.2	18.8
Amortisation of intangible assets (see Note 10)	42.7	33.3
Staff costs (see Note 5)	272.0	182.1
Cost of inventories recognised as an expense	864.7	542.0
Profit on sale of fixed and leased assets	(0.4)	(2.9)
Government grants	(1.3)	(0.5)
Rentals charged under short term and low value leases	1.4	1.1
Contingent consideration linked to positive tax ruling	–	0.6
Warehousing and transport costs	93.1	74.8
Exceptional costs including professional fees (see Note 2)	48.4	16.1
Negative goodwill arising on acquisition (see Note 2)	(90.5)	(6.9)
Exceptional goodwill impairment (see Note 9)	80.0	–
Marketing and office expenses	112.8	72.1
Other income	(4.5)	(2.1)
	1,504.3	966.2
Representing functional costs of:		
Cost of sales	1,045.5	663.0
Distribution and administrative expenses	463.3	308.2
Other operating income	(4.5)	(5.0)
	1,504.3	966.2

Auditor's remuneration	2023 £m	2022 £m
Fees payable to the Company's Auditor in respect of audit services:		
The audit of the Group consolidated accounts	1.06	0.50
The audit of the Company's subsidiaries pursuant to legislation	1.13	0.71
Total audit fees	2.19	1.21
Audit-related assurance services*	–	–
Tax compliance services	–	–
Taxation advisory services	–	–
Services relating to corporate finance transactions (either proposed or entered into) by or on behalf of the Company or any of its associates	–	–
Total non-audit fees	–	–

** Audit-related assurances services include £15,000 of fees related to grant assurance reporting services.*

5. STAFF COSTS

	Group 2023 £m	Group 2022 £m	Company 2023 £m	Company 2022 £m
Wages and salaries	208.6	143.5	1.6	1.5
Social security costs	42.1	23.5	0.2	0.2
Share-based employee remuneration (including accelerated IFRS 2 charge)	3.6	2.3	2.5	1.3
Other pension costs	7.4	5.7	0.1	0.1
Acquisition-related performance plans	10.3	7.1	–	–
Gross employment costs	272.0	182.1	4.5	3.2

5. STAFF COSTS (CONTINUED)

Directors' remuneration is included as part of the staff costs above. Directors' remuneration is disclosed separately on page 43 of the Directors' Report and forms part of these financial statements.

Average number employed (including executive directors of subsidiaries):

	Group		Company	
	2023 £m	2022 £m	**2023 £m**	2022 £m
Directors	**93**	83	**7**	7
Sales and marketing	**829**	709	**–**	–
Production, logistics and maintenance	**5,871**	3,811	**–**	–
Finance, IT and administration	**495**	310	**6**	6
	7,288	4,913	**13**	13

Share-based payment schemes

I Shares scheme

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

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

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

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

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

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

Based on this model, the aggregate fair value of the I1 and I2 Shares was assessed to be £9.8m and £0.4m respectively. The fair value of the I shares are charged to the income statement over the vesting period of the scheme, which is expected to be 5.4 years for the I1 shares and 4.4 years for the I2 shares, with a corresponding credit to equity as the charge is non-cash. The charge to the income statement for the I1 and I2 shares was £0.4m and £0.1m respectively (2022: £0.4m and £0.1m respectively).

Notes to the Accounts

5. STAFF COSTS (CONTINUED)

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

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

In the year ended 1 April 2023, none of the 15,390 I1 shares in issue were exercisable and there has been no cancellations or forfeiture during the period.

In the year ended 1 April 2023, none of the I2 shares were exercisable and there have been no cancellations or forfeiture during the period. All of the I2 shares issued remained in place as at 1 April 2023.

2020 LTIP Plan

Share options issued under the 2020 LTIP Plan in the year ended 3 April 2021

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

To fair value the options, the share price at the date of issue of was applied to the number of options awarded. The fair value was determined as £2.93m and this charge will be spread over the four year vesting period to June 2024. The charge to the income statement for the 2020 LTIP shares was £0.7m (2022: £0.7m).

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

Name	Number of Incentive Shares
Philippe Hamers	200,000

Follow-on share option issues under 2020 LTIP Plan

(a) Share options issued in the year ended 2 April 2022

In the year ended 2 April 2022, 37,750 shares were issued to certain senior employees under the 2020 LTIP Plan. To fair value these options, the share price at the date of issue was applied to the number of options awarded, less an exercise price of 5p per share borne by the participant. The fair value was determined as £0.38m. The options will vest and become exercisable as to 25% on each vesting date of 1 January 2023 and each anniversary thereafter up until 1 January 2026 provided the participants remain in employment with the Group. The charge will be spread over the period to 1 January 2026 in accordance with this vesting profile. The charge to the income statement for these options was £0.1m (2022: £0.2m). In the year ended 1 April 2023, 9,437 shares were exercised on 30 January 2023 and the share price for all options at date of exercise were £4.58.

(b) Share options issued in the year ended 1 April 2023

In the year ended 1 April 2023, 380,000 shares were issued to certain senior employees under the 2020 LTIP Plan. To fair value these options, the share price at the date of issue was applied to the number of options awarded, less an exercise price of 5p per share borne by the participant. The fair value was determined as £1.69m. The options will vest and become exercisable at various future dates between June 2024 and August 2026 provided the participants remain in employment with the Group at each relevant vesting date. The charge will be spread in accordance with the vesting profile for each individual. The charge to the income statement for these options was £0.1m (2022: £Nil).

5. STAFF COSTS (CONTINUED)

2022 LTIP Plan

On 31 May 2022, a long-term incentive plan ('2022 LTIP Plan') was introduced to incentivise senior employees. Participants will be able to exercise any options issued provided they are still employed by the Group at the relevant vesting date. All vesting share options under the LTIP 2022 scheme are exercisable until the tenth anniversary of the grant date.

To fair value these options, the share price at the date of issue was applied to the number of options awarded, less the exercise price borne by the participant. For any options where the share price at date of issue is below the exercise price, a Black-Scholes model has been used to fair value the options.

The key Black-Scholes inputs and assumptions applied in this model for the relevant 2022 LTIP plan shares are set out in the table below:

Inputs and Assumptions

Grant date	10 August 2022	22 August 2022
Victoria PLC share price at grant	£3.80	£3.64
Expected term	5.6 years	6.4 years
Risk free rate (continuously compounded)	1.80%	2.38%
Expected dividend yield	0.0%	0.0%
Expected volatility	48.61%	48.81%

The fair value of the 2022 LTIP shares issued in the year was determined as £1.0m. The options will vest and become exercisable at various dates between April 2022 and November 2026 provided the participants remain in employment with the Group at each relevant vesting date. The charge will be spread in accordance with the vesting profile for each individual. The charge to the income statement for these options was £0.4m (2022: £Nil).

In the year ended 1 April 2023, 669,500 shares were issued to certain senior employees under the 2022 LTIP Plan during the year, of which 625,000 shares were issued at an exercise price of 700 pence per share and 44,500 at an exercise price of 5 pence per share. As at 1 April 2023, 212,500 of the 2022 LTIP shares are exercisable. All of the LTIP 2022 shares issued remained in place as at 1 April 2023 and none were exercised.

Certain of the Company's directors are participating in the 2022 LTIP Plan, as detailed below.

	Philippe Hamers	Brian Morgan
Number of incentive shares	375,000	250,000
Exercise price (£)	7.00	7.00
Vesting profile:		
Apr-22	93,750	–
Apr-23	93,750	25,000
Apr-24	93,750	37,500
Apr-25	93,750	62,500
Apr-26	–	125,000

2021 Warrants

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

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

Notes to the Accounts

5. STAFF COSTS (CONTINUED)

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

In the year ended 1 April 2023 this incentive plan was terminated and new warrants issued under the 2022 warrants plan detailed below. No warrants were exercised during the period up to termination on 7 September 2022. The charge to the income statement for the warrants in the year ended 1 April 2023 was £1.3m, representing the full remaining charge (2022: £1.0m).

2022 Warrants

On 7 September 2022, a new share-based long-term incentive plan was issued to one senior employee. This comprises the issue of warrants to subscribe for a total of 495,000 ordinary shares of 5 pence each. The warrants are exercisable at an exercise price of 401 pence, with 87,348 warrants vesting on 7 September 2022, and thereafter 29,118 per calendar quarter, starting on 1 December 2022 and ending 1 March 2026, subject to the employee's continued employment with the Company, and can be exercised for a period of up to 10 years from the respective vesting dates.

To fair value these warrants, a Black-Scholes valuation model has been used.

The key Black-Scholes inputs and assumptions applied in this model are set out in the table below:

Inputs and Assumptions	
Grant date	07–Sep–22
Victoria PLC share price at grant	£4.01
Expected term	5.8 years
Risk free rate (continuously compounded)	2.91%
Expected dividend yield	0.0%
Expected volatility	49.24%

The fair value of the warrants issued in the year was determined as £1.0m. The charge to the income statement for the year ended 1 April 2023 was £0.5m (2022: £Nil).

As at 1 April 2023, 145,584 of the 2022 warrants are exercisable. All of the warrants issued remained in place as at 1 April 2023 and none were exercised.

6. TAXATION

	52 weeks ended 1 April 2023 £m	52 weeks ended 2 April 2022 £m
Current tax		
– Current year UK	**0.6**	–
– Current year overseas	**13.0**	10.4
– Adjustments in respect of prior years	**(8.3)**	(1.0)
	5.3	9.4
Deferred tax		
– Credit recognised in the current year	**(34.7)**	(9.8)
– Adjustments in respect of prior years	**10.5**	(0.1)
– Effect of rate change	**0.1**	0.5
	(24.1)	(9.4)
Total tax credit	**(18.8)**	–

6. TAXATION (CONTINUED)

Corporation tax is calculated at the applicable percentage of the estimated assessable profit for the year in each respective geography. This is 19% in the UK; 25.8% in the Netherlands and Spain; 20.0% in Turkey; 27.9% in Italy; 30% in Australia; 25% in Belgium; 12.5% in Ireland and 25% in North America.

In the UK, corporation tax rate increased from 19% to 25% with effect from 1 April 2023, having been substantively enacted under the Finance Act 2021. Accordingly, deferred tax balances at 1 April 2023 have been calculated applying a 25% rate.

In Turkey, the corporation tax rate decreased from 23% to 20% from 1 January 2023. Accordingly, deferred tax balances at 1 April 2023 have been calculated applying a 20% tax rate.

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

	2023 £m	2023 %	2022 £m	2022 %
Loss before tax from continuing operations	(110.6)		(12.4)	
Tax credit at the UK corporation tax rate of 19% (2021: 19%)	(21.0)	19.0	(2.4)	19.0
Tax effect of items that are not deductible / non-taxable in determining taxable profit	6.6	(6.0)	(0.9)	6.9
Effect of different tax rates of subsidiaries operating in other jurisdictions	(0.2)	0.3	2.4	(19.2)
Acquisition related performance plan charge non taxable	0.1	(0.1)	1.2	(9.3)
Recognition of deferred tax asset not previously recognised	–	–	–	–
Effect of change in rate	(0.5)	0.6	0.5	(4.4)
Effect of change in future tax rate enacted on deferred tax recognised on intangible assets	(3.9)	4.8	(1.8)	14.6
Corporate interest restriction	–	–	2.0	(16.4)
Tax losses not recognised as a deferred tax asset	(2.1)	2.6	(0.0)	–
Adjustments to prior periods	2.2	(2.7)	(1.1)	8.8
Tax (credit) / charge and effective tax rate	(18.8)	17.0	–	–
Reconciliation to underlying effective tax rate				
Add back tax on non-underlying items	36.1		18.1	
Tax charge on underlying items	17.3		18.1	
Profit before tax on underlying items	76.9		73.8	
Adjusted effective tax rate excluding non-underlying items		22.4		24.5

Notes to the Accounts

6. TAXATION (CONTINUED)

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

	2023 Profit/ (loss) before tax £m	2023 Tax credit/ (charge) £m	2022 Profit/ (loss) before tax £m	2022 Tax credit/ (charge) £m
Income statement impact of preferred equity excluding warrants	(47.3)	–	7.2	–
Fair value of warrants in relation to the preferred equity	20.3	(2.6)	(40.3)	7.6
Amortisation of acquired intangibles	(40.3)	10.0	(32.4)	7.6
Fixed asset impairment	(47.5)	11.9	–	–
Exceptional goodwill impairment	(80.0)	–	–	–
Acquisition-related performance plans	(10.3)	–	(7.1)	–
Non- cash share incentive plan charge	(3.6)	0.7	(2.3)	0.5
Unwind of fair value uplift to acquisition opening inventory	(10.7)	2.7	(5.3)	1.2
Acquisition related costs	(4.0)	–	(10.7)	–
Reorganisation costs	(44.4)	11.9	(5.3)	1.4
Fair value adjustment to notes redemption option	(2.0)	0.5	(6.3)	1.2
Negative goodwill arising on acquisition	90.5	–	6.9	–
Contingent consideration linked to positive tax ruling	–	(4.1)	(0.6)	–
Profit on disposal of fixed assets	–	–	2.9	–
Depreciation of fair value uplift to acquisition property, plant and machinery	(9.1)	2.2	(0.2)	–
Mark to market adjustments and gains on foreign exchange forward contracts	(0.4)	0.1	2.0	(0.4)
Translation difference on foreign currency loans and cash	(13.3)	3.1	5.7	(1.1)
Unsecured loan redemption premium charge	–	–	(0.4)	0.1
Hyperinflation adjustments	14.7	(0.2)		
Defined benefit pension (law change)	(0.1)	–		
Loss before tax from non-underlying items	(187.5)	36.1	(86.2)	18.1

7. EARNINGS PER SHARE

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

	52 weeks ended 1 April 2023 Basic £m	52 weeks ended 1 April 2023 Adjusted £m	52 weeks ended 2 April 2022 Basic £m	52 weeks ended 2 April 2022 Adjusted £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

7. EARNINGS PER SHARE (CONTINUED)

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.

8. 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

Notes to the Accounts

9. GOODWILL

	£m
Cost	
At 4 April 2021	214.8
Arising on acquisition	74.1
Exchange movements	2.6
At 2 April 2022	291.4
At 3 April 2022	291.4
Arising on acquisition	–
Exchange movements	11.2
At 1 April 2023	**302.6**
Accumulated impairment	
At 2 April 2022	(46.9)
Exceptional impairment in the year	(80.0)
Exchange movements	(2.2)
At 1 April 2023	**(129.1)**
Net Book Value	
At 1 April 2023	**173.6**
At 2 April 2022	244.6

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

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

Operating and reported segments	Cash Generating Units	**2023 £m**	2022 £m
UK & Europe - Soft Flooring	UK & Europe - Soft Flooring (carpet and underlay)	**32.9**	32.7
	UK & Europe - Artificial Grass	**42.5**	40.4
	UK & Europe - Rugs	**–**	–
UK & Europe - Ceramic Tiles	UK & Europe - Ceramic Tiles (Spain/Turkey)	**25.3**	100.9
	UK & Europe - Ceramic Tiles (Italy)	**15.2**	14.7
Australia	Australia	**14.2**	14.9
North America	North America - Cali Bamboo	**43.5**	41.0
	North America - International Wholesale Tiles	**–**	–
		173.6	244.6

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

The recoverable amounts of the goodwill have been determined based on value in use calculations. The key assumptions for the value in use calculations are those regarding revenue growth and margin trends.

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

9. GOODWILL (CONTINUED)

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

	2023			2022		
Cash Generating Units	Post-tax WACC %	Pre-tax WACC %	Terminal growth rate %	Post-tax WACC %	Pre-tax WACC %	Terminal growth rate %
UK & Europe – Soft Flooring (carpet and underlay)	10.00%	13.33%	1.90%	8.75%	11.67%	2.00%
UK & Europe - Artificial Grass	9.63%	12.84%	1.90%	8.38%	11.17%	2.00%
UK & Europe – Ceramic Tiles (Spain/ Turkey)	10.13%	13.51%	1.90%	8.50%	11.33%	1.75%
UK & Europe – Ceramic Tiles (Italy)	10.58%	14.67%	1.90%	8.25%	11.44%	1.50%
Australia	9.25%	13.21%	2.40%	9.63%	13.76%	2.25%
North America - Cali Bamboo	9.75%	13.18%	2.10%	9.38%	12.68%	2.25%

For the Spain / Turkey Ceramics CGU, the estimated recoverable amount of the CGU was below the carrying value of assets by £80.0m and goodwill has been impaired by this value, recognised through exceptional goodwill impairment charges included as part of distribution and administrative expenses in the income statement. It was concluded that the long-term prospects of the business are sufficient to hold the remaining goodwill of £25.3m. 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. Gas prices assumed in the model to calculate recoverable amount are an important input; these have been based on observable market data on available forward prices.

As the goodwill carrying value has not been fully impaired, additional sensitivity analysis has been undertaken on key assumptions to the model as follows:

Budgeted free cashflow for FY24-25 cumulative (assumed £44.1m)

- A 25% increase would result in a c. £10m reduction of the impairment loss
- A 25% decrease would result in a c. £10m increase of the impairment loss

Medium-term (FY26-28) annual revenue growth (assumed 4.5%)

- A 1% higher (5.5%) growth rate would result in a c. £10.5m reduction of the impairment loss
- A 1% lower (3.5%) growth rate would result in a c. £10.5m increase of the impairment loss

Medium-term (FY26-28) annual EBITDA margin improvement (assumed 0.56%)

- 25bps higher (0.81%) margin growth would result in a c. £18m reduction of the impairment loss
- 25bps lower (0.31%) margin growth would result in a c. £18m increase of the impairment loss

Discount rate (assumed 10.13%)

- 25bps higher (10.38%) discount rate would result a c. £12m increase of the impairment loss
- 25bps lower (9.88%) discount rate would result in a c. £12m reduction of the impairment loss

Long-term growth rate, the perpetuity assumption (assumed 1.9%)

- 25bps higher (2.15%) growth rate would result in a c. £9m reduction of the impairment loss
- 25bps lower (1.65%) growth rate would result in a c. £9m increase of the impairment loss

The Group is not aware of any other reasonably possible changes to key assumptions that would cause the carrying amount of this CGU to exceeds it recoverable amount.

Notes to the Accounts

9. GOODWILL (CONTINUED)

For the Cali Bamboo cash-generating unit, the estimated recoverable amount of the cash-generating unit exceeds its carrying value by £99.7m and therefore no impairment charge has been recognised. However, the recoverable amount calculations are sensitive to reasonably possible changes in the following key assumptions:

(i) If the medium-term (FY26-28) annual revenue growth rate assumption was decreased from 8% growth to a 18.6% contraction (maintaining the EBITDA margin percentage assumptions), the recoverable amount for the cash-generating unit would be reduced to a level equal to its carrying value.

(ii) If the medium-term (FY26-28) annual growth in EBITDA margin percentage assumption was decreased from 1.50% growth to a 0.55% contraction, the recoverable amount for the cash-generating unit would be reduced to a level equal to its carrying value.

(iii) If the cash flows in the budget period of FY24 and FY25 were reduced from £15.46m to £7.48m, the recoverable amount for the cash-generating unit would be reduced to a level equal to its carrying value.

	Headroom £m	Annual growth in EBITDA margin %	Annual growth in EBITDA margin % (sensitised)[1]	Medium-term revenue growth rate %	Medium-term revenue growth rate (sensitised)[2]	Cash flows FY24 and FY25	Cash flows (sensitised)[3]
Cali Bamboo	99.7	1.50%	-0.55%	8.00%	-18.6%	£15.46m	-51.60%

1. *Rate required to eliminate headroom*
2. *Rate required to eliminate headroom*
3. *Percentage reduction required to eliminate headroom*

No reasonably possible changes in assumptions in the value in use calculations for any other CGUs would give rise to an implied impairment.

Goodwill comprises intangible assets that do not qualify for separate recognition, in particular the existing workforce. None of the goodwill is expected to be tax deductible.

10. INTANGIBLE ASSETS

Group		Customer relationships £m	Brand names £m	Other Acquired Intangibles £m	IT Software £m	Group Total £m
Cost	At 4 April 2021	249.3	58.5	4.6	3.6	316.0
	Additions	–	–	–	2.0	2.0
	Disposals	–	–	–	(0.9)	(0.9)
	Business combinations	57.0	10.7	–	0.4	68.1
	Exchange difference	(1.2)	(0.3)	–	(0.1)	(1.6)
	At 2 April 2022	305.1	68.9	4.6	5.0	383.6
	At 3 April 2022	**305.1**	**68.9**	**4.6**	**5.0**	**383.6**
	Additions	**–**	**–**	**–**	**3.2**	**3.2**
	Disposals	**–**	**–**	**–**	**(1.6)**	**(1.6)**
	Business combinations	**53.2**	**17.4**	**0.1**	**–**	**70.7**
	Hyperinflation	**5.1**	**1.6**	**–**	**–**	**6.7**
	Exchange difference	**9.0**	**2.2**	**0.3**	**0.4**	**11.9**
	At 1 April 2023	**372.3**	**90.2**	**5.1**	**6.9**	**474.6**
Amortisation	At 4 April 2021	72.8	13.8	3.8	1.4	91.8
	Charge for the period	27.4	4.3	0.7	0.9	33.3
	Disposals	–	–	–	(0.9)	(0.9)
	Exchange difference	(0.2)	(0.1)	–	–	(0.3)
	At 2 April 2022	100.0	18.0	4.5	1.4	123.9
	At 3 April 2022	**100.0**	**18.0**	**4.5**	**1.4**	**123.9**
	Charge for the period	**35.2**	**6.1**	**0.1**	**1.2**	**42.7**
	Disposals	**–**	**–**	**–**	**(0.6)**	**(0.6)**
	Hyperinflation	**(0.2)**	**–**	**–**	**–**	**(0.2)**
	Exchange difference	**2.4**	**0.3**	**0.4**	**0.2**	**3.3**
	At 1 April 2023	**137.4**	**24.4**	**5.1**	**2.3**	**169.1**
Net book value	At 1 April 2023	**234.9**	**65.6**	**–**	**4.8**	**305.5**
	At 2 April 2022	205.1	50.9	0.1	3.6	259.7
	At 4 April 2021	176.5	44.7	0.8	2.2	224.2

Within intangible assets includes a Keraben customer relationship asset of £59.6m (2022: £63.6m) which has a remaining life of 7 years and 8 months, a Saloni customer relationship asset of £28.5m (2022: £31.0m) which has a remaining life of 6 years and 4 months, and a Balta customer relationship asset of £34.8m which has a remaining life of 12 years.

Company		Customer relationships £m	Brand names £m	Other Acquired Intangibles £m	IT Software £m	Group Total £m
Cost	At 3 April 2022	**–**	**–**	**–**	**0.7**	**0.7**
	Additions	**–**	**–**	**–**	**–**	**–**
	At 1 April 2023	**–**	**–**	**–**	**0.7**	**0.7**
Amortisation	At 3 April 2022	**–**	**–**	**–**	**0.4**	**0.4**
	Charge for the period	**–**	**–**	**–**	**0.1**	**0.1**
	At 1 April 2023	**–**	**–**	**–**	**0.5**	**0.5**
Net book value	At 1 April 2023	**–**	**–**	**–**	**0.2**	**0.2**
	At 2 April 2022	–	–	–	0.2	0.2
	At 4 April 2021	–	–	–	0.2	0.2

Notes to the Accounts

11. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land and buildings £m	Plant and machinery £m	Fixtures, vehicles and equipment £m	Assets under construction £m	Total £m
Cost					
At 3 April 2021	97.1	159.8	30.5	–	287.3
Additions	7.1	26.1	17.6	–	50.7
Disposals	(5.2)	(5.8)	(16.5)	–	(27.5)
Business combinations	31.5	8.2	4.1	–	43.8
Exchange differences	(2.2)	(0.6)	0.3	–	(2.5)
At 2 April 2022	128.4	187.6	36.0	–	351.8
At 3 April 2022	**128.4**	**187.6**	**36.0**	**–**	**351.8**
Additions	**6.9**	**40.7**	**23.7**	**28.0**	**99.3**
Impairment	**(15.2)**	**(32.3)**	**–**	**–**	**(47.5)**
Reclassification to held for sale	**(25.8)**	**–**	**–**	**–**	**(25.8)**
Transfers / reclassifications	**0.7**	**(2.0)**	**(1.5)**	**0.7**	**(2.1)**
Disposals	**(1.5)**	**(13.8)**	**(16.0)**	**–**	**(31.3)**
Business combinations	**105.5**	**106.2**	**4.0**	**0.1**	**215.8**
Exchange differences	**2.2**	**1.2**	**0.4**	**–**	**3.8**
Hyperinflation	**15.7**	**15.7**	**0.4**	**–**	**31.8**
At 1 April 2023	**216.9**	**303.3**	**47.0**	**28.8**	**595.8**
Accumulated depreciation					
At 4 April 2021	7.2	62.0	16.0	–	85.2
Charge for the period	2.6	22.7	10.2	–	35.5
Disposals	(2.5)	(8.2)	(14.3)	–	(25.1)
Exchange differences	(0.1)	0.2	0.2	–	0.2
At 2 April 2022	7.1	76.7	12.1	–	95.8
At 3 April 2022	**7.1**	**76.7**	**12.1**	**–**	**95.8**
Charge for the period	**5.1**	**39.7**	**18.3**	**–**	**63.1**
Reclassifications	**0.7**	**(1.0)**	**(1.2)**	**–**	**(1.5)**
Disposals	**(1.1)**	**(12.5)**	**(13.9)**	**–**	**(27.5)**
Exchange differences	**0.7**	**2.4**	**0.1**	**–**	**3.2**
At 1 April 2023	**12.5**	**105.3**	**15.4**	**–**	**133.2**
Net Book Value					
At 1 April 2023	**204.3**	**198.1**	**31.6**	**28.8**	**462.6**
At 2 April 2022	121.2	111.0	23.9	–	256.0
At 3 April 2021	89.9	97.8	14.5	–	202.1

A real estate asset within the UK & Europe soft flooring operating segment has been reclassified to held for sale with a carrying value of £25.8m, after a £15.2m impairment charge. The sales processes is underway with negotiations taking place with various bidders and the process is expected to be completed during the course of the 2024 financial year.

The Company holds no property, plant and equipment.

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Right of Use Assets

Group	Land and buildings £m	Plant and machinery £m	Fixtures, vehicles and equipment £m	Total £m
Cost				
At 4 April 2021	79.7	2.5	20.4	102.5
Business combinations	14.9	7.9	2.0	24.8
Additions	6.4	1.3	3.4	11.1
Modifications	0.5	–	(0.4)	0.2
Terminations	(1.6)	(0.1)	(2.3)	(3.9)
Exchange differences	(0.1)	(0.3)	(0.1)	(0.5)
At 2 April 2022	99.8	11.4	23.2	134.3
At 3 April 2022	**99.8**	**11.4**	**23.2**	**134.3**
Business combinations	**37.4**	**0.2**	**2.0**	**39.6**
Additions	**22.8**	**7.3**	**10.6**	**40.8**
Transfers / modifications	**6.1**	**–**	**1.1**	**7.2**
Terminations	**(2.4)**	**(0.2)**	**(5.1)**	**(7.7)**
Hyperinflation	**0.1**	**–**	**0.6**	**0.7**
Exchange differences	**1.6**	**0.6**	**–**	**2.1**
At 1 April 2023	**165.4**	**19.3**	**32.4**	**217.1**
Accumulated depreciation				
At 4 April 2021	13.5	0.4	6.0	20.0
Charge for the period	10.4	1.9	6.5	18.8
Modifications	(0.1)	–	(0.1)	(0.2)
Terminations	(1.6)	(0.1)	(2.3)	(3.9)
Exchange differences	0.1	–	–	–
At 2 April 2022	22.3	2.3	10.2	34.8
At 3 April 2022	**22.3**	**2.3**	**10.2**	**34.8**
Charge for the period	**16.9**	**2.6**	**6.6**	**26.2**
Modifications	**(0.7)**	**–**	**0.2**	**(0.5)**
Terminations	**(1.9)**	**–**	**(3.6)**	**(5.5)**
Hyperinflation	**–**	**–**	**–**	**–**
Exchange differences	**(0.1)**	**0.1**	**–**	**–**
At 1 April 2023	**36.5**	**5.0**	**13.5**	**55.0**
Net Book Value				
At 1 April 2023	**128.9**	**14.3**	**18.9**	**162.0**
At 2 April 2022	77.5	9.1	13.0	99.6
At 4 April 2021	66.1	2.1	14.4	82.6

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

The related right-of-use lease liabilities and maturity analysis are presented in note 17.

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

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

Notes to the Accounts

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Land and buildings £m	Plant and machinery £m	Fixtures, vehicles and equipment £m	Total £m
Cost				
At 4 April 2021	6.4	–	0.1	6.5
Additions	0.2	–	–	0.2
At 2 April 2022	6.6	–	0.1	6.7
At 3 April 2022	**6.6**	**–**	**0.1**	**6.7**
Additions	**–**	**–**	**–**	**–**
At 1 April 2023	**6.6**	**–**	**0.1**	**6.7**
Accumulated depreciation				
At 4 April 2021	0.9	–	–	0.9
Charge for the period	0.4	–	0.1	0.5
At 2 April 2022	1.3	–	0.1	1.4
At 3 April 2022	**1.3**	**–**	**0.1**	**1.4**
Charge for the period	**0.5**	**–**	**–**	**0.5**
At 1 April 2023	**1.8**	**–**	**0.1**	**1.8**
Net Book Value				
At 1 April 2023	**4.9**	**–**	**–**	**4.9**
At 2 April 2022	5.3	–	–	5.3
At 4 April 2021	5.5	–	0.1	5.6

Group capital expenditure authorised and committed at the period end:

	2023 £m	2022 £m
Contracts placed	**6.3**	11.2

12. FIXED ASSET INVESTMENTS

	Note	**Group**		**Company**	
		2023 £m	2022 £m	**2023 £m**	2022 £m
Investment property	(a)	**0.2**	0.2	**0.1**	0.1
Investment in subsidiaries	(b)	**–**	–	**255.4**	251.8
Investment in associates	(c)	**–**	–	**–**	–

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

The remainder of investment property in the Group's opening balance sheet relates to properties obtained as part of the acquisition of Keraben, held at their total fair value at the date of acquisition, and the fair value at 1 April 2023 of the remaining properties is deemed to be materially unchanged from prior year.

(b) Victoria PLC owns directly or indirectly the whole of the allotted ordinary share capital of the following subsidiary companies. The increase in the year represents: a capital contribution of an intercompany loan in Victoria Midco Holdings Limited (£2.4m); and the allocation of share-based payment charges to the relevant subsidiaries (£1.2m).

12. FIXED ASSET INVESTMENTS (CONTINUED)

As at 1 April 2023	Registered number	Country of incorporation and operation	Nature of business	Ownership
Primary Flooring Pty Limited		Australia	Underlay manufacturer	Indirect
Quest Flooring Pty Ltd		Australia	Carpet manufacturer	Indirect
The Victoria Carpet Company Pty Limited		Australia	Carpet manufacturer	Indirect
Millennium Weavers N.V		Belgium	Carpet distributor	Indirect
Balta Industries NV		Belgium	Carpet and rugs manufacturer	Indirect
Balta Services NV		Belgium	Shared services	Indirect
Balta Oudenaarde NV		Belgium	Carpet manufacturer	Indirect
Ragolle Rugs NV		Belgium	Rugs manufacturer	Indirect
Abingdon Flooring Limited		England	Carpet manufacturer	Indirect
Alliance Flooring Distribution Limited*	05410587	England	Logistic Services	Indirect
Balta Floorcoverings UK Ltd*	11978782	England	Carpet manufacturer	Indirect
Carpet Line Direct Limited*	13057623	England	Non-trading	Indirect
Distinctive Flooring Limited*	05368429	England	Flooring distributor	Indirect
Ezi Floor Limited*	10373607	England	Underlay manufacturer	Indirect
Flooring at Home Limited*	07309359	England	Non-trading	Direct
Gaskell Mackay Carpets Limited*	05781556	England	Non-trading	Indirect
Globesign Limited*	05305174	England	Holding Company	Indirect
G-Tuft (2015) Limited*	09497255	England	Non-trading	Indirect
G-Tuft (Holdings) Limited*	07917736	England	Holding Company	Indirect
G-Tuft Limited*	07917706	England	Carpet manufacturer	Indirect
Hanover Carpets Ltd*	07986722	England	Non-trading	Indirect
Hanover Flooring Ltd*	03120403	England	Carpet distributor	Indirect
Interfloor Group Limited*	05516829	England	Non-trading	Indirect
Interfloor Limited		England	Underlay manufacturer	Indirect
Interfloor Operations Limited*	05518878	England	Non-trading	Indirect
Millennium Weavers Limited*	13111714	England	Carpet distributor	Indirect
Saloni UK Limited*	04479546	England	Ceramic tile distributor	Indirect
Stikatak Limited*	01763122	England	Non-trading	Indirect
Tacktrim Limited*	SC089578	England	Non-trading	Indirect
The Victoria Carpet Company Limited*	03195825	England	Non-trading	Indirect
Thomas Witter Carpets Limited*	08421990	England	Non-trading	Indirect
Venture Floorcoverings Limited*	11242455	England	Carpet distributor	Indirect
Victoria Carpets Limited*	01178145	England	Carpet distributor	Indirect
Victoria Midco Holdings Limited*	09966342	England	Holding Company	Direct
View Logistics Limited		England	Carpet distributor	Indirect
V-Line Carpets Limited*	01022904	England	Non-trading	Indirect
Westex (Carpets) Limited*	01480813	England	Carpet manufacturer	Indirect
Whitestone Carpets Holdings Limited*	09352848	England	Holding Company	Indirect
Whitestone Weavers Limited*	02616354	England	Non-trading	Indirect
Estillon SARL		France	Underlay distributor	Indirect
Saloni France S.A.S.		France	Ceramic tile distributor	Indirect
Estillon GMBH		Germany	Underlay distributor	Indirect
Schramm GMBH		Germany	Synthetic yarn manufacturer	Indirect
Schramm GMBH CO. KG		Germany	Synthetic yarn manufacturer	Indirect
Keraben Guatemala		Guatemala	Ceramic tile manufacturing services	Indirect
Munster Carpets Limited		Ireland	Carpet distributor	Indirect
Hugh Mackay Carpets		Ireland	Carpet distributor	Indirect
Abingdon Flooring (Ireland) Ltd		Ireland	Carpet distributor	Indirect
Ascot Gruppo Ceramiche SRL		Italy	Ceramic tile manufacturer	Indirect

Notes to the Accounts

12. FIXED ASSET INVESTMENTS (CONTINUED)

As at 1 April 2023	Registered number	Country of incorporation and operation	Nature of business	Ownership
Ceramiche Serra S.p.A		Italy	Ceramic tile manufacturer	Indirect
Colli di Sassuolo S.r.l.		Italy	Ceramic tile manufacturer	Indirect
Keradom S.r.l		Italy	Ceramic tile manufacturer	Indirect
Santa Maria S.r.l		Italy	Ceramic tile manufacturer	Indirect
Self Style S.R.L		Italy	Ceramic tile distributor	Indirect
Victoria Ceramiche Holdco S.r.l		Italy	Holding Company	Indirect
Victoria Ceramiche Holdco 2 S.r.l		Italy	Holding Company	Indirect
Dinca S.r.l		Italy	Ceramic tile manufacturer	Indirect
Saloni Portugal Materiais De Construcao LTDA		Portugal	Ceramic tile distributor	Indirect
Ceramica Saloni, S.A.		Spain	Ceramic tile manufacturer	Indirect
Keraben Grupo S.A.U		Spain	Ceramic tile manufacturer	Indirect
AIU Poligono Ceramicas y Fritas de Nules		Spain	Ceramic tile manufacturer	Indirect
Victoria Ceramics Spain, SL		Spain	Non-trading	Indirect
Kinsan Trade, S.L.		Spain	Holding Company	Indirect
Avalon BV		The Netherlands	Artificial grass distributor	Indirect
Edel Grass BV		The Netherlands	Artificial grass distributor	Indirect
Edel Group B.V		The Netherlands	Holding Company	Indirect
Estillon B.V		The Netherlands	Underlay manufacturer	Indirect
GrassInc BV		The Netherlands	Artificial grass distributor	Indirect
Rex Invest BV		The Netherlands	Holding Company	Indirect
Landscape Solutions BV		The Netherlands	Artificial grass distributor	Indirect
United Works Grass BV		The Netherlands	Artificial grass manufacturer	Indirect
United Works Holding Backing BV		The Netherlands	Carpet and artificial grass manufacture	Indirect
United Works Holding BV		The Netherlands	Holding Company	Indirect
United Works International BV		The Netherlands	Holding Company	Indirect
Victoria Bidco BV		The Netherlands	Holding Company	Indirect
Victoria Holdco B.V		The Netherlands	Holding Company	Indirect
B3 Ceramics Danişmanlik Ve Yönetim Hizmetleri Ticaret A.Ş.		Turkey	Holding Company	Indirect
Graniser Granit Seramik Sanayi ve Ticaret A.Ş.		Turkey	Ceramic tile manufacturer	Indirect
Graniser İç ve Dış Ticaret A.Ş.		Turkey	Ceramic tile distributor	Indirect
Sahika Madencilik Nakliyat Makine Insaat Ambalaj Turizm Sanayi Ticaret. A.S.		Turkey	Mining	Indirect
Balta Orient Tekstil Sanayi Ve Ticaret A.S.		Turkey	Carpet and rugs manufacturer	Indirect
Balta Floorcovering Yer Dösemeleri Sanayi Ve Dis Ticaret A.S.		Turkey	Carpet and rugs manufacturer	Indirect
Cali Bamboo Holdings Inc.		USA	Holding Company	Indirect
Cali Bamboo Intermediate Holdings, Inc.		USA	Holding Company	Indirect
Cali Bamboo LLC		USA	Flooring distributor	Indirect
Balta US, Inc		USA	Carpet manufacturer	Indirect
Victoria IWT Holdings Inc		USA	Holding Company	Indirect
IWT Holdings, LLC		USA	Holding Company	Indirect
International Wholesale Tile, LLC		USA	Flooring distributor	Indirect
Victoria US Holdings Inc.		USA	Holding Company	Indirect

Addresses of registered offices are shown on pages 144 -145.

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

12. FIXED ASSET INVESTMENTS (CONTINUED)

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

As at 1 April 2023	Percentage ownership
Keraben Bolivia, S.R.L.	50%
Easylay Systems Limited	20%

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

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

13. INVENTORIES

Inventories held at year-end	2023 £m	2022 £m
Raw materials	95.9	66.7
Work-in-progress	12.4	7.1
Finished goods	242.9	206.9
	351.2	280.7

During the year to 1 April 2023, the total movement in stock provisions resulted in a credit to the income statement of £3.3m (2022 credit: £0.8m).

Acquired emission rights included within finished goods at 1 April 2023 amounted to £0.5m (2022: £3.2m).

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

14. TRADE AND OTHER RECEIVABLES

Amounts falling due within one year:

	Group		Company	
	2023 £m	2022 £m	2023 £m	2022 £m
Trade debtors	232.6	192.4	–	–
Amounts owed by subsidiaries	–	–	24.3	31.6
Other debtors	30.1	22.6	1.9	1.9
Prepayments and accrued income	13.6	8.7	0.3	0.1
	276.3	223.8	26.6	33.7

Amounts falling due after one year:

	Group		Company	
	2023 £m	2022 £m	2023 £m	2022 £m
Amounts owed by subsidiaries	–	–	799.6	590.6
	–	–	799.6	590.6

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

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

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

Notes to the Accounts

14. TRADE AND OTHER RECEIVABLES (CONTINUED)

The above amounts are stated net of a provision (net of VAT) of £12.9m (2022: £8.7m) made for doubtful debts and expected credit losses. The movement of the provision during the year is summarised below:

	2023 £m	2022 £m
Opening balance at 3 April 2022	8.7	5.7
Expected credit loss provisions recognised on acquisition of subsidiaries	-	2.8
Increase in provisions	5.6	1.3
Utilisation of provisions	(1.5)	(0.9)
Exchange differences	0.1	(0.1)
Closing balance at 1 April 2023	12.9	8.7

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

1 April 2023	Gross carrying amount £m	Lifetime expected credit loss £m	Net carrying amount £m	Expected credit loss rate %
Current	202.2	(3.2)	199.1	1.6%
1-30 days overdue	20.5	(0.9)	19.6	4.2%
31-60 days overdue	6.5	(0.5)	6.0	8.2%
> 60 days overdue	16.2	(8.3)	7.9	51.2%
Total	245.5	(12.9)	232.6	5.2%

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

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

Further information concerning credit risk, along with an analysis of liquidity and market risks is provided in Note 25.

15. TRADE AND OTHER PAYABLES

Amounts falling due within one year:

	Group		Company	
	2023	2022	**2023**	2022
	£m	£m	**£m**	£m
Trade creditors	**210.3**	213.7	**–**	–
Amounts due to subsidiaries	**–**	–	**–**	–
Deferred consideration (non contingent)	**2.8**	0.2	**–**	–
Contingent earn-out liabilities - current	**2.7**	–	**–**	–
Acquisition-related performance plan liabilities	**28.2**	24.5	**–**	–
Other creditors	**66.9**	55.5	**2.1**	1.7
Accruals	**58.5**	43.0	**2.2**	5.5
Deferred income	**0.4**	0.3	**–**	–
	369.8	337.2	**4.3**	7.2

The majority of current trade creditors are due within 120 days. Other creditors include other taxes and social security payable of £30.9m (2022: £13.8m).

Amounts falling due after one year:

	Group		Company	
	2023	2022	**2023**	2022
	£m	£m	**£m**	£m
Deferred consideration (non contingent)	**3.7**	3.9	**–**	–
Contingent earn-out liabilities - long-term	**2.5**	–	**–**	–
Deferred income	**0.7**	1.1	**–**	–
Other creditors	**7.2**	2.5	**–**	–
	14.1	7.5	**–**	–

Deferred earn-out liabilities are in connection with the acquisitions of Estillon and Hanover Flooring Limited. The deferred earn-out liabilities falling due after one year of £3.7m are all due between one to two years. Earn out arrangements in respect of the acquisitions of Estillon, Hanover Flooring Limited, Keradom, Ceramiche Serra and IWT are accounted for as acquisition related performance plan liabilities when the arrangement includes service conditions and as contingent consideration under IFRS 13 fair value measurement when no service conditions are present.

Deferred income relates to government grants.

16. PROVISIONS

	Group					
	2023			2022		
	Current £m	Non-current £m	Total £m	Current £m	Non-current £m	Total £m
Environmental (a)	–	10.6	10.6	–	–	–
Restructuring (b)	18.2	5.4	23.7	–	–	–
Onerous contracts (c)	0.8	-	0.8	–	–	–
	19.0	16.0	35.0	–	–	–

There are no provisions relating to the Company.

Information about individual provisions and significant estimates

a) Environmental
An environmental provision has been created within the Balta group companies in relation to environmental remediation work. This risk has been estimated based on historical experience and on peer groups.

b) Restructuring
The Group decided to close the factory in Belgium, relocating a portion of both activities to other entities within the Group. As part of these decisions a restructuring provision has been created based on negotiations with the works council, which includes the expected breakage fees to be paid to the personnel members affected and fees paid to external parties to transition the people into a new employment. The restructuring provisions will all expire in FY25.

c) Onerous contracts
As part of the acquisition of the Balta group there is a TSA arrangement as part of the deal. The estimated costs relating to this onerous contract have been calculated based on historical usage and expected future costs up until the contract expires.

Movement in provisions	Environmental £m	Restructuring £m	Onerous contracts £m	Total £m
At 3 April 2022	–	–	–	–
Acquired through business combination	10.6	–	5.3	15.9
Charged/(credited) to profit or loss	–	28.0	–	28.0
Amounts used during the year	–	(4.3)	(4.6)	(8.9)
At 1 April 2023	10.6	23.7	0.8	35.0

17. OTHER FINANCIAL LIABILITIES

Amounts falling due within one year:

	Group		Company	
	2023 £m	2022 £m	2023 £m	2022 £m
Bank overdrafts	2.9	15.6	–	–
Unsecured loans	62.3	9.6	–	–
Obligations under right-of-use leases	27.6	16.9	0.4	0.4
	92.8	42.1	0.4	0.4

17. OTHER FINANCIAL LIABILITIES (CONTINUED)

Amounts falling due after one year:

	Group 2023 £m	Group 2022 £m	Company 2023 £m	Company 2022 £m
Senior secured debt (net of prepaid finance costs):				
– due between one and two years	**–**	–	**–**	–
– due between two and five years	**655.9**	414.2	**655.9**	414.2
– due over five years	**–**	209.2	**–**	209.2
Unsecured loans:				
– due between one and two years	**22.3**	4.0	**12.5**	–
– due between two and five years	**13.9**	9.1	**–**	–
– due over five years	**14.1**	9.5	**–**	–
Preferred equity	**255.2**	207.9	**255.2**	207.9
Preferred equity – contractually-linked warrants	**26.0**	46.4	**26.0**	46.4
Obligations under right-of-use leases:				
– due between one and two years	**25.9**	15.4	**0.4**	0.4
– due between two and five years	**55.1**	31.4	**1.3**	1.2
– due over five years	**63.6**	41.9	**3.1**	3.5
	1,132.0	989.0	**954.4**	882.8

Other debt instruments and unsecured loans

	2023 Unsecured debt £m	2022 Unsecured debt £m	Maturities £m	Applicable interest rate £m
Term loans	53.1	27.2	2023 to 2030	3.5%
Unsecured revolving credit facilities	32.4	5.0	2023 to 2028	4.50% to 5.0%
Factoring and receivables financing facilities	25.1	-	Revolving facility	3.5%
Other	2.0	-	Various	3.5%
	112.6	32.2		

There are no individually material term loans and therefore the disclosure takes the position as an average. Certain loans are secured against fixed assets and receivables (accounts receivable factoring) and the others are all unsecured. The RCF balance includes £12.5m drawn down by the Company (2022: £nil).

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

17. OTHER FINANCIAL LIABILITIES (CONTINUED)

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.

17. OTHER FINANCIAL LIABILITIES (CONTINUED)

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.

Notes to the Accounts

17. OTHER FINANCIAL LIABILITIES (CONTINUED)

Two non closely-related embedded derivatives were identified:

(i) the Victoria option to cash redeem (rather than the instrument running into perpetuity or conversion, see below). The 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 and further detailed in Note 18.

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. Details of the significant judgements and estimates in relation to the valuation of these items are provided in Note 26, and the associated income statement impact in Note 3. Below is a summary of the Preferred Equity P&L charge.

Preferred Equity P&L charge

	2023 £m	2022 £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

Of the £26.9m (2022: £31.8m) preferred equity, all elements are non-cash in nature except in the prior period the ticking fee which was paid in full (£7.0m).

Recourse factoring

Within factoring and receivables financing facilities there are liabilities relating to a recourse factoring facility which is secured against trade receivables. Associated with the receivable is an attached credit insurance which protects against default risk on balances.

Following the point of transfer to the factor the entity no longer has use of the receivable balance and cannot transfer or use as collateral. Although the rights to the transferred asset are no longer with the entity at this point, the entity does retain some risks.

The entity retains slow payment risk in terms of cost of finance, due to the finance charge relating to the duration that the balance is outstanding, additionally the entity can be required to buy back any invoice that remains unpaid for more than 180 days and they have been unable to claim under the insurance. In addition, the entity retains risk of dispute and can be required to rectify this with a customer.

At year end the value of the debtors totalled £27.9m and corresponding liabilities totalled £25.1m.

18. FINANCIAL ASSETS AND LIABILITIES

The financial assets of the Group comprised:

Group	At 1 April 2023 Amortised cost £m	At 1 April 2023 Financial assets held at fair value through profit and loss £m	At 1 April 2023 Assets not within the scope of IFRS 9 £m	At 1 April 2023 Total £m	At 2 April 2022 Amortised cost £m	At 2 April 2022 Financial assets held at fair value through profit and loss £m	At 2 April 2022 Assets not within the scope of IFRS 9 £m	At 2 April 2022 Total £m
Cash								
Sterling	20.9	–	–	20.9	36.8	–	–	36.8
US Dollars	12.6	–	–	12.6	13.0	–	–	13.0
Euros	47.5	–	–	47.5	204.0	–	–	204.0
Australian Dollars	11.2	–	–	11.2	17.9	–	–	17.9
New Zealand Dollars	0.4	–	–	0.4	1.3	–	–	1.3
Turkish Lira	0.7	–	–	0.7	0.6	–	–	0.6
	93.3	–	–	93.3	273.6	–	–	273.6
Current assets								
Assets held for sale	–	25.8	–	25.8	–	–	–	–
Trade and other receivables	262.7	–	28.3	291.0	212.3	2.8	8.7	223.8
Current Inventories	–	–	351.2	351.2	–	–	280.7	280.7
Current assets	356.0	25.8	379.5	761.3	485.9	2.8	289.4	778.1

Notes to the Accounts

18. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

The financial liabilities of the Group comprised:

Group	At 1 April 2023 Other financial liabilities at amortised cost £m	At 1 April 2023 Financial liabilities held at fair value through profit and loss £m	At 1 April 2023 Liabilities not within the scope of IFRS 9 £m	At 1 April 2023 Total £m	At 2 April 2022 Other financial liabilities at amortised cost £m	At 2 April 2022 Financial liabilities held at fair value through profit and loss £m	At 2 April 2022 Liabilities not within the scope of IFRS 9 £m	At 2 April 2022 Total £m
Overdraft								
US Dollars	1.3	–	–	1.3	–	–	–	–
Euro	1.7	–	–	1.7	15.6	–	–	15.6
	2.9	–	–	2.9	15.6	–	–	15.6
Current liabilities								
Contingent earn-out liabilities - current		2.7		2.7		–		–
Trade and other payables	306.8	–	31.3	338.1	298.2	–	14.2	312.4
Provisions	–	–	19.0	19.0				
Acquisition-related performance plan liability	24.7	–	3.5	28.2	16.2	–	8.3	24.5
Current tax liabilities	–	–	6.9	6.9	–	–	0.7	0.7
Forward foreign exchange contracts	–	0.7	–	0.7	–	0.3	–	0.3
Obligations under right-of-use leases	27.6	–	–	27.6	16.9	–	–	16.9
Unsecured loans	62.3	–	–	62.3	9.6	–	–	9.6
Current liabilities	424.4	3.4	60.7	488.5	356.5	0.3	23.2	380.0
Non-current liabilities								
Contingent earn-out liabilities - long-term	–	2.5	–	2.5	–	–	–	–
Trade and other payables	10.9	–	0.8	11.7	6.4	–	1.1	7.5
Provisions	–	–	16.0	16.0				
Deferred tax liabilities	–	–	89.3	89.3	–	–	81.4	81.4
Retirement benefit obligations	–	–	8.0	8.0	–	–	4.9	4.9
Obligations under right-of-use leases	144.6	–	–	144.6	88.7	–	–	88.7
Senior secured debt	655.9	–	–	655.9	626.1	(2.7)	–	623.4
Preferred Equity	255.2	–	–	255.2	228.4	(20.5)	–	207.9
Preferred equity – contractually-linked warrants	–	26.0	–	26.0	–	46.4	–	46.4
Unsecured loans	50.3	–	–	50.3	22.6	–	–	22.6
Non-current liabilities	1,116.9	28.5	114.1	1,259.4	972.2	23.2	87.4	1,082.8
Total liabilities	1,541.3	31.9	174.8	1,747.9	1,328.7	23.5	110.6	1,462.8

18. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

The financial assets of the Company comprised:

Company	At 1 April 2023 Amortised cost £m	At 1 April 2023 Financial assets held at fair value through profit and loss £m	At 1 April 2023 Assets not within the scope of IFRS 9 £m	At 1 April 2023 Total £m	At 2 April 2022 Amortised cost £m	At 2 April 2022 Financial assets held at fair value through profit and loss £m	At 2 April 2022 Assets not within the scope of IFRS 9 £m	At 2 April 2022 Total £m
Cash								
Sterling	**9.1**	**–**	**–**	**9.1**	20.7	–	–	20.7
US Dollars	**1.2**	**–**	**–**	**1.2**	–	–	–	–
Euros	**3.5**	**–**	**–**	**3.5**	156.6	–	–	156.6
Australian Dollars	**–**	**–**	**–**	**–**	0.6	–	–	0.6
	13.8	**–**	**–**	**13.8**	177.9	–	–	177.9
Current assets								
Trade and other receivables	**26.2**	**–**	**0.3**	**26.6**	33.5	–	0.1	33.7
Current assets	**40.0**	**–**	**0.3**	**40.4**	211.5	–	0.1	211.6
Non-current assets								
Amounts owed by subsidiaries	**799.6**	**–**	**–**	**799.6**	590.6	–	–	590.6
Deferred tax assets	**–**	**–**	**–**	**–**	–	–	5.2	5.2
Non-current assets	**799.6**	**–**	**–**	**799.6**	590.6	–	5.2	595.8
Total financial assets	**839.6**	**–**	**0.3**	**839.9**	802.1	–	5.4	807.4

18. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

The financial liabilities of the Company comprised:

Company	At 1 April 2023 Other financial liabilities at amortised cost £m	Financial liabilities held at fair value through profit and loss £m	Liabilities not within the scope of IFRS 9 £m	Total £m	At 2 April 2022 Other financial liabilities at amortised cost £m	Financial liabilities held at fair value through profit and loss £m	Liabilities not within the scope of IFRS 9 £m	Total £m
Overdraft								
Sterling	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–
Current liabilities								
Trade and other payables	3.6	–	–	3.6	6.9	–	–	6.9
Forward foreign exchange contracts	–	0.7	–	0.7	–	0.3	–	0.3
Obligations under right-of-use leases	0.4	–	–	0.4	0.4	–	–	0.4
Unsecured loans	–	–	–	–	–	–	–	–
Current liabilities	4.0	0.7	–	4.7	7.3	0.3	–	7.6
Non-current liabilities								
Obligations under right-of-use leases	4.8	–	–	4.8	5.2	–	–	5.2
Senior secured debt	655.9	–	–	655.9	626.1	(2.7)	–	623.4
Preferred Equity	255.2	–	–	255.2	228.4	(20.5)	–	207.9
Preferred equity – contractually-linked warrants	–	26.0	–	26.0	–	46.4	–	46.4
Unsecured loans	12.5	–	–	12.5	–	–	–	–
Non-current liabilities	928.3	26.0	–	954.3	859.7	23.2	–	882.8
Total liabilities	932.3	26.7	–	959.1	867.0	23.5	–	890.4

Fair value measurement of financial instruments

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

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

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

Forward foreign exchange contracts

These are Level two financial assets / liabilities and all expire within 12 months from 1 April 2023.

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

18. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Contingent earn-out liabilities

These are Level three assets.

The fair value of the contingent earn-out liabilities arising from acquisitions is determined considering the value of estimated future payments, discounted to present value. Payments are determined by mechanisms set out in each acquisition agreement, and are generally based on EBITDA performance over a three to four year period. Estimated future payments are calculated using financial projections based on operational budgets for the next 12 months and then applying growth assumptions for future years as appropriate. Discount rates are reviewed annually for each acquisition, and at year end the rate is 14.5%.

The most significant inputs, all of which are unobservable, are the estimated growth rates in future profits and the discount rates applied. The estimated fair value increases if the estimated growth rates increase or the discount rates decrease. The overall valuations are sensitive to both assumptions. The Board considers that changing the above unobservable inputs to reflect other reasonably probable alternative assumptions would not result in a significant change in the estimated fair value.

Embedded derivatives within senior secured notes

These are Level three assets.

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

However, significant unobservable inputs are not deemed to be materially sensitive.

Preferred equity, associated embedded derivatives; and warrants

These are Level three assets and liabilities.

The valuation method for the various elements has been described in Note 17. The most significant inputs, which are unobservable, are the estimated equity risk premium (ERP) and volatility.

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

The impact of sensitising these inputs on the values at 1 April 2023 is as follows:

- Increasing the ERP (assumed to be 14.37%) by 200 bps would result in no change to the redeem asset (£Nil at 1 April 2023)
- Decreasing the ERP (assumed to be 14.37%) by 200 bps would result in an increase in the value of the option to cash redeem asset from £Nil to £0.3m
- Increasing the volatility (assumed to be 50.0%) by 5% would result in a decrease in the value of the warrants liability of £1.5m
- Decreasing the volatility (assumed to be 50.0%) by 5% would result in an increase in the value of the warrants liability of £1.4m

There were no transfers between Level one, Level two and Level three in 2023 or 2022.

Notes to the Accounts

18. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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)**

18. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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.

Group	At 3 April 2021 £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 3 April 2022 £m
Cash and cash equivalents	348.8	(85.8)	–	7.3	–	3.3	273.6
Bank overdraft	(4.0)	(10.9)	–	(0.7)	–	–	(15.6)
Net cash and cash equivalents	344.8	(96.7)	–	6.6	–	3.3	258.0
Senior secured debt (gross of prepaid finance costs):							
– due in more than one year	–	–	–	–	–	–	–
– Senior notes issued in the period – due in more than one year	(633.0)	–	–	–	(6.2)	5.9	(633.2)
Unsecured loans:							
– due in less than one year	(26.2)	88.3	–	(58.2)	(13.5)	0.1	(9.6)
– due in more than one year	(25.5)	–	–	(10.4)	13.0	0.3	(22.6)
Net debt	(339.9)	(8.4)	–	(62.0)	(6.7)	9.6	(407.4)
Obligations under right-of-use leases:							
– due in less than one year	(13.0)	15.0	(2.3)	(3.0)	(13.6)	–	(16.9)
– due in more than one year	(74.0)	–	(8.7)	(22.1)	15.6	0.5	(88.7)
Preferred equity (gross of prepaid finance costs)	(77.1)	(150.0)	–	–	(27.1)	–	(254.2)
Prepaid finance costs:							
– In relation to preferred equity	0.9	0.3	–	–	(1.2)	–	–
– In relation to senior debt	10.9	1.2	–	–	(2.3)	0.1	9.8
Financing liabilities	(837.0)	(45.3)	(11.0)	(93.7)	(35.2)	6.8	(1,015.4)
Net debt including right-of-use lease liabilities, issue premia and prepaid finance costs	(492.2)	(142.0)	(11.0)	(87.1)	(35.2)	10.1	(757.4)

Notes to the Accounts

18. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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

The Group's policy on Derivatives and Other Financial Instruments is set out in Note 25.

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

Company	At 3 April 2022 £m	Cash flow £m	Acquisitions £m	Other non-cash changes £m	Exchange movement £m	**At 1 April 2023 £m**
Cash and cash equivalents	177.9	(165.7)	–	–	1.5	**13.8**
Net cash and cash equivalents	177.9	(165.7)	–	–	1.5	**13.8**
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	–	(12.5)	–	12.5	–	**–**
– due in more than one year	–	–	–	(12.5)	–	**(12.5)**
Net debt	(455.3)	(178.1)	–	(2.0)	(27.1)	**(662.5)**
Obligations under right-of-use leases:						
– due in less than one year	(0.4)	0.4	–	(0.4)	–	**(0.4)**
– due in more than one year	(5.2)	–	–	0.4	–	**(4.8)**
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	(883.2)	(11.2)	–	(31.6)	(28.7)	**(954.8)**
Net debt including right-of-use lease liabilities, issue premia, preferred equity and prepaid finance costs	(705.3)	(176.9)	–	(31.6)	(27.2)	**(941.0)**

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

18. FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Company	At 4 April 2021 £m	Cash flow £m	Acquisitions £m	Other non-cash changes £m	Exchange movement £m	At 2 April 2022 £m
Cash and cash equivalents	264.4	(87.9)	–	–	1.4	177.9
Bank overdraft	(1.7)	1.7	–	–	–	–
Net cash and cash equivalents	262.7	(86.2)	–	–	1.4	177.9
Senior secured debt (gross of prepaid finance costs):						
– due in more than one year	(633.0)	–	–	(6.2)	5.9	(633.2)
Unsecured loans:	–	–	–	–	–	–
– due in less than one year	(11.9)	12.4	–	(0.5)	–	–
– due in more than one year	–	–	–	–	–	–
Net debt	(382.2)	(73.8)	–	(6.7)	7.3	(455.3)
Obligations under right-of-use leases:						
– due in less than one year	(0.2)	0.4	–	(0.6)	–	(0.4)
– due in more than one year	(5.8)	–	–	0.6	–	(5.2)
Preferred equity (gross of prepaid finance costs)	(77.1)	(150.0)	–	(27.1)	–	(254.2)
Prepaid finance costs:						
– In relation to preferred equity	0.9	0.3	–	(1.2)	–	–
– In relation to senior debt	10.9	1.2	–	(2.3)	0.1	9.8
Financing liabilities	(716.2)	(135.8)	–	(37.2)	6.0	(883.2)
Net debt including right-of-use lease liabilities, issue premia and prepaid finance costs	(453.5)	(222.0)	–	(37.2)	7.4	(705.3)

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

Amounts falling due within one year:

	Group 2023 £m	2022 £m	Company 2023 £m	2022 £m
Deferred consideration	**2.8**	0.2	**–**	–
Contingent earn-out liabilities	**2.7**	–	**–**	–
	5.5	0.2	**–**	–

Amounts falling due after one year:

	Group 2023 £m	2022 £m	Company 2023 £m	2022 £m
Deferred consideration:				
– due between one and two years	**3.7**	3.9	**–**	–
– due between two and five years	**–**	–	**–**	–
Contingent earn-out liabilities:				
– due between one and two years	**1.5**	–	**–**	–
– due between two and five years	**1.0**	–	**–**	–
	6.3	3.9	**–**	–

Deferred consideration balance has increased year on year, despite no new liability from acquisitions, this is due to the fact that prior year overpayment has been re-allocated from deferred consideration to acquisition-related performance plan liabilities (£2.9m).

Notes to the Accounts

19. LOW VALUE AND SHORT TERM LEASE ARRANGEMENTS

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

	Group		Company	
Minimum lease payments	**2023 £m**	2022 £m	**2023 £m**	2022 £m
Within one year	**0.6**	0.5	**–**	–
In the second to fifth years inclusive	**0.4**	0.3	**–**	–
After five years	**–**	–	**–**	–
	1.0	0.8	**–**	–

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

20. DEFERRED TAX

	Group £m	Company £m
At 4 April 2021	45.7	(0.6)
Credit to income statement (see Note 6)	(9.4)	(4.6)
Deferred tax recognised on current year acquisitions	18.3	–
Exchange adjustment	(0.4)	–
At 2 April 2022	54.2	(5.2)
At 3 April 2022	**54.2**	**(5.2)**
(Credit) / charge to income statement (see Note 6)	**(24.2)**	**5.2**
Charge to SOCI	**6.3**	**–**
Deferred tax recognised on current year acquisitions	**53.8**	**–**
Exchange adjustment	**(2.5)**	**–**
At 1 April 2023	**87.6**	**–**

Movement in deferred tax during the prior year

	3 April 2022	Income statement	Statement of comprehensive income	Brought in on acquisition	Exchange adjustment	**1 April 2023**
Fixed assets	7.2	(14.4)	–	46.1	(1.1)	**37.7**
Inventory	–	(3.6)	–	1.5	–	**(2.0)**
Tax losses	(9.3)	(11.5)	–	(7.8)	0.4	**(28.2)**
Intangible assets	63.5	(10.0)	–	13.6	2.9	**69.9**
Defined benefit pension	(1.3)	–	(0.2)	(7.7)	–	**(9.2)**
Spain contingent payment	(12.3)	12.9	–	–	(0.6)	**–**
S&L purchase option	–	–	–	(1.5)	–	**(1.5)**
Hyperinflation	–	0.2	6.5	–	–	**6.7**
Other timing differences	6.5	2.2	–	9.6	(4.1)	**14.3**
	54.2	(24.2)	6.3	53.8	(2.5)	**87.6**

20. DEFERRED TAX (CONTINUED)

Movement in deferred tax during the prior year

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

The provision for deferred taxation is as follows:

	Group		Company	
	2023 £m	2022 £m	**2023 £m**	2022 £m
Fixed assets	**37.7**	7.2	**–**	–
Tax losses	**(28.2)**	(9.3)	**(3.0)**	(4.5)
Deferred tax on intangible assets acquired	**69.9**	63.5	**–**	–
Deferred tax on defined benefit pension	**(9.2)**	(1.3)	**–**	–
Deferred tax recognised on contingent payment	**–**	(12.3)	**–**	–
Inventory	**(2.0)**	–	**–**	–
Purchase option under sale and leaseback	**(1.5)**	–	**–**	–
Hyperinflation	**6.7**	–	**–**	–
Other timing differences	**14.3**	6.5	**(2.1)**	(0.7)
	87.6	54.2	**(5.1)**	(5.2)

The provision is based on taxation rates of 25% in respect of balances relating to the UK businesses (as noted below), 30% in respect of balances relating to the Australian businesses, 25.8% in respect of balances relating to the Dutch businesses, 25% in respect of balances relating to the Spanish business, 20% in respect of balances relating to the Turkish business, 29% in respect of balances relating to the Belgian business, 25% in respect of balances relating to the North American business and 27.9% in respect of balances relating to the Italian business.

The amount of Group unrecognised losses (tax value) for deferred tax at 1 April 2023 was £7.7m (2022: £11.0m), comprising tax losses of £1.6m (2022: £1.1m) and Corporate Interest Restriction of £4.7m (2022: £9.9m).

The amount of Company unrecognised losses (tax value) for deferred tax at 1 April 2023 was £4.7m (2022: £9.9m) in relation to Corporate Interest Restriction.

In the UK, corporation tax rate increased from 19% to 25% with effect from 1 April 2023, having been substantively enacted under the Finance Act 2021. Accordingly, deferred tax balances at 1 April 2023 have been calculated applying a 25% rate.

In Turkey, the corporation tax rate decreased from 23% to 20% from 1 January 2023. Accordingly, deferred tax balances at 1 April 2023 have been calculated applying a 20% tax rate.

Notes to the Accounts

20. DEFERRED TAX (CONTINUED)

Deferred tax assets and liabilities

The deferred tax balances shown on the balance sheet are:

	Group		Company	
	2023	2022 (restated)	**2023**	2022
	£m	£m	**£m**	£m
Deferred tax liabilities	**89.3**	55.2	**–**	–
Deferred tax assets	**(1.7)**	(1.0)	**–**	(5.2)
	87.6	54.2	**–**	(5.2)

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.

The impact of the restatement is summarised in the table below:

	As at 2 April 2022			As at 3 April 2021		
	Previously reported"	Impact of restatement	Restated	Previously reported"	Impact of restatement"	
	£m	£m	£m	£m	£m	Restated
Deferred tax liabilities	81.4	(26.2)	55.2	62.9	(16.2)	46.7
Deferred tax assets	(27.2)	26.2	(1.0)	(17.2)	16.2	(1.0)
	54.2	-	54.2	45.7	-	45.7

21. 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 £m	2022 £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 £m	2022 £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 £m	2022 £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

(a) Interfloor schemes

Interfloor Limited sponsors the Final Salary Scheme (the Main Scheme) and the Interfloor Limited Executive Scheme (the Executive Scheme) which are both defined benefit arrangements. The defined benefit schemes are administered by a separate fund that is legally separated from the Group. The trustees of the pension fund are required by law to act in the interest of the fund and of all relevant stakeholders in the scheme. The trustees of the pension fund are responsible for the investment policy with regard to the assets of the fund.

21. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

The last full actuarial valuations of these schemes were carried out by a qualified independent actuary as at 31 July 2021.

The contributions made by the employer over the financial period were £213,000 (2022: £136,000) in respect of the Main Scheme and £nil (2022: £nil) in respect of the Executive Scheme.

Contributions to the Executive and Main Schemes are made in accordance with the Schedule of Contributions. Future contributions are expected to be an annual premium of £213,000 in respect of the Main Scheme and £nil contributions payable to the Executive Scheme. These payments are in line with the certified Schedules of Contributions until they are reviewed on completion of the triennial valuations of the schemes as at 1 August 2024.

As both schemes are closed to future accrual there will be no current service cost in future years.

The defined benefit schemes typically expose the Company to actuarial risks such as: investment risk, interest rate risk and longevity risk.

Investment risk

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

Interest risk

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

Longevity risk

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

Inflation risk

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

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

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

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

	2023	2022
Discount rate	**4.6%**	2.7%
Revaluation rate of deferred pensioners of CPI or 5% p.a. if less	**2.8%**	3.2%
Pension in payment increases of RPI or 5% p.a. if less	**3.3%**	3.7%
Pension in payment increases of CPI or 3% p.a. if less	**2.2%**	2.4%
Inflation (RPI)	**3.5%**	4.0%
Inflation (CPI)	**2.8%**	3.2%

21. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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

(i) Current pensioner aged 65: 21.2 years (male), 23.6 years (female).

(ii) Future retiree (aged 45) upon reaching 65: 22.1 years (male), 24.7 years (female).

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

	2023 £m	2022 £m
Net interest expense	0.1	0.1
Components of defined benefit costs recognised in profit or loss	**0.1**	0.1

The net interest expense has been included within finance costs. The remeasurement of the net defined benefit liability is included in the statement of comprehensive income.

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

	2023 £m	2022 £m
The return on plan assets (excluding amounts included in net interest expense)	(6.2)	0.6
Actuarial losses arising from changes in demographic assumptions	–	(0.5)
Actuarial gains arising from changes in financial assumptions	7.6	1.5
Remeasurement of the net defined benefit liability	**1.4**	1.6

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

	2023 £m	2022 £m
Present value of defined benefit obligations	(21.2)	(29.2)
Fair value of plan assets	17.8	24.3
Net liability arising from defined benefit obligation	**(3.4)**	(4.9)
Deferred tax applied to net obligation	**0.9**	1.3

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

	2023 £m	2022 £m
Opening defined benefit obligation	29.2	31.2
Interest cost	0.7	0.6
Remeasurement (gains)/losses:		
Arising from changes in demographic assumptions	–	0.5
Arising from changes in financial assumptions	0.6	(1.5)
Arising from experience adjustments	(8.1)	–
Benefits paid and expenses	(1.2)	(1.6)
Closing defined benefit obligation	**21.2**	29.2

Notes to the Accounts

21. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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

	2023 £m	2022 £m
Opening fair value of plan assets	24.3	24.7
Interest income	0.7	0.5
Remeasurement gains / (losses):		
The return on plan assets (excluding amounts included in net interest expense)	(6.2)	0.6
Contributions from the employer	0.2	0.1
Benefits paid and expenses	(1.2)	(1.6)
Closing fair value of plan assets	**17.8**	24.3

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

	2023 £m	2022 £m
Cash and cash equivalents	0.4	0.4
LDI (Liability driven investment)	5.3	3.4
Equities	5.4	7.5
Property	1.3	1.5
Corporate Bonds	0.1	3.3
Multi-Asset Credit Funds	2.9	5.9
Diversified Growth Funds	2.3	2.3
Closing fair value of plan assets	**17.7**	24.3

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

The actual return on plan assets was loss £5,569,000 (2022: gain £1,078,000).

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

If the discount rate decreased by 0.5% per annum, the defined benefit obligation would increase by 6.7%.

If the rate of inflation increases by 0.5% per annum, the defined benefit obligation would increase by 4.6%.

If the life expectancy increases by one year for both men and women, the defined benefit obligation would increase by 3.5%.

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

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

The Group expects to make a contribution of £213,000 (2022: £213,000) to the defined benefit schemes during the next financial period.

21. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

Deferred benefit schemes

(b) Balta group scheme

Balta Group has pension plans in place for management and are financed through employer contributions which increase depending on seniority (base contribution of 3.75% of pensionable salary, increasing by 0.5% for every 5 years of service rendered within the group up to a maximum contribution rate of 5.75%). This plan also includes a “death in service” benefit amounting to twice the pensionable salary. Several pension plans are in place for white collar workers and are financed through fixed employer contributions. In addition, as part of the bonus policy for members of management, a portion of the bonus is awarded via employer contributions to a pension plan scheme.

The last full actuarial valuations of these schemes were carried out by a qualified independent actuary as at 31 March 2023.

The contributions made by the employer over the financial period were £937,000.

Contributions to the Scheme is made in accordance with the Schedule of Contributions. The expected service cost for the next financial year is expected to be £704,000.

The defined benefit schemes typically expose the Company to actuarial risks such as: investment risk, interest rate risk and longevity risk.

Investment risk

The pension plan assets are financed by a group insurance product. In accordance with that formula, AG Insurance guarantees an interest rate as a return of contracts. The return is calculated through a profit sharing arrangement determined by AG Insurance. AG Insurance provide a guarantee meaning there is no financial risk for the employer. Based upon this information, we judge that the assets of the insurance contracts should be classified as a Level 2 asset.

Interest risk

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

Longevity risk

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

Inflation risk

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

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

Principal actuarial assumptions (expressed as weighted averages) at the Consolidated Balance Sheet date were as follows:

	2023
Discount rate	**4.0%**
Discount rate (§113)	**4.3%**
Future salary increase (including social security increase)	**3.2%**
Social security increase	**2.2%**
Pension and death ceiling increase	**2.2%**
Mortality table (Pre-retirement)	**MR–5/FR–5**

21. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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

	2023 £m
Net interest expense	–
Current/past service cost	1.0
Components of defined benefit costs recognised in profit or loss	**1.0**

The net interest expense has been included within finance costs. The remeasurement of the net defined benefit liability is included in the statement of comprehensive income.

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

	2023 £m
The return on plan assets (excluding amounts included in net interest expense)	(3.3)
Remeasurement gains on defined benefit obligation	3.6
Remeasurement of the net defined benefit liability	**0.3**

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

	2023 £m
Present value of defined benefit obligations	(9.3)
Fair value of plan assets	8.3
Net liability arising from defined benefit obligation	**(1.0)**
Deferred tax applied to net obligation	**0.3**

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

	2023 £m
Opening defined benefit obligation	–
Acquired as part of business combinations	11.6
Current service costs	1.0
Interest cost	0.1
Remeasurement gains	(3.6)
Benefits paid and expenses	(0.3)
Tax on contributions	(0.1)
Effect of foreign exchange rate changes	0.6
Closing defined benefit obligation	**9.3**

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

	2023 £m
Opening fair value of plan assets	–
Acquired as part of business combinations	10.3
Interest income	0.1
Remeasurement losses:	
The return on plan assets (excluding amounts included in net interest expense)	(3.3)
Contributions from the employer	0.9
Benefits paid and expenses	(0.3)
Effect of foreign exchange rate changes	0.6
Closing fair value of plan assets	**8.3**

The actual return on plan assets was a loss of £3,200,000.

21. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

The fair value of the plan assets is based on §113 of IAS 19 and is defined as the present value of the retirement capitals guaranteed by the insurance company (using the tariffs as set out by the insurance company). The discount rate used takes into account the investment risk of financial institutions by referring to financial single A bonds. Therefore an additional gap is added to the Defined Benefit Obligation ("DBO") discount rate which reflects the difference between AA rated corporate bonds and single A rated corporate bonds.

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

If the discount rate decreased by 0.5% per annum, the defined benefit obligation would increase by 5.0%.

If the rate of inflation increases by 0.5% per annum, the defined benefit obligation would increase by 0.6%.

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

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

(c) Graniser group scheme

Graniser group, which incorporates Seramik, Sahika and Ic ve Dis Ticaret companies, is a termination indemnity plan (defined benefit arrangement). Turkish Labor Law is used as a basis for the severance pay calculations. In accordance with Turkish Labor Law, the company must pay compensation equal to 1 month's salary for every year employed unless the employee is fairly dismissed.

The last full actuarial valuations of these schemes were carried out by a qualified independent actuary as at 31 March 2023.

The contributions made by the employer over the financial period were £1,262,000.

Contributions to the Scheme is made in accordance with the Schedule of Contributions. The expected service cost for the next financial year is expected to be £292,000.

The defined benefit schemes typically expose the Company to actuarial risks such as: interest rate risk and longevity risk.

Interest risk

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

Longevity risk

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

Inflation risk

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

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

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

21. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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

		2023
Discount rate		12.6%
Salary increase	First year – White collar	80.0%
	First year – Blue collar	40.0%
	Thereafter – both	12.0%
Mortality		CSO80
Withdrawal (Age base table)	Sahika	0.0%
	Ic ve Dis Ticaret	7.0%
	Seramik – White collar	6.0%
	Seramik – Blue collar	2.0%
Retirement age		Individual

Voluntary withdrawal assumptions

Age range	Seramik – White Collar (p.a.)	Seramik – Blue Collar (p.a.)	Sahika (p.a.)	Ic ve Dis Ticaret (p.a.)
Up to 24	16.48%	4.70%	0.00%	14.78%
25 to 29	13.18%	3.76%	0.00%	11.82%
30 to 34	9.89%	2.82%	0.00%	8.87%
35 to 39	6.59%	1.88%	0.00%	5.91%
40 to 49	3.30%	0.94%	0.00%	2.96%
After 50	1.65%	0.47%	0.00%	1.48%

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

	2023 £m
Net interest expense	0.3
Loss on settlements	0.4
Current service cost	0.1
Past service cost	(0.1)
Components of defined benefit costs recognised in profit or loss	**0.7**

The net interest expense has been included within finance costs. The remeasurement of the net defined benefit liability is included in the statement of comprehensive income.

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

	2023 £m
The return on plan assets (excluding amounts included in net interest expense)	–
Actuarial losses arising from changes in demographic assumptions	0.1
Actuarial losses arising from changes in financial assumptions	1.8
Actuarial losses arising from experience adjustments	1.8
Remeasurement of the net defined benefit liability	**3.7**

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

	2023 £m
Present value of defined benefit obligations	(3.6)
Fair value of plan assets	–
Net liability arising from defined benefit obligation	**(3.6)**
Deferred tax applied to net obligation	**0.7**

21. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

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

	2023 £m
Opening defined benefit obligation	1.6
Interest cost	0.3
Loss on settlements	0.4
Remeasurement (gains)/losses:	
Arising from changes in demographic assumptions	0.1
Arising from changes in financial assumptions	1.8
Arising from experience adjustments	1.8
Employer direct benefit payments	(1.3)
Employer direct settlement payments	(0.7)
Current service costs	0.1
Past service costs	(0.1)
Effect of foreign exchange rate changes	(0.4)
Closing defined benefit obligation	**3.6**

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

	2023 £m
Opening fair value of plan assets	–
Employer direct benefit payments	1.3
Employer direct settlement payments	0.7
Benefit payments from employer	(1.3)
Settlement payments from employer	(0.7)
Closing fair value of plan assets	**–**

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

If the discount rate decreased by 0.5% per annum, the defined benefit obligation would increase by 8.0%.

If the salary rate increases by 0.5% per annum, the defined benefit obligation would increase by 7.9%.

If the pre-retirement mortality increases by one year for both men and women, the defined benefit obligation would increase by 1.3%.

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

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

The pension scheme was acquired during the previous financial year, however the prior year amounts were immaterial and as such these figures have not been adjusted.

Notes to the Accounts

22. SHARE CAPITAL

	2023 £m	2022 £m
Allotted, called-up and fully paid:		
5p ordinary shares	6.3	6.3

	2023 Number of shares (000's)	2022 Number of shares (000's)
5p ordinary shares:		
Number of shares issued and fully paid (excluding shares held in treasury)	115,007	116,843
Number of shares issued and fully paid, held in treasury	10,457	8,621

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

In the year ended 1 April 2023, the Company bought back 1,842,250 shares (5p) and in the prior year 75,340 shares (5p) were bought back. None of these shares have been cancelled and are held in treasury.

During the year, there were also 6,375 new Ordinary shares (5p) issued in respect of the exercise of share options of Victoria PLC senior management long-term incentive plans.

At the year end there were no shares issued but not fully paid (2022: nil).

At the year end, no shares were reserved for issue under options and there were no contracts for sale of shares (2022: nil).

Capital risk management

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

In order to achieve this objective, the Group monitors its gearing to balance risks and returns at an acceptable level and also to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, either through altering its dividend policy, new share issues (including the issue of preferred equity, on which more detail is provided in Note 17, in particular regarding the changes in the period), or the reduction of debt, the Group considers not only its short-term position but also its long-term operational and strategic objectives.

23. RESERVES

Retained earnings

Retained earnings for the Group as at 1 April 2023 were £85.7m (2022: £187.3m).

The loss of the Company for the year determined in accordance with the Companies Act 2006 was £28.6m (2022: loss of £30.8m). The Company is exempt under Section 408 of the Companies Act 2006 from presenting its own Income statement and Statement of Comprehensive Income.

Foreign exchange reserve

The foreign exchange reserve for the Group as at 1 April 2023 was £1.0m (2022: £3.1m), in respect of foreign exchange differences on consolidation of overseas subsidiaries.

Hyperinflation Reserve

The hyperinflation reserve for the Group as at 1 April 2023 was £16.5m (2022: £Nil), in respect of hyperinflation CTA adjustments on consolidation of Turkish subsidiaries.

Other reserves

Other reserves for the Group as at 1 April 2023 were £9.5m (2022: £5.9m) and relate to share-based payment charges (see further details in Note 5).

24. ACQUISITION OF SUBSIDIARIES

(a) Balta

On 5 April 2022, the Group completed the purchase of the rugs division of Balta Group, a Belgium-based flooring company along with the purchase of its UK polypropylene carpet and non-woven carpet businesses and the internationally known brand 'Balta'. 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 on page 8.

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 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*

Net Assets Acquired

	Amounts recognised at acquisition date £m
Property, plant and equipment	58.1
Right of use lease assets	31.0
Obligations under right of use leases	(31.0)
Trade and other receivables	77.8
Inventories	85.1
Trade and other payables	(110.6)
Other creditors long term	(5.6)
Provisions (see Note 16)	(15.9)
LT liability	(1.9)
Loans	(75.0)
Deferred tax assets	6.7
Deferred tax liabilities	(2.0)
Current tax liabilities	(0.1)
Net cash	3.9
Book value of net assets acquired	20.7
Fair value uplift of inventories	7.8
Fair value uplift on plant and machinery and buildings	140.9
Brand intangible asset arising on acquisition (see Note 10)	13.3
Customer Relationships intangible asset arising on acquisition (see Note 10)	35.6
Deferred tax liability on intangible assets acquired and FV uplift	(47.4)
Fair value of total identifiable net assets	170.9
Negative goodwill arising on acquisition	(75.2)
Total consideration	95.7
Satisfied by:	
Cash	95.7
	95.7

24. ACQUISITION OF SUBSIDIARIES (CONTINUED)

Other than where fair value adjustments have been made, the book value of assets acquired is considered to approximate their fair values. Gross trade receivables acquired are considered to equate to the fair value of contractually collectable cash flows. Within net assets we have recognised €9.4m (£7.8m[1]) in relation to the fair value uplift of inventory in accordance with IFRS 3. The fair value has been assessed as the estimated selling price less any estimated selling costs, therefore by definition no operating profit is recognised on sale of the opening inventory. As of 1 April 2023, all of the applicable inventory had been sold. Given the resulting uplift in cost of sales is not representative of the underlying performance of the business in relation to the actual costs incurred in acquiring and producing the inventory, but instead represents the one-off impact of this fair value accounting adjustment within the purchase price allocation, this uplift has been separately disclosed as an exceptional cost.

After fair value adjustments, negative goodwill of £75.2m is created on the acquisition of Balta, which has been taken to the income statement in the period (within negative goodwill arising on acquisition). The transaction resulted in a gain due to favourable uplift on land and buildings acquired which was not fully taken into account by the vendor who were also keen to exit the business. Operational decisions made after the acquisition, that were also considered as part of the consideration paid, has meant that the full fair value uplift was never fully utilised hence there was a later impairment and significant associated restructuring costs have been incurred within FY23 (see note 2). No amounts of goodwill are expected to be deductible for tax purposes.

Transaction costs amounting to £5.5m relating to the acquisition have been recognised as an expense and included in exceptional administrative expenses in the Group Income Statement. The majority of costs were recognised as an expense in the prior period.

(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*

24. ACQUISITION OF SUBSIDIARIES (CONTINUED)

Net Assets Acquired

	Amounts recognised at acquisition date £m
Property, plant and equipment	5.7
Right of use lease assets	4.7
Obligations under right of use leases	(4.7)
Trade and other receivables	6.7
Inventories	8.8
Trade and other payables	(7.1)
Deferred tax liabilities	(0.4)
Current tax liabilities	(0.7)
Net cash	3.0
Book value of net assets acquired	16.0
Fair value uplift of inventories	1.2
Fair value uplift on plant and machinery and buildings	10.2
Brand intangible asset arising on acquisition (see Note 10)	1.2
Customer Relationships intangible asset arising on acquisition (see Note 10)	4.0
Deferred tax liability on intangible assets acquired and FV uplift	(4.1)
Fair value of total identifiable net assets	28.5
Negative goodwill arising on acquisition	(10.3)
Total consideration	18.2
Satisfied by:	
Cash	18.2
	18.2

Other than where fair value adjustments have been made, the book value of assets acquired is considered to approximate their fair values. Gross trade receivables acquired are considered to equate to the fair value of contractually collectable cash flows. Within net assets we have recognised €1.4m (£1.2m[3]) in relation to the fair value uplift of inventory in accordance with IFRS 3. The fair value has been assessed as the estimated selling price less any estimated selling costs, therefore by definition no operating profit is recognised on sale of the opening inventory. As of 1 April 2023, all of the applicable inventory had been sold. Given the resulting uplift in cost of sales is not representative of the underlying performance of the business in relation to the actual costs incurred in acquiring and producing the inventory, but instead represents the one-off impact of this fair value accounting adjustment within the purchase price allocation, this uplift has been separately disclosed as an exceptional cost.

After fair value adjustments, negative goodwill of £10.3m was created on the acquisition of Ragolle, which has been taken to the income statement in the period (within negative goodwill arising on acquisition). The favourable uplift on plant and machinery acquired which was not fully taken into account by the vendor who was seeking a relatively quickly sale and exit from the business was the primary cause of negative goodwill. No amounts of goodwill are expected to be deductible for tax purposes.

Transaction costs amounting to £0.9m relating to the acquisition have been recognised as an expense and included in exceptional administrative expenses in the Group Income Statement.

24. ACQUISITION OF SUBSIDIARIES (CONTINUED)

(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 on page 10.

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*

Net Assets Acquired

	Amounts recognised at acquisition date £m
Property, plant and equipment	0.8
Right of use lease assets	4.0
Obligations under right of use leases	(4.0)
Trade and other receivables	6.1
Inventories	22.5
Trade and other payables	(9.4)
Loans	(12.5)
Current tax liabilities	(0.1)
Net cash	2.3
Book value of net assets acquired	9.8
Fair value uplift of inventory	2.1
Brand intangible asset arising on acquisition (see Note 10)	2.9
Order book asset arising on acquisition (see Note 10)	0.2
Customer Relationships intangible asset arising on acquisition (see Note 10)	13.5
Deferred tax liability on fair value adjustment on fixed assets	(2.4)
Fair value of total identifiable net assets	26.0
Negative goodwill arising on acquisition (see Note 2)	(5.5)
Total consideration	20.4
Satisfied by:	
Cash	15.0
Contingent earn-out	5.4
	20.4

24. ACQUISITION OF SUBSIDIARIES (CONTINUED)

Other than where fair value adjustments have been made, the book value of assets acquired is considered to approximate their fair values. Gross trade receivables acquired are considered to equate to the fair value of contractually collectable cash flows. Within net assets we have recognised $2.3m (£2.1m[5]) in relation to the fair value uplift of inventory in accordance with IFRS 3. The fair value has been assessed as the estimated selling price less any estimated selling costs, therefore by definition no operating profit is recognised on sale of the opening inventory. As of 1 April 2023, all of the applicable inventory had been sold. Given the resulting uplift in cost of sales is not representative of the underlying performance of the business in relation to the actual costs incurred in acquiring and producing the inventory, but instead represents the one-off impact of this fair value accounting adjustment within the purchase price allocation, this uplift has been separately disclosed as an exceptional cost.

After fair value adjustments, negative goodwill of £5.5m is created on the acquisition of IWT, which has been taken to the income statement in the period (within negative goodwill arising on acquisition). The main driver of the negative goodwill is the accounting treatment of the earn out liability, with amounts contingent on service conditions accounted for as accrued employment costs (recognised over time post acquisition) despite the full earn out being included in the structure of the overall purchase price as stipulated in the share purchase agreement. No amounts of goodwill are expected to be deductible for tax purposes.

Transaction costs amounting to £1.2m relating to the acquisition have been recognised as an expense and included in exceptional administrative expenses in the Group Income Statement.

25. FINANCIAL INSTRUMENTS

Background

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

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

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

General objectives, policies and processes

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

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

Credit risk

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

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

Notes to the Accounts

25. FINANCIAL INSTRUMENTS (CONTINUED)

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

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

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

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

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

Liquidity risk

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

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

The preferred equity issued to KED is perpetual and has no contractual commitment to redeem or pay preferred dividends in cash, and therefore had a positive impact on the Group's liquidity. There are a two scenarios, both of which management believe highly unlikely, under which mandatory redemption of the preferred equity applies (see Note 17 for further details).

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

The maturity of financial liabilities is detailed in Note 17.

Market risk

Market risk arises from the Group's use of interest bearing and foreign currency financial instruments. It is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk), or market pricing (price risk). The fair value of the loan note prepayment option embedded derivative will fluctuate based on changes in market pricing, the relative impact of such fluctuations can be seen by the movement in the period as disclosed in Note 17. Fluctuations in foreign currency exchange rates can have a significant effect on the Group's reported results.

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

a) Interest rate risk

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

Interest rate sensitivity

The annualised effect of a 50 basis point decrease in the interest rate at the balance sheet date on the variable rate debt carried at that date would, all other variables held constant, have resulted in a decrease in post-tax loss for the year of £294,000 (2022: decrease in post-tax profit of £97,000). A 50 basis point increase in the interest rate would, on the same basis, have increased the loss for the year by the same amount.

25. FINANCIAL INSTRUMENTS (CONTINUED)

Borrowings contractual maturities and effective interest rate analysis

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

	As at 1 April 2023						As at 2 April 2022					
	Effective Interest Rate %	Total £m	0-1 Years £m	1-2 Years £m	2-5 Years £m	Over 5 Years £m	Effective Interest Rate %	Total £m	0-1 Years £m	1-2 Years £m	2-5 Years £m	Over 5 Years £m
Group												
Cash and cash equivalents	0.00%	93.3	93.3	–	–	–	0.00%	273.6	273.6	–	–	–
Senior secured debt and overdraft	3.67%	(758.9)	(26.9)	(24.0)	(707.9)	–	3.67%	(761.7)	(38.5)	(23.0)	(482.2)	(218.0)
Unsecured facilities	4.21%	(81.5)	(37.8)	(10.3)	(19.5)	(13.9)	2.07%	(31.9)	(8.4)	(7.4)	(15.2)	(1.0)
Right-of-use leases	2.72%	(197.7)	(31.9)	(30.0)	(63.2)	(72.6)	2.63%	(145.3)	(23.4)	(22.0)	(44.1)	(55.7)
		(944.8)	(3.3)	(64.3)	(790.6)	(86.4)		(665.3)	203.3	(52.4)	(541.5)	(274.7)
Company												
Cash and cash equivalents	0.00%	13.8	13.8	–	–	–	0.00%	177.9	177.9	–	–	–
Senior secured debt	3.67%	(755.9)	(24.0)	(24.0)	(707.9)	–	3.67%	(746.2)	(23.0)	(23.0)	(482.2)	(218.0)
Unsecured facilities	6.99%	–	–	–	–	–		–	–	–	–	–
Right-of-use leases	3.16%	(6.4)	(0.6)	(0.6)	(1.7)	(3.5)	3.09%	(7.0)	(0.6)	(0.6)	(1.7)	(4.0)
		(748.5)	(10.8)	(24.6)	(709.6)	(3.5)		(575.2)	154.4	(23.6)	(483.9)	(222.1)

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

	As at 1 April 2023				As at 2 April 2022			
Total undiscounted obligations	Total £m	0-1 Years £m	1-2 Years £m	2-5 Years £m	Total £m	0-1 Years £m	1-2 Years £m	2-5 Years £m
Group								
Deferred consideration liabilities	6.6	2.8	3.7	–	4.1	0.2	3.9	–
Contingent earn-out liabilities	5.2	2.7	1.5	1.0	–	–	–	–
	11.8	5.5	5.2	1.0	4.1	0.2	3.9	–

As described in Note 17, the KED preferred equity is never subject to mandatory redemption other than in two specific scenarios: (i) a change of control where the acquirer of Victoria offers share consideration (with no cash alternative) and is not considered to be investment grade, in which case KED could elect to ask Victoria, under the new owner(s), to redeem the outstanding preferred equity (currently £225m) and unpaid dividends in cash; (ii) insolvency of the Group.

Non-interest bearing liabilities

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

b) Currency risk

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

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

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

Notes to the Accounts

25. FINANCIAL INSTRUMENTS (CONTINUED)

Currency risk sensitivity

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

A 10% strengthening of the Euro against Sterling closing rate would, all other variables held constant, have resulted in an increase in Group post-tax loss for the year of £75,031,000 as the net result of the translation impact on Euro denominated debt. A 10% weakening of the Euro against Sterling closing rate would, all other variables held constant, have resulted in a decrease in Group post-tax loss for the year of £61,389,000 as the net result of the translation impact on Euro denominated debt.

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

	Liabilities		Assets	
	2023 £m	2022 £m	**2023 £m**	2022 £m
Euro	**716.7**	623.4	**45.8**	188.4

c) Future movements in share price

Linked to the preferred equity issued to KED during the period (see Note 17), the Company issued 12.402m warrants over its ordinary shares. These warrants are exercisable following the third anniversary of issue (or earlier if the preferred shares are redeemed) at an exercise price of £3.50, and can be net settled at the option of the Company (whereby a lower number of shares is issued but for no consideration). In addition, the warrants have a 'cap' mechanism that interacts with the returns to KED on the preferred equity, which – based on a maximum stipulated level of return (see Note 17) – may further reduce the number of ordinary shares issued on exercise. A key variable that impacts KED's overall level of return and therefore the implementation of this cap mechanism is the ordinary share price of the Company. For example, if KED were to exercise the warrants on the third anniversary and the share price at the time was the same as at the year-end, being £4.90, then the number of ordinary shares issued would be 3.54m.

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

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

Share price sensitivity

If, at the third anniversary, the share price were to decrease by £1 to £3.90, the number of ordinary shares issued on exercise would decrease to 1.27m. Conversely, if the share price were to increase by £1 to £5.90, the number of ordinary shares issued on exercise would increase to 5.04m.

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

d) Trading

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

26. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

Estimates

Impairment of goodwill (Note 9)

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

Provisions (Note 16)

The environmental liability has been estimated using all available information to us including environment reports and our review of environmental standards and enacted laws that are present at the balance sheet date but given the assessment has not been finalised, costs and the potential liability arising are subject to change. The liability has been recognised using valuations, methods, environmental standards and enacted laws that are present at the balance sheet date but given the assessment hasn’t been finalised, costs are subject to change.

Valuation of embedded derivatives within financial instruments (Note 17, 18)

In relation to preferred equity recognised in accordance with IFRS 9, non-closely related embedded derivatives have been identified which require separate recognition from the host instrument, in each case relating to the Company’s option to cash redeem the instrument with a redemption premium cost that reduces over time (see Note 17 for details). These embedded derivatives are valued at each reporting date using assumptions based on certain estimates.

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

Note 18 contains a sensitivity analysis of the impact of an increase or decrease in the volatility assumption in relation to each of the preferred equity redemption option on their respective asset values.

Defined benefit obligation (Note 21)

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

Due to changing market and economic conditions, the expenses and liabilities actually arising under the scheme in the future may differ materially from the estimates made on the basis of the actuarial assumptions. The effects of any change to these assumptions are accounted for in the next financial year as other comprehensive income. The calculation of any charge relating to retirement benefits is clearly dependent on the assumptions used, which reflects the exercise of judgement. Further details are set out in Note 21.

Judgements

Embedded derivatives within senior secured notes (Note 17)

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

Notes to the Accounts

26. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

Details of the option embedded in the contract are shown in Note 17.

In assessing the applicable recognition date for the embedded derivative, it was deemed appropriate to apply the loan commitment scope exclusion as defined in the standard. Consequently, the date of initial recognition was considered to be the date of drawdown, as opposed to the date of commitment. As a result of applying the loan commitment scope exclusion, as above, it was deemed appropriate to base the value of the combined instrument on the proceeds as agreed at the earlier commitment date. It was deemed appropriate that for the purpose of calculating the host as the residual that, in light of the loan commitment scope exclusion applied, the embedded option should only be recognised on drawdown and therefore that its initial carrying value should be the fair value at that date.

Non-underlying items (Note 2, 3)

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

Parent Company functional currency

In determining the functional currency of the parent company as sterling the Directors have considered all of the primary and secondary indicators in IAS 21. Factors considered relevant by the Directors include funding being received from the senior notes in euros, funding being received from the issue of preferred equity in sterling, dividend income being received in sterling and shares being issued in sterling on the UK stock market. Following consideration of all factors, the Directors have determined sterling to be the functional currency of the parent company however this is considered to be a significant judgement in the preparation of the annual report.

Balta property, plant and equipment valuations provided by an independent expert

Determining the most appropriate fair value technique to be used in valuing the property, plant and equipment acquired through the acquisition of Balta is considered to be a significant judgment in the preparation of the annual report. The cost approach - depreciated replacement, is an application of the cost method which, in financial reporting, is used for the valuation of specialised assets, where direct market references are limited or non-existent. It is the current cost of replacing an asset with a modern equivalent, subtracting from its physical state and all relevant forms of ageing and optimisation. Given the specialised nature of the valued assets, and lack of an available market valuation, the depreciated replacement cost method was applied in determining the fair value of the Balta properties under IFRS 13.

27. RELATED PARTIES

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

Identity of related parties

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

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

Transactions with key management personnel

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

As at 1 April 2023, the key management personnel, and their immediate relatives, controlled 40.57% of the voting shares of the Company.

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

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

27. RELATED PARTIES (CONTINUED)

	2023 £m	2022 £m
Short-term employee benefits	1.48	1.33
Post-employment benefits	0.03	0.02
Other-long term benefits	–	–
Termination benefits	–	–
Share-based payment charge	0.57	0.26
	2.08	1.61

Transactions with subsidiary undertakings:	2023 £m	2022 £m
Management recharge – Victoria Bidco B.V	(0.41)	(0.65)
Management fees – Victoria Carpets Ltd	0.09	0.22
Management fees – Westex (Carpets) Ltd	0.05	0.05
Management fees – Abingdon Flooring Ltd	0.23	0.31
Management fees – Alliance Flooring Distribution Ltd	0.01	0.01
Management fees – Distinctive Flooring Ltd	0.01	0.01
Management fees – View Logistics Ltd	0.12	0.16
Management fees – Interfloor Group Ltd	0.18	0.16
Management fees – Ezi Floor Ltd	0.04	0.04
Management fees – G–tuft	–	0.01
Management fees – Hanover Flooring Ltd	0.04	0.04
Management fees – Millennium Weavers Ltd	0.01	0.04
Management fees – Estillon BV	0.02	0.02
Management fees – Victoria Holdco BV	0.10	0.07
Management fees – The Victoria Carpet Company Pty Ltd	0.10	0.09
Management fees – Quest Flooring Pty Ltd	0.08	0.07
Management fees – Primary Flooring Pty Limited	0.08	0.07
Management fees – Keraben Grupo S.A.	0.23	0.28
Management fees – Ceramiche Serra S.p.A	0.06	0.06
Management fees – Ascot Gruppo Ceramiche SRL	0.13	0.12
Management fees – Keradom SRL	0.05	0.05
Management fees – Santa Maria SRL	0.04	0.03
Management fees – Ceramica Colli di Sassuolo S.p.A	0.02	0.02
Management fees – Ceramica Saloni, S.A.	0.14	0.16
Management fees – Graniser	0.12	–
Management fees – Balta	0.41	–
Management fees – Victoria US Holdings Inc – Cali	0.34	0.16
Management fees – IWT	0.02	–
Interest receivable – Victoria Midco Holdings Ltd	2.06	0.25
Interest receivable – Victoria Bidco B.V	3.77	3.44
Interest receivable – Victoria Carpets Ltd	0.56	0.51
Interest receivable – Abingdon Flooring Ltd	0.05	0.30
Interest receivable – Alliance Flooring Distribution Ltd	0.51	0.49
Interest receivable – Distinctive Flooring Ltd	0.24	0.15
Interest receivable – Whitestone Carpets Holdings Ltd	0.94	0.95
Interest receivable – Interfloor Group Ltd	0.50	0.12
Interest receivable – Interfloor Operations Ltd	0.29	0.66
Interest receivable – Ezi Floor Ltd	0.69	0.73
Interest receivable – G–tuft Ltd	0.19	0.13
Interest receivable – Hanover Flooring Ltd	0.40	0.31
Interest receivable – Millennium Weavers Ltd	0.16	0.05
Interest receivable – Victoria Belgium n.v	0.01	0.03
Interest receivable – The Victoria Carpet Company Pty Ltd	–	0.01

Notes to the Accounts

27. RELATED PARTIES (CONTINUED)

Transactions with subsidiary undertakings:	2023 £m	2022 £m
Interest receivable – Estillon B.V	–	0.02
Interest receivable – Victoria Holdco BV	**1.23**	1.04
Interest receivable – Primary Flooring Pty Limited	**1.00**	0.97
Interest receivable – Keraben Grupo S.A.	**3.71**	3.65
Interest receivable – Kinsan Trade, S.L.	**5.05**	3.57
Interest receivable – Ceramica Saloni, S.A.	**1.97**	3.65
Interest receivable – Balta	**2.39**	0.25
Interest receivable – Victoria US Holdings Inc	**2.91**	1.77
Dividend Income – Victoria Midco Holdings Ltd	**8.50**	13.00
Finance Income – Quest Flooring Pty Ltd	**0.60**	0.63
Amounts due from subsidiary undertakings	**823.9**	622.2
Amounts due to subsidiary undertakings	–	–

Transactions with Koch Equity Development LLC

Blake Ressel, a Non-Executive Director of Victoria PLC from 15 December 2020, is a Managing Director at Koch Equity Development LLC. On the 30 October 2020, the Company entered into a conditional investment agreement whereby KED Victoria Investments, LLC, an affiliate of Koch Equity Development, committed to invest £175 million of preferred equity in Victoria. As at 1 April 2023 Koch Equity Development have invested £225m of preferred equity in Victoria. See Note 17 for further details.

28. POST BALANCE SHEET EVENTS

The Directors are not aware of any material post balance sheet events.

Shareholder Information

CORPORATE WEBSITE

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

SHAREHOLDER QUERIES

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

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

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

DIVIDEND PAYMENTS

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

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

UNSOLICITED MAIL

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

VICTORIA PLC REGISTERED OFFICE

Worcester Six Business Park
Worcester
Worcestershire
WR4 0AE

COMPANY REGISTERED NO. (ENGLAND & WALES)

282204

ADVISERS

Auditor	Grant Thornton UK LLP – 17th Floor, 103 Colmore Row, Birmingham, B3 3AG
Bankers:	HSBC UK Bank PLC – 1 Centenary Square, Birmingham, B1 1HQ
	National Westminster Bank PLC – 250 Bishopsgate, London, EC2M 4AA
	ING – 8-10 Moorgate, London, EC2R 6DA
	Banco Bilbao Vizcaya Argentaria – One Canada Square, Canary Wharf, London, E14 5AA
	Bank of Ireland – 1 Bread Street, London, EC4M 9BE
Registrar	Link Group – Central Square, 29 Wellington Street, Leeds, LS1 4DL
Solicitor	Brown Rudnick LLP – 8 Clifford Street, London, W1S 2LQ
Nominated Adviser and Joint Broker	Singer Capital Markets – 1 Bartholomew Lane, London, EC2N 2AX
Joint Brokers	Joh Berenberg Gossler & co.KG – 60 Threadneedle Street, London, EC2R 8HP
	Peel Hunt – 100 Liverpool Street, London, EC2M 2AT
Public Relations	Walbrook PR Limited – 75 King William Street, London, EC4N 7BE

Registered Offices of Subsidiaries

Company	Registered Office Address
Victoria Midco Holdings Ltd	Worcester Six Business Park, Worcester, WR4 0AE, UK
Victoria Carpets Limited	Worcester Road, Kidderminster, Worcestershire, DY10 1JR, UK
Whitestone Carpets Holdings Limited	Worcester Road, Kidderminster, Worcestershire, DY10 1JR, UK
Ezi Floor Limited	Worcester Road, Kidderminster, Worcestershire, DY10 1JR, UK
Alliance Flooring Distribution Limited	Worcester Six Business Park, Worcester, WR4 0AE, UK
Distinctive Flooring Limited	Worcester Road, Kidderminster, Worcestershire, DY10 1JR, UK
'V'-Line Carpets Limited	Worcester Road, Kidderminster, Worcestershire, DY10 1JR, UK
Hanover Carpets Limited	Worcester Road, Kidderminster, Worcestershire, DY10 1JR, UK
Carpet Line Direct Limited	Worcester Road, Kidderminster, Worcestershire, DY10 1JR, UK
Hanover Flooring Limited	Aireside House, Royd Ings Avenue, Keighley, BD21 4BZ, UK
Flooring at Home Limited	Worcester Road, Kidderminster, Worcestershire, DY10 1JR, UK
The Victoria Carpet Company Limited	Worcester Road, Kidderminster, Worcestershire, DY10 1JR, UK
Abingdon Flooring Limited	Parkway, Pen Y Fan Industrial Estate, Croespenmaen Crumlin, Newport, NP11 4XG, UK
Venture Floorcoverings Limited	Unit 1 Parkway, Crumlin, Newport, Wales,NP11 3XG, UK
Globesign Limited	Calder Bank Mills, Calder Bank Road, Dewsbury, West Yorkshire, WF12 9QW, UK
Westex (Carpets) Limited	Calder Bank Mills, Calder Bank Road, Dewsbury, West Yorkshire, WF12 9QW, UK
Interfloor Limited	Broadway, Haslingden, Rossendale, Lancashire, BB4 4LS, UK
Interfloor Group Limited	Broadway, Haslingden, Rossendale, Lancashire, BB4 4LS, UK
Interfloor Operations Limited	Broadway, Haslingden, Rossendale, Lancashire, BB4 4LS, UK
Tacktrim Limited	Unit 10 Heathhall Industrial Estate, Dumfries, DG1 3PH, UK
Stikatak Limited	Broadway, Haslingden, Rossendale, Lancashire, BB4 4LS, UK
View Logistics Limited	Park View Road East, Hartlepool, Cleveland, TS25 1HT, UK
Whitestone Weavers Limited	Park View Road East, Hartlepool, Cleveland, TS25 1HT, UK
Thomas Witter Carpets Limited	Park View Road East, Hartlepool, Cleveland, TS25 1HT, UK
Gaskell Mackay Carpets Limited	Park View Road East, Hartlepool, Cleveland, TS25 1HT, UK
Millennum Weavers Limited	71-75 Shelton Street, Covent Garden, London, WC2H 9JQ, UK
G-Tuft Limited	Thornhill Road Business Park, Tenter Fields, Dewsbury, West Yorkshire, WF12 9QT, UK
G-Tuft (Holdings) Limited	Thornhill Road Business Park, Tenter Fields, Dewsbury, West Yorkshire, WF12 9QT, UK
G-Tuft (2015) Limited	Thornhill Road Business Park, Tenter Fields, Dewsbury, West Yorkshire, WF12 9QT, UK
Saloni UK Limited	Unit 130 Business Design Centre, 52 Upper Street, London, N1 0QH, UK
Balta Floorcoverings UK Ltd	Worcester Road, Kidderminster, Worcestershire, DY10 1JR, UK
Estillon B.V	Linie 25, 5405 AR Uden, The Netherlands
Estillon S.A.R.L.	64, Rue Claude Chappe, F-78370, Plaisir, France
Estillon GmbH	Hildesheimer, Straße 265-267, 30519 Hannover, Germany
Hugh Mackay Carpets Ireland Limited	31 Admiral Park, Baldoyle, Dublin 13, D13 TOV6, Ireland
Munster Carpets Limited	6th Floor, 2 Grand Canal Square, Dublin 2, Ireland
Abingdon Flooring (Ireland) Limited	The Black Church, St Mary's Place, Dublin 7, DO7 P4AX, Ireland
The Victoria Carpet Company Pty Limited	7-29 Gladstone Road, Dandenong, Victoria, 3175, Australia
Primary Flooring Pty Limited	380 Dohertys Road, Truganina, Victoria, 3029, Australia
Quest Flooring Pty Ltd	43-55 Mark Anthony Drive, Dandenong South, Victoria, 3175, Australia
Victoria Bidco BV	7122 AH Aalten, Dinxperlosestraatweg 52, 7122 AH Aalten, The Netherlands
Avalon BV	7122 AH Aalten, Dinxperlosestraatweg 52, 7122 AH Aalten, The Netherlands
GrassInc BV	Landweerstraat-Zuid 95 B, 5349 AK, Oss, The Netherlands
Victoria Holdco BV	7122 AH Aalten, Dinxperlosestraatweg 52, 7122 AH Aalten, The Netherlands
Edel Group BV	Nylonstraat 7, 8281JX Genemuiden, The Netherlands
Edel Grass BV	Prinses Beatrixstraat 3, 8281 CA, Genemuiden, The Netherlands
United Works Holdings BV	Nylonstraat 7, 8281JX Genemuiden, The Netherlands
United Works Grass BV	Nylonstraat 7, 8281JX Genemuiden, The Netherlands
United Works Backing BV	Nylonstraat 7, 8281JX Genemuiden, The Netherlands
United Works International BV	Nylonstraat 7, 8281JX Genemuiden, The Netherlands
Rex Invest BV	Muziekplein 67, 5402CS Uden, The Netherlands

REGISTERED OFFICES OF SUBSIDIARIES (CONTINUED)

Company	Registered Office Address
Lansdscape Solutions BV	Muziekplein 67, 5402CS Uden, The Netherlands
Schramm GMBH CO. KG	Borsigstraβe 13, 32369 Rahden, Germany
Schramm GMBH	Borsigstraβe 13, 32369 Rahden, Germany
B3 Ceramics Danişmanlik Ve Yönetim Hizmetleri Ticaret A.Ş.	Halkapinar Mah Mah, 1203/11 Sok. Sok., No: 5-7, Kat: 23, No: 231 Konak, Izmir, Turkey
Graniser Granit Seramik Sanayi ve Ticaret A.Ş.	Halkapinar Mah Mah, 1203/11 Sok. Sok., No: 5-7, Kat: 23, No: 231 Konak, Izmir, Turkey
Graniser İç ve Dış Ticaret A.Ş.	Halkapinar Mah Mah, 1203/11 Sok. Sok., No: 5-7, Kat: 23, No: 231 Konak, Izmir, Turkey
Sahika Madencilik Nakliyat Makine Insaat Ambalaj Turizm Sanayi Ticaret. A.S.	Halkapinar Mah Mah, 1203/11 Sok. Sok., No: 5-7, Kat: 23, No: 231 Konak, Izmir, Turkey
Millennium Weavers N.V	Industrie Park, Klein, Frankrijkstraat 38, 9600 Ronse, Belgium
Ceramiche Serra S.p.A	Via Estense, 10589, Serramazzoni, 41020, Italy
Victoria Ceramiche Holdco S.r.l	Foro Bonaparte 71, 20122, Milan, Italy
Victoria Ceramiche Holdco 2 S.r.l	Foro Bonaparte 71, 20122, Milan, Italy
Keradom S.r.l	Via Botticelli 10, Rubiera (RE) 42048, Italy
Dinca S.r.l	Via Botticelli 10, Rubiera (RE) 42048, Italy
Self Style S.R.L	Via Emilia Romagna, 83 – 41049, Sassuolo (Mo), Italy
Colli di Sassuolo S.r.l	Monte Mongigatto no. 24 Int. 4, 41042, Fiorano Modenese (MO), Italy
Ascot Gruppo	Via Cross 80, 41014 Castelvetro diModerna, Frazione Solignano (MO), Italy
Santa Maria S.r.l	Via Antonellini 70, 48011, Frazione Filo, Alfonsine (RA), Italy
Kinsan Trade, S.L.	Ctra Valancia - Barcelona, Km. 44.3, Nules, Castellón, Spain
Keraben Grupo S.A	Ctra Valancia - Barcelona, Km. 44.3, Nules, Castellón, Spain
AIU Poligono Ceramicas y Fritas de Nules	Carretera Nacional 340, P K.44,300, Nules Castellón, Spain
Keraben Bolivia, S.R.L	Av. Cristo Redentor y C/ Padre , Francisco Eder en la zona norte de la ciudad de Santa Cruz de la Sierra, Bolivia
Victoria Ceramics Spain, SL	Carretera N 340, Nules, 12520 , Castellón, Spain
Ceramica Saloni, S.A.	Carretera Alcora, KM 17 San Juan, de Moro 12130, Castellón, Spain
Saloni Portugal Materiais De Construcao LTDA	Materiais de Construcao, Lda, Praca Pedro Alvares Cabral, 2C, 2700-608 Amodora, Portugal
Saloni France S.A.S.	89 Street of Faubourg, Saint-Honore, 75008 Paris, France
Victoria US Holdings Inc.	Corporation Trust Center 1209 Orange St, Wilmington, DE 19801, USA
Cali Bamboo Holdings, Inc.	662 Encinititas Blvd, Suite 270 & 280, Encinititas, CA 92024, USA
Cali Bamboo Intermediate Holdings, Inc	662 Encinititas Blvd, Suite 270 & 280, Encinititas, CA 92024, USA
Cali Bamboo LLC	662 Encinititas Blvd, Suite 270 & 280, Encinititas, CA 92024, USA
Balta Industries NV	Wakkensteenweg 2, 8710 Sint, Baafs Vijve, Belgium
Balta Services NV	Wakkensteenweg 2, 8710 Sint, Baafs Vijve, Belgium
Balta Oudenaarde NV	Industriepark "De Bruwaan " 4, 9700 Oudenaarde, Belgium
Balta Orient Tekstil Sanayi Ve Ticaret A.S.	Organize Sanayi Bölgesi 109, cd. No. 351 TR64100 Uşak, Turkey
Balta Floorcovering Yer Dösemeleri Sanayi Ve Dis Ticaret A.S.	Organize Sanayi Bölgesi 201, cd. No. 563 TR64100 Uşak, Turkey
Balta US, Inc	1230 Peachtree St. NE, Suite 3100, Atlanta, Georgia 30309, USA
Ragolle Rugs NV	Maalbeekstraat 1, 8790, Waregem, Belgium
Victoria IWT Holdings Inc	c/o The Corporation Trust Company, 1209 Orange Street, Wilmington, New Castle County, Delaware 19801, USA
IWT Holdings, LLC	c/o Corporation Service Company, 2711 Centerville Road, Suite 400, New Castle County, Wilmington, Delaware 19808, USA
International Wholesale Tile, LLC	c/o Corporation Service Company, 2711 Centerville Road, Suite 400, New Castle County, Wilmington, Delaware 19808, USA

Glossary

BGF	Business Growth Fund
BPS	Basis points
Capex	Capital expenditure
CODM	Chief Operating Decision Maker
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
EPS	Earnings per share
ESG	Environmental, Social and Governance
FY22	The 52 weeks ended 2 April 2022
FY23	The 52 weeks ended 1 April 2023
FTE	Full Time Equivalent
GHG	Greenhouse Gases
H1	The 26 weeks ended 1 October 2022
H2	The 26 weeks ended 1 April 2023
IAS	International Accounting Standards
IFRS	International Financial Reporting Standards
KPIs	Key performance indicators used to assess the business performance
LFL	Like for like
LVT	Luxury vinyl tile
M&A	Mergers and acquisitions
PBT	Profit before taxation
TSA	Transition Service Agreement
TSR	Total shareholder return

Appendix

RECONCILIATION OF ALTERNATIVE PERFORMANCE MEASURES

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

Exceptional costs, non-underlying items, earnings per share and movement in net debt have been reconciled separately within the Financial Review to these accounts and within notes 2, 3, 7 and 15 respectively.

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

	Reference	**52 weeks ended 1 April 2023**	52 weeks ended 2 April 2022
Reported operating profit / (loss)	(per income statement)	**(£24.1m)**	£53.6m
Exceptional items	(per note 2)	**£85.4m**	£6.9m
Non-underlying items	(per note 2)	**£57.5m**	£47.4m
Underlying operating profit	(per income statement)	**£118.8m**	£107.9m
Depreciation and amortisation of IT software (including depreciation of right-of-use lease assets)	(per note 1)	**£90.5m**	£55.2m
Exclude non underlying depreciation	(per note 2)	**(£13.4m)**	(£0.2m)
Underlying EBITDA		**£196.0m**	£162.8m

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

			52 weeks ended 1 April 2023	52 weeks ended 2 April 2022
Underlying EBITDA	(as reconciled above)		**£196.0m**	£162.8m
Less lease costs associated with IFRS 16 (on a IAS 17 basis)			**(£24.7m)**	(£19.3m)
Adjusted EBITDA (Pre-IFRS 16)		**A**	**£171.3m**	£143.5m
Weighted average number of ordinary shares (000s) for the purposes of diluted earnings per share	(per note 7)	**B**	**152,528**	138,391
EBITDA (Pre-IFRS 16) per share		**(A/ (B/1000))**	**£1.12**	£1.04

Appendix

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

			52 weeks ended 1 April 2023	52 weeks ended 2 April 2022
Underlying operating profit	(reconciled above)		**£118.8m**	£107.9m
Proforma adjustment for acquisitions	(acquisitions shown on full year basis)		**£18.7m**	£12.6m
		A	**£137.5m**	£120.5m
Tangible fixed assets	(per note 11)		**£462.6m**	£256.0m
Working capital				
Inventories	(per note 13)		**£351.2m**	£280.7m
Trade and other receivables	(per note 14)		**£276.3m**	£223.8m
Trade, other creditors & accruals (current)	(per note 15)		**(£336.0m)**	(£312.6m)
Trade, other creditors & accruals (long term)	(per note 15)		**(£7.9m)**	(£3.6m)
Total working capital			**£283.6m**	£188.4m
Total tangible fixed assets and working capital		B	**£746.2m**	£444.4m
Return on Tangible Assets (RoTA)		(A/B)	**18.4%**	27.1%

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

		52 weeks ended 1 April 2023	52 weeks ended 2 April 2022
Reported net cash flow from operating activities before movements in working capital, tax and interest payments	(per cashflow statement)	**£132.7m**	£140.2m
Movement in working capital (per cash flow change in inventories, receivables and payables)	(per cashflow statement)	**(£11.0m)**	(£26.3m)
Acquisition-related working capital absorption & day 1 creditors	(per financial review)	**£17.3m**	–
Payment under ROU	(per cashflow statement)	**(£29.3m)**	(£18.8m)
Adjust for exceptional cash items	(per note 2)	**£48.1m**	£16.7m
Operating cash flow before interest, tax and exceptional items	N2	**£157.8m**	£111.8m
Interest paid	(per cashflow statement)	**(£34.8m)**	(£28.4m)
Corporation tax paid	(per cashflow statement)	**(£11.4m)**	(£13.7m)
Capital expenditure - replacement / maintenance of existing capabilities	N1	**(£45.6m)**	(£40.9m)
Proceeds from fixed asset disposals	(per cashflow statement)	**£5.3m**	£5.3m
Free cash flow before exceptional items		**£71.3m**	£34.2m

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

N2– Stated after payments under ROU assets which includes £24.0m of payments disclosed as financing cash flows per the cash show statement.

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

			52 weeks ended 1 April 2023	52 weeks ended 2 April 2022
Operating cash flow before interest, tax and exceptional items	(reconciled above)	A	**£157.8m**	£111.8m
Weighted average number of ordinary shares (000s) for the purposes of basic and adjusted earnings per share	(per note 7)	B	**115,746**	116,858
Underlying (operating) cash flow per share		(A/B)*1000	**£1.36**	£0.96

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

			52 weeks ended 1 April 2023	52 weeks ended 2 April 2022
Net debt before obligations under right-of-use leases	(per financial review)		**(£658.3m)**	(£406.6m)
Add deferred consideration	(per note 15)		**(£6.6m)**	(£4.0m)
Remove BGF loan			**–**	–
Adjust for 12 month average fx (on €750m bonds)			**£11.3m**	(£5.1m)
Revised net debt		A	**(£653.6m)**	(£415.8m)
Adjusted EBITDA (pre-IFRS 16)			**£171.3m**	£143.5m
Proforma adjustment for acquisitions			**£18.7m**	£12.6m
Underlying EBITDA pre-IFRS 16 proforma basis		B	**£190.0m**	£156.1m
Adjusted net debt / underlying EBITDA		(A/B)	**3.44x**	2.66x

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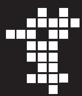
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